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.

$335,310,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2017, SERIES A

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 S&P Global Ratings
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 7-8.* Interest on the Bonds is not exempt from current State of Wisconsin income or franchise taxes—*See page 8.*
Redemption	The Bonds maturing on or after May 1, 2026 are callable at par on May 1, 2025 or any date thereafter—*See page 2.*
Security	General obligations of the State of Wisconsin–*See page 2.*
Purpose	Bond proceeds are being used for various general governmental purposes—*See page 3.*
Interest Payment Dates	May 1 and November 1
First Interest Payment Date	November 1, 2017
Denominations	Multiples of $5,000
Closing/Settlement	On or about March 29, 2017
Bond Counsel	Foley & Lardner LLP
Registrar/Paying Agent	Secretary of Administration
Issuer Contact	Wisconsin Capital Finance Office (608) 267-0374; DOACapitalFinanceOffice@wisconsin.gov
Book-Entry System	The Depository Trust Company—*See pages 3-4.*
2016 Annual Report	This Official Statement incorporates by reference, and makes updates and additions to, Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2016.

The Bonds were sold at competitive sale on March 7, 2017. The interest rates payable by the State, which are shown below, resulted from the award of the Bonds.

CUSIP	Year (May 1)	Principal Amount	Interest Rate	First Optional Call Date (May 1)	Call Price
97705M FT7	2022	$ 18,940,000	5.00%	Not Callable	-
97705M FU4	2023	19,695,000	5.00	Not Callable	-
97705M FV2	2024	20,555,000	5.00	Not Callable	-
97705M FW0	2025	21,450,000	5.00	Not Callable	-
97705M FX8	2026	22,430,000	5.00	2025	100%
97705M FY6	2027	23,690,000	5.00	2025	100
97705M FZ3	2028	17,140,000	4.00	2025	100
97705M GA7	2029	16,840,000	5.00	2025	100
97705M GB5	2030	17,760,000	5.00	2025	100
97705M GC3	2031	18,760,000	5.00	2025	100
97705M GD1	2032	19,755,000	5.00	2025	100
97705M GE9	2033	20,825,000	5.00	2025	100
97705M GF6	2034	21,945,000	5.00	2025	100
97705M GG4	2035	23,115,000	5.00	2025	100
97705M GH2	2036	24,325,000	5.00	2025	100
97705M GJ8	2037	28,085,000	5.00	2025	100

Purchase Price $386,578,360.10

March 7, 2017

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

No dealer, broker, sales representative, or other person has been authorized 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.

The Bonds will not be registered under the Securities Act of 1933, as amended, or the securities laws of any state of the United States, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement.

TABLE OF CONTENTS

STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF BONDS

BUILDING COMMISSION MEMBERS*

Voting Members	**Term of Office Expires**
Governor Scott Walker, Chairperson	January 7, 2019
Senator Terry Moulton, Vice Chairperson	January 7, 2019
Senator Jerry Petrowski	January 7, 2019
Senator Janis Ringhand	January 7, 2019
Representative Terry Katsma	January 7, 2019
Representative Rob Swearingen	January 7, 2019
Representative Dana Wachs	January 7, 2019
Mr. Robert Brandherm, Citizen Member	At the pleasure of the Governor

Nonvoting, Advisory Member

Mr. Kevin Trinastic, State Ranking Architect Department of Administration	——

Building Commission Secretary

Mr. John L. Klenke, Administrator Division of Facilities Development Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

Mr. Brad D. Schimel State Attorney General	January 7, 2019
Mr. Scott A. Neitzel, 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, FLR 10
Madison, WI 53707-7864
Telefax (608) 266-7645
DOACapitalFinanceOffice@wisconsin.gov

Mr. David Erdman
Capital Finance Director
(608) 267-0374

Mr. Joseph S. Adomakoh III
Capital Finance Officer
(608) 267-7399

* 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 Bonds of 2017, Series A
Principal Amount:	$335,310,000
Denominations:	Multiples of $5,000
Date of Issue:	Date of delivery (on or about March 29, 2017)
Record Date:	April 15 and October 15
Interest Payments:	May 1 and November 1, beginning November 1, 2017
Maturities:	May 1, 2022-37—*See front cover.*
Redemption:	*Optional*— The Bonds maturing on or after May 1, 2026 are callable at par on May 1, 2025 or any date thereafter—*See page 2.*
Form:	Book-entry-only—*See pages 3.4.*
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 February 15, 2017, general obligations of the State were outstanding in the principal amount of $8,071,307,580.
Additional General Obligation Debt:	The State may issue additional general obligation debt.
Authority for Issuance:	The Bonds are authorized by Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes.
Purpose:	Acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes.
Legality of Investment:	State law provides that the Bonds are legal investments for all banks, trust companies, bankers, savings banks and institutions, building and loan associations, , savings and loan associations, credit unions, investment companies, and other persons or entities carrying on a banking business; for all personal representatives, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	Interest on the Bonds is 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 7-8.* Interest on the Bonds is not exempt from current State of Wisconsin income or franchise taxes—*See page 8.*
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP—*See page C-1.*
2016 Annual Report	This Official Statement incorporates by reference, and makes updates and additions to, Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2016.

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OFFICIAL STATEMENT

$335,310,000
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2017, SERIES A

INTRODUCTION

This Official Statement provides information about the $335,310,000 General Obligation Bonds of 2017, Series A **(Bonds)**, which are being issued by the State of Wisconsin **(State)**. This Official Statement incorporates by reference, and makes updates and additions to, Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2016 **(2016 Annual Report)**.

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes, and are being issued pursuant to an authorizing resolution that the State of Wisconsin Building Commission **(Commission)** adopted on February 15, 2017.

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 2016 Annual Report. APPENDIX A also makes updates and additions to Part II of the 2016 Annual Report, including but not limited to:

- Estimated General Fund condition statement for the 2016-17 fiscal year and General Fund tax collection projections for the 2016-17 fiscal year and the 2017-19 biennium, as included in a report provided by the Legislative Fiscal Bureau (**LFB**) on January 18, 2017 **(January 2017 LFB Report)**.
- General Fund information for the 2016-17 fiscal year through December 31, 2016, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the remainder of the 2016-17 fiscal year, which is presented on a cash basis.
- Information about the executive budget for the 2017-19 biennium.

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

Contact:	State of Wisconsin Capital Finance Office Attn: Capital Finance Director
Mail:	101 East Wilson Street, FLR 10 P.O. Box 7864 Madison, WI 53707-7864
Phone:	(608) 267-0374
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Web site:	www.doa.wi.gov/capitalfinance

THE BONDS

General

The front cover of this Official Statement sets forth the maturity dates, principal amounts, interest rates, and redemption provisions 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 March 29, 2017) and will bear interest from that date, payable on May 1 and November 1 of each year, beginning on November 1, 2017.

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 being issued as fully-registered 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 the 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, 2026 may be redeemed on May 1, 2025 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 the Bonds, and the Capital Finance Director of the State may direct the amounts and maturities of any Bonds to be redeemed.

Selection of Bonds

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

Notice of Redemption

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

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

Registration and Payment of Bonds

So long as the Bonds are in book-entry-only form, payment of 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:

Rating	Rating Organization
AA	Fitch Ratings
AA	Kroll Bond Rating Agency, Inc.
Aa2	Moody's Investors Service, Inc.
AA	S&P Global Ratings

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. The State may elect not to continue requesting ratings on the Bonds from any particular rating organization or may elect to request ratings on the Bonds from a different rating organization.

Application of Bond Proceeds

The Wisconsin Legislature has established the borrowing purposes and amounts for which public debt may be issued. APPENDIX B presents a summary of the borrowing purposes and the amounts both authorized for, and previously attributed to, each borrowing purpose from the proceeds of general obligations (including in some cases purchase premium and interest earnings). APPENDIX B also presents the borrowing purposes and amounts for which the Bond proceeds have been authorized and are being used.

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

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 any 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 $3,788,432,462, and the cumulative debt limit is $25,256,216,413. Funding or refunding obligations 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 February 15, 2017, general obligations of the State were outstanding in the principal amount of $8,071,307,580. 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 2017

General Obligations

The Bonds are the first series of general obligations to be issued in calendar year 2017. In addition, the Commission has authorized the issuance of the following general obligations:

- Up to $85 million of additional general obligations for general governmental purposes. The State expects to issue these additional general obligations in the form of fixed rate bonds or variable rate notes with an initial issuance date in the second or third quarter of calendar year 2017.
- Up to $595 million of general obligations for the refunding of general obligation bonds previously issued for general governmental purposes. The amount and timing of any sale and issuance of general obligations for refunding purposes depend, among other factors, on market conditions.
- General obligations for the funding of the State's outstanding general obligation commercial paper notes and extendible municipal commercial paper notes, which were outstanding in the amount of $634 million as of February 15, 2017. 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

The Commission has authorized up to $144 million of transportation revenue obligations for major highway projects and facilities. The State expects to issue these obligations in the second or third quarter of calendar year 2017. The Commission has also authorized up to $375 million of transportation revenue obligations to refund outstanding transportation revenue bonds. The amount and timing of any issuance of transportation revenue refunding bonds depend, among other factors, on market conditions.

The Commission has authorized up to $580 million of environmental improvement fund revenue obligations for both refunding the State's outstanding clean water revenue bonds and new money purposes. The State expects to issue a portion of these obligations in the second quarter of calendar year 2017, for both new money purposes and to defease outstanding clean water revenue bonds. The amount and timing of any additional issuance of environmental improvement fund revenue bonds depend on many factors, including loan activity in the State's Clean Water Fund Program and market conditions.

The State may issue master lease certificates of participation in calendar year 2017. The amount and timing of any issuance of master lease certificates of participation depend, among other factors, on market conditions and originations in the State's Master Lease Program.

The State has issued two series of general fund annual appropriation refunding bonds in this calendar year in the aggregate principal amount of $530 million. The State has very limited authority (approximately $12 million) to issue additional general fund annual appropriation bonds for new money purposes. The State has unlimited authority for the issuance of general fund annual appropriation refunding bonds. The amount and timing of any additional issuance of general fund annual appropriation refunding bonds depend, among other factors, on market conditions.

The State does not expect to issue operating notes for the 2016-17 fiscal year.

Underwriting

The Bonds were purchased through competitive bidding on March 7, 2017 by the following account **(Underwriters)**: Citigroup Global Markets Inc. (book-running manager), Roosevelt & Cross, Inc., Ramirez & Co., Inc., Siebert Cisneros Shank & Co., L.L.C., Drexel Hamilton, LLC, Williams Capital Group L.P., Stifel, Nicolaus & Company, Inc., Piper Jaffray & Co, Loop Capital Markets, Oppenheimer & Co., Intercoastal Capital Markets Inc., Mischler Financial Group, Inc., PNC Capital Markets LLC, Stern Brothers & Co., R. Seelaus & Company, Inc., Fifth Third Securities, Inc., and William Blair & Company, L.L.C. with Cabrera Capital Markets, LLC, Mesirow Financial Inc., Protective Securities, Rice Financial Products Company, Security Capital Brokerage, Inc., and Wiley Brother-Aintree Capital, LLC.

The Underwriters paid $386,578,360.10, and their bid resulted in a true-interest-cost rate to the State of 3.4389%.

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 the first optional call date or the yield to the nominal maturity date.

$335,310,000
State of Wisconsin
General Obligation Bonds of 2017, Series A

Dated Date: Date of Delivery
First Interest Date: November 1, 2017
Delivery/Settlement Date: On or about March 29, 2017

CUSIP	Year (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance		First Optional Call Date (May 1)	Call Price
97705M FT7	2022	$ 18,940,000	5.00%	1.67%	116.179%		Not Callable	-
97705M FU4	2023	19,695,000	5.00	1.92	117.617		Not Callable	-
97705M FV2	2024	20,555,000	5.00	2.15	118.644		Not Callable	-
97705M FW0	2025	21,450,000	5.00	2.33	119.578		Not Callable	-
97705M FX8	2026	22,430,000	5.00	2.46	118.525	(a)	2025	100%
97705M FY6	2027	23,690,000	5.00	2.57	117.643	(a)	2025	100
97705M FZ3	2028	17,140,000	4.00	2.82	108.479	(a)	2025	100
97705M GA7	2029	16,840,000	5.00	2.69	116.689	(a)	2025	100
97705M GB5	2030	17,760,000	5.00	2.77	116.058	(a)	2025	100
97705M GC3	2031	18,760,000	5.00	2.87	115.275	(a)	2025	100
97705M GD1	2032	19,755,000	5.00	2.92	114.886	(a)	2025	100
97705M GE9	2033	20,825,000	5.00	2.99	114.344	(a)	2025	100
97705M GF6	2034	21,945,000	5.00	3.05	113.882	(a)	2025	100
97705M GG4	2035	23,115,000	5.00	3.10	113.498	(a)	2025	100
97705M GH2	2036	24,325,000	5.00	3.14	113.193	(a)	2025	100
97705M GJ8	2037	28,085,000	5.00	3.18	112.888	(a)	2025	100

[a] These Bonds are priced to the May 1, 2025 first optional call date.

Legal Investment

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

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

Legal Opinions

Bond Opinions

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 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. 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.

Other Legal Matters

The State and its officers and employees are defendants in numerous lawsuits. The State does not expect that any pending litigation will be finally determined so as to result individually or in the aggregate in final judgments against the State that would materially affect the State's ability to pay the principal of and interest on the Bonds.

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.

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 that Bond is the amortizable bond premium. The issue price of the Bonds having a common maturity date and interest rate 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 in the table under "OTHER INFORMATION; Reference Information About the Bonds".

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 file the Annual Report with the Municipal Securities Rulemaking Board **(MSRB)** through its Electronic Municipal Market Access **(EMMA)** system. The State will also provide to the MSRB notices of the occurrence of certain events specified in the undertaking. Part I of the 2016 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 Department of Administration
Attn: Capital Finance Office
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 267-0374
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. During that period, rating agencies have changed their respective ratings with respect to various bond insurers. Certain obligations previously issued by the State were insured by policies issued by these bond insurers, and the State did not file notice of those rating changes, based on a determination that the changes were not material. On July 31, 2014, the State filed with the MSRB through its EMMA system, as a technical clarification, a written notice of those rating changes of bond insurers where the rating before the change was above the underlying rating of the respective State obligations.

Dated: March 7, 2017

STATE OF WISCONSIN

/S/ SCOTT WALKER

Governor Scott Walker, Chairperson
State of Wisconsin Building Commission

/S/ SCOTT A. NEITZEL

Scott A. Neitzel, Secretary
State of Wisconsin Department of Administration

/S/ JOHN L. KLENKE

John L. Klenke, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin **(State)** and its general obligations, contained in Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2016 **(2016 Annual Report)**, which can be obtained as described below. This Appendix also makes updates and additions to the information presented in Part II of the 2016 Annual Report, including, but not limited to:

- Estimated General Fund condition statement for the 2016-17 fiscal year and General Fund tax collection projections for the 2016-17 fiscal year and the 2017-19 biennium, as included in a report provided by the Legislative Fiscal Bureau (**LFB**) on January 18, 2017 **(January 2017 LFB Report)**.

- General Fund information for the 2016-17 fiscal year through December 31, 2016, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the remainder of the 2016-17 fiscal year, which is presented on a cash basis.

- Information about the executive budget for the 2017-19 biennium.

Part II of the 2016 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 2015-16 and State budget for the 2015-17 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

The State's audited general purpose external financial statements for the fiscal year ended June 30, 2016 were not available as of the date of the 2016 Annual Report. When available, the State's audited general purpose external financial statements for the fiscal year ended June 30, 2016 will be filed within 10 business days with the Municipal Securities Rulemaking Board **(MSRB)** through its Electronic Municipal Market Access **(EMMA)** system, and made a part of APPENDIX A to Part II of the 2016 Annual Report. The State's audited general purpose external financial statements and independent auditor's report for the fiscal year ended June 30, 2015 have been available since December 2015 from the MSRB through its EMMA system.

Part III of the 2016 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 2016 Annual Report was filed with the MSRB through its 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 2016 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) 267-0374
DOACapitalFinanceOffice@wisconsin.gov

The State independently provided, from July 2001 to June 2013, monthly reports on general fund financial information. The State did not provide these monthly reports from June 2013 through March 2014, and the frequency of the reports provided during calendar years 2015 and 2016 was less than monthly. These reports are not required by any of the State's undertakings to provide information concerning the State's securities. These 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, the reports are not incorporated by reference into this Official Statement or Part II of the 2016 Annual Report. The State is not obligated to provide such reports at any time in the future.

After publication and filing of the 2016 Annual Report, certain changes or events have occurred that affect items discussed in the 2016 Annual Report. Listed below by reference to particular sections of Part II of the 2016 Annual Report, are changes or additions to the discussions contained in those particular sections. When such changes occur, the State may or may not file notices 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 based on information released after the date of the Preliminary Official Statement (February 27, 2017). Any such change or addition is identified accordingly.

State Budget; Budget for the 2016-17 Fiscal Year (Part II, Pages 35-36). Update with the following information:

January 2017 LFB Report – General Fund Condition Statement

The January 2017 LFB Report includes an estimated General Fund condition statement for the 2016-17 fiscal year. The table on the following page includes this updated General Fund condition statement for the 2016-17 fiscal year and shows a projected ending net balance of $362 million.

The table on the following page also includes, for comparison, the actual General Fund condition statement for the 2015-16 fiscal year and the estimated General Fund condition statements from the 2015-17 biennial budget (2015 Wisconsin Act 55) and a report provided by the Department of Administration (**DOA**) on November 21, 2016 **(November 2016 DOA Report)**.

ESTIMATED GENERAL FUND CONDITION STATEMENT
2016-17 FISCAL YEAR
(in Millions)

	2015-16 Fiscal Year Annual Fiscal Report	2016-17 Fiscal Year: 2015-17 Biennial Budget	2016-17 Fiscal Year: DOA November 2016	2016-17 Fiscal Year: LFB January 2017
Revenues				
Opening Balance	$ 135.6	$ 161.8	$ 331.0	$ 331.0
Prior-Year Designation	91.3	-	-	-
Taxes	15,097.5	15,791.6	15,440.2	15,503.6
Department Revenues				
Tribal Gaming	26.2	23.1	25.5	24.4
Other	491.4	513.5	484.7	518.9
Total Available	$ 15,842.0	$ 16,490.0	$16,281.5	$ 16,377.9
Appropriations				
Gross Appropriations	$ 15,850.9	$ 17,041.4	$17,015.0	$ 17,015.0
Sum Sufficient Reestimates	-	-	-	(55.4)
Prelim. Debt Service Reestimates	-	-	(10.1)	-
Transfers	38.0	39.5	39.5	39.5
Biennial Approp. Adjustments	-	-	-	(4.7)
Compensation Reserves	0.9	18.6	18.6	18.6
Less: Lapses	(378.9)	(740.8)	(886.3)	(1,062.3)
Net Appropriations	$15,510.9	$ 16,358.7	$16,176.7	$15,950.7
Balances				
Gross Balance	331.0	131.4	104.8	427.2
Less: Req. Statutory Balance	n/a	(65.0)	(65.0)	(65.0)
Net Balance, June 30	$ 331.0	$ 66.4	$ 39.7	$ 362.2

January 2017 LFB Report – General Fund Tax Collections

The January 2017 LFB Report also includes estimates of General Fund tax collections for the 2016-17 fiscal year, which are $15.504 billion, or an increase of $406 million (or 2.7%) from collections in the 2015-16 fiscal year, and an increase of $63 million (or 0.4%) from the November 2016 DOA Report.

The following table provides a summary of estimated General Fund tax collection for the 2016-17 fiscal year. For comparison purposes, the following are also provided: the actual collections as reported in the 2015-16 Annual Fiscal Report, the estimated collections upon which the 2015-17 biennial budget was enacted, and the estimated collections provided in the November 2016 DOA Report.

ESTIMATED GENERAL FUND TAX
REVENUE COLLECTIONS
2016-17 FISCAL YEAR
(in Millions)

	2015-16 Fiscal Year Annual Fiscal Report	2016-17 Fiscal Year 2015-17 Biennial Budget	DOA November 2016	LFB January 2017
Individual Income	$ 7,740.8	$ 8,238.4	$ 8,018.5	$ 8,050.0
Sales and Use	5,065.8	5,224.0	5,172.3	5,215.0
Corp. Income & Franchise	963.0	1,015.7	888.5	900.0
Public Utility	360.6	373.4	377.5	359.7
Excise				
Cigarettes	573.4	545.5	575.4	565.0
Tobacco Products	76.1	73.6	79.8	82.0
Liquor & Wine	50.0	49.4	51.1	51.0
Beer	9.0	8.4	9.1	8.9
Insurance Company	177.3	187.0	184.0	187.0
Miscellaneous Taxes	81.5	76.3	84.0	85.0
TOTAL	$15,097.5	$ 15,791.6	$15,440.2	$ 15,503.6

A complete copy of the January 2017 LFB Report is included at the end of this Appendix A. In addition, the State has filed the January 2017 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on pages A-1 and A-2.

State Budget; Budget for the 2017-19 Biennium (Page II; Pages 36-37)

January 2017 LFB Report– General Fund Tax Collections

The January 2017 LFB Report also includes estimates of the General Fund tax collections for the 2017-18 and 2018-19 fiscal years. The January 2017 LFB Report anticipates a $530 million (or 3.4%) increase from the 2016-17 fiscal year to the 2017-18 fiscal year. During that same time frame, the increase in the November 2016 DOA Report is $448 million (or 2.9%). The January 2017 LFB Report also anticipates a $583 million (or 3.6%) increase in tax collections from the 2017-18 fiscal year to 2018-19 fiscal year. During that same time frame, the projected increase in the November 2016 DOA Report is $482 million (or 3.0%).

The following table provides a summary of estimated General Fund tax collection for the 2017-18 and 2018-19 fiscal years. For comparison purposes the following table also provides the estimated collections from the November 2016 DOA Report.

ESTIMATED GENERAL FUND TAX
REVENUE COLLECTIONS
2017-18 AND 2018-19 FISCAL YEARS
(in Millions)

	2017-18 Fiscal Year		2018-19 Fiscal Year	
	DOA November 2016	LFB January 2017	DOA November 2016	LFB January 2017
Individual Income	$ 8,320.3	$ 8,360.0	$ 8,655.2	$ 8,710.0
Sales and Use	5,308.4	5,370.0	5,459.3	5,580.0
Corp. Income & Franchise	897.8	940.0	881.8	950.0
Public Utility	380.1	373.5	382.2	378.2
Excise				
Cigarettes	564.3	565.0	555.5	561.0
Tobacco Products	83.6	85.0	86.8	88.0
Liquor & Wine	51.8	52.0	52.7	53.0
Beer	9.1	8.9	9.1	8.8
Insurance Company	185.9	192.0	199.3	197.0
Miscellaneous Taxes	86.8	87.0	88.2	90.0
TOTAL	$15,888.1	$ 16,033.4	$16,370.1	$ 16,616.0

A complete copy of the January 2017 LFB Report is included at the end of this Appendix A. In addition, the State has filed the January 2017 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on pages A-1 and A-2.

2017-19 Executive Budget

The Governor's executive budget for the 2017-19 biennium was released on February 8, 2017. The Governor's executive budget bill has been introduced in both houses of the Legislature and has been further referred to the Joint Committee on Finance for review. Both detailed and summary information about the Governor's executive budget for the 2017-19 biennium can be obtained from the following website:

http://doa.wi.gov/Divisions/Budget-and-Finance/Biennial-Budget/201719-Executive-Budget/

LFB has completed an initial review of the Governor's executive budget for the 2017-19 biennium , and released a summary on March 7, 2017, after the date of the Preliminary Official Statement. The summary prepared by LFB can be obtained from the following website:

https://docs.legis.wisconsin.gov/misc/lfb/budget/2017_19_biennal_budget

The websites identified above are for the convenience of the reader only and are not incorporated by reference into this Official Statement. In addition, information on the Governor's executive budget for the 2017-19 biennium has been filed with the MSRB through its EMMA system, and additional information about the executive budget is available from the State as provided on pages A-1 and A-2.

The following table includes the estimated General Fund condition statement for the 2017-18 and 2018-19 fiscal years, as detailed in the Governor's executive budget for the 2017-19 biennium.

ESTIMATED GENERAL FUND CONDITION STATEMENT
2017-18 AND 2018-19 FISCAL YEARS
(in Millions)

	2017-18 Fiscal Year Estimated	2018-19 Fiscal Year Estimated
Revenues		
Opening Balance	$ 453.0	$ 297.7
Taxes	15,973.2	16,573.0
Department Revenues		
Tribal Gaming	25.9	25.7
Other	493.2	447.4
Total Available	$ 16,945.3	$ 17,343.9
Appropriations		
Gross Appropriations	$ 16,899.2	$ 17,619.1
EO #230: Special Session Bills	-	5.0
Transfers	59.9	41.4
Compensation Reserves	14.4	35.3
Less: Lapses	(326.0)	(438.6)
Net Appropriations	$16,647.5	$ 17,262.3
Balances		
Gross Balance	297.7	81.6
Less: Req. Statutory Balance	(70.0)	(75.0)
Net Balance, June 30	$ 227.7	$ 6.6

General Fund Information; General Fund Cash Flow (Part II; Pages 43-55). The following tables provide updates and additions to various tables containing General Fund information for the 2016-17 fiscal year, which are presented on either a cash basis or an agency-recorded basis. Unless otherwise noted, the following tables include information through December 31, 2016 and projected General Fund information (cash basis) for the remainder of the 2016-17 fiscal year.

The results, projections, and estimates in the following tables (except where noted in such tables) reflect the budget bill for the 2015-17 biennium (2015 Wisconsin Act 55), the estimated General Fund tax revenues included in a report provided by the LFB on January 21, 2016 (**January 2016 LFB Report**) and provisions enacted into law by June 30, 2016. These estimates do not reflect the November 2016 DOA Report or the January 2017 LFB Report.

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 or 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, 2016 TO DECEMBER 31, 2016[(a)]
PROJECTED GENERAL FUND CASH FLOW; JANUARY 1, 2017 TO JUNE 30, 2017[(a) (b)]
(Cash Basis)
(Amounts in Thousands)

	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
BALANCES[(a)(b)]												
Beginning Balance	$ 1,060,311	$ (146,310)	$ 818,825	$ 1,125,530	$ 1,903,622	$ 1,732,927	$ 1,276,921	$ 2,453,691	$ 2,361,613	$ 1,019,699	$ 1,352,048	$ 1,880,400
Ending Balance[(c)]	(146,310)	818,825	1,125,530	1,903,622	1,732,927	1,276,921	2,453,691	2,361,613	1,019,699	1,352,048	1,880,400	1,543,735
Lowest Daily Balance [(c)]	(217,092)	(147,381)	245,613	980,562	1,497,053	14,077	1,276,921	2,227,893	1,019,699	940,651	1,041,598	1,229,356
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 487,412	$ 798,604	$ 816,815	$ 767,801	$ 559,830	$ 664,948	$ 1,376,008	$ 689,051	$ 736,338	$ 1,207,584	$ 729,490	$ 828,497
Sales & Use	509,403	491,367	490,404	480,185	455,468	431,654	528,156	400,470	385,339	454,059	437,472	490,950
Corporate Income	31,799	28,898	190,159	41,838	32,721	191,018	35,572	35,255	251,371	67,181	35,149	220,362
Public Utility	25	26	301	16,001	204,109	131	26	526	138	1,289	186,150	1,029
Excise	65,149	61,593	65,727	62,193	61,036	57,047	60,345	47,014	52,545	58,501	57,580	60,912
Insurance	228	5,804	35,999	75	4,574	38,863	352	6,803	4,259	10,749	1,585	10,732
Subtotal Tax Receipts	$ 1,094,016	$ 1,386,292	$ 1,599,405	$ 1,368,093	$ 1,317,738	$ 1,383,661	$ 2,000,459	$ 1,179,119	$ 1,429,990	$ 1,799,363	$ 1,447,426	$ 1,612,482
NON-TAX RECEIPTS												
Federal	$ 755,424	$ 1,009,232	$ 852,227	$ 529,813	$ 719,421	$ 721,757	$ 957,811	$ 956,441	$ 732,013	$ 708,365	$ 750,023	$ 736,851
Other & Transfers	515,928	450,330	619,385	632,168	384,789	484,043	297,059	636,772	411,492	477,639	410,046	633,836
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,271,352	$ 1,459,562	$ 1,471,612	$ 1,161,981	$ 1,104,210	$ 1,205,800	$ 1,254,870	$ 1,593,213	$ 1,143,505	$ 1,186,004	$ 1,160,069	$ 1,370,687
TOTAL RECEIPTS	$ 2,365,368	$ 2,845,854	$ 3,071,017	$ 2,530,074	$ 2,421,948	$ 2,589,461	$ 3,255,329	$ 2,772,332	$ 2,573,495	$ 2,985,367	$ 2,607,495	$ 2,983,169
DISBURSEMENTS												
Local Aids	$ 1,604,248	$ 189,043	$ 793,131	$ 100,094	$ 868,104	$ 1,250,587	$ 167,818	$ 640,243	$ 1,565,458	$ 87,825	$ 174,901	$ 1,824,368
Income Maintenance	985,172	719,310	773,713	726,744	754,110	833,525	838,590	728,358	846,600	780,044	739,734	367,421
Payroll and Related	301,415	323,227	502,723	303,117	437,896	413,804	509,809	392,763	562,646	376,092	373,422	480,719
Tax Refunds	87,392	92,922	90,360	117,565	138,543	155,781	84,755	593,822	553,182	513,345	159,351	132,614
Debt Service	250,746	-	-	116,003	-	-	-	6,253	-	506,012	107,860	259
Miscellaneous	343,016	556,217	604,385	388,459	393,990	391,770	477,587	502,972	387,523	389,700	523,875	514,453
TOTAL DISBURSEMENTS	$ 3,571,989	$ 1,880,719	$ 2,764,312	$ 1,751,982	$ 2,592,643	$ 3,045,467	$ 2,078,559	$ 2,864,411	$ 3,915,409	$ 2,653,018	$ 2,079,143	$ 3,319,834

(a) The results, projections, or estimates in this table reflect the enacted budget for the 2015-17 biennium (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. These estimates do not include information provided in the November 2016 DOA Report or the January 2017 LFB Report, or 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 for the 2014-15 fiscal year, ranged from $1.1 billion to $2.4 billion for the 2015-16 fiscal year, and are anticipated to range from $1.1 billion to $2.4 billion in the 2016-17 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 2016-17 fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund may be 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 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 2016-17 fiscal year are approximately $1.531 billion and $510 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 or 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.

GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR [(a)]

(Cash Basis)

As of December 31, 2016 (2016-17 Fiscal Year)

(Amounts in Thousands)

	2015-16 Fiscal Year through December 31, 2015	2016-17 Fiscal Year through December 31, 2016				
	Actual	Actual	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY16 Actual to FY17 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 3,802,829	$ 4,095,410	$ 3,905,691	$ 189,719	$ 189,719	$ 292,581
Sales	2,789,099	2,858,481	2,887,264	(28,783)	(28,783)	69,382
Corporate Income	600,070	516,433	622,262	(105,829)	(105,829)	(83,637)
Public Utility	220,326	220,593	227,219	(6,626)	(6,626)	267
Excise	371,948	372,745	372,211	534	534	797
Insurance	14,287	85,543	14,627	70,916	70,916	71,256
Inheritance	-	-	-	-	-	-
Total Tax Receipts	$ 7,798,559	$ 8,149,205	$ 8,029,274	$ 119,931	$ 119,931	$ 350,646
Non-Tax Receipts						
Federal	$ 4,465,049	$ 4,587,874	$ 4,613,787	$ (25,913)	$ (25,913)	$ 122,825
Other and Transfers	2,633,870	3,086,643	2,725,741	360,902	360,902	452,773
Note Proceeds	-	-	-	-	-	-
Total Non-Tax Receipts	$ 7,098,919	$ 7,674,517	$ 7,339,528	$ 334,989	$ 334,989	$ 575,598
TOTAL RECEIPTS	$ 14,897,478	$ 15,823,722	$ 15,368,802	$ 454,920	$ 454,920	$ 926,244
DISBURSEMENTS						
Local Aids	$ 4,434,585	$ 4,805,207	$ 4,756,146	$ (49,061)	$ (49,061)	$ 370,622
Income Maintenance	4,597,332	4,792,574	4,900,295	107,721	107,721	195,242
Payroll & Related	2,394,464	2,282,182	2,363,113	80,931	80,931	(112,282)
Tax Refunds	643,704	682,563	636,601	(45,962)	(45,962)	38,859
Debt Service	431,250	366,749	431,672	64,923	64,923	(64,501)
Miscellaneous	2,567,253	2,677,837	2,645,602	(32,235)	(32,235)	110,584
Note Repayment	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 15,068,588	$ 15,607,112	$ 15,733,429	$ 126,317	$ 126,317	$ 538,524
2016-17 FISCAL YEAR VARIANCE YEAR-TO-DATE				$ 581,237	$ 581,237	

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) The estimates and projections for the 2016-17 fiscal year (cash basis) reflect the 2015-17 biennial budget (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. These estimates do not reflect revisions provided in the November 2016 DOA Report or the January 2017 LFB Report.

(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 and the result is a large variance. This column includes adjustments, if any, to the variances 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, 2014 through December 31, 2016 – Actual
January 1, 2017 through June 30, 2017 – Estimated[(b)]
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts[(c)]	Disbursements[(c)]
2014	July	$ 1,500,597	$ 2,523,202	$ 3,402,690
	August	621,109	1,925,561	1,790,500
	September	756,170	3,309,752	2,336,835
	October	1,729,087	2,397,552	2,054,160
	November	2,072,479	2,105,588	2,330,123
	December	1,847,944	2,469,466	3,115,458
2015	January	1,201,952	2,912,758	1,952,696
	February	2,162,014	2,554,751	2,832,186
	March	1,884,579	2,595,511	3,261,704
	April	1,218,386	3,028,756	2,745,526
	May	1,501,616	2,140,123	1,952,163
	June	1,689,576	3,028,930	3,347,952
	July	1,370,554	2,622,023	3,523,484
	August	469,093	1,965,328	1,705,255
	September	729,166	3,055,596	2,581,501
	October	1,203,261	2,296,817	1,942,430
	November	1,557,648	2,439,966	2,376,141
	December	1,621,473	2,517,748	2,939,777
2016	January	1,199,444	2,590,587	1,886,391
	February	1,903,640	3,053,750	2,926,414
	March	2,030,976	2,485,380	3,341,140
	April	1,175,216	2,816,953	2,903,535
	May	1,088,634	2,454,537	1,595,440
	June	1,947,731	2,703,561	3,590,981
	July	1,060,311 [(d)]	2,365,368	3,571,989
	August	(146,310) [(d)]	2,845,854	1,880,719
	September	818,825	3,071,017	2,764,312
	October	1,125,530	2,530,074	1,751,982
	November	1,903,622	2,421,948	2,592,643
	December	1,732,927	2,589,461	3,045,467
2017	January	1,276,921	3,255,329	2,078,559
	February	2,453,691	2,772,332	2,864,411
	March	2,361,612	2,573,495	3,915,409
	April	1,019,698	2,985,367	2,653,018
	May	1,352,047	2,607,495	2,079,143
	June	1,880,399	2,983,169	3,319,834

(a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).
(b) The estimates and projections for the 2016-17 fiscal year (cash basis) reflect the 2015-17 biennial budget (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. These estimates do not reflect revisions provided in the November 2016 DOA Report or the January 2017 LFB Report.
(c) Operating notes have not been issued for the 2014-15, 2015-16 or 2016-17 fiscal years.
(d) At some period during the month, the General Fund was in a negative cash position. The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect (approximately $1.531 billion in the 2016-17 fiscal year) 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 (approximately $510 million in the 2016-17 fiscal year). If the amount of available to the General Fund is not sufficient, 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) (b)]
July 31, 2014 to December 31, 2016 — Actual
January 1, 2017 to June 30, 2017 — Projected [(c)]

(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 $2.16 billion during November 2012 to a high of $3.88 billion during August 2016. The Secretary of Administration may not exercise the authority to use temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which a temporary reallocation would be made.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2014	2015	2016	2017
January		$1,264	$1,613	$1,613
February		1,368	1,613	1,613
March		1,406	1,612	1,612
April		1,415	1,575	1,575
May		1,430	1,517	1,517
June		1,481	1,752	1,752
July.....................	$1,396	1,245	1,597	
August	1,311	1,359	1,481	
September...........	1,373	1,674	1,622	
October...............	1,294	1,303	1,420	
November...........	1,266	1,277	1,390	
December	1,346	1,557	1,683	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2014	2015	2016	2017
January................		$4,198	$4,639	$4,639
February.............		4,464	4,871	4,871
March.................		4,688	5,177	5,177
April....................		4,354	4,969	4,969
May.....................		4,241	4,756	4,756
June.....................		4,222	4,905	4,905
July	$4,588	4,642	5,803	
August	3,879	4,071	4,750	
September...........	3,821	4,249	4,663	
October...............	3,438	3,589	4,292	
November...........	3,440	3,621	4,120	
December	3,965	4,275	4,902	

(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 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.

(c) The estimates and projections for the 2016-17 fiscal year (cash basis) reflect the 2015-17 biennial budget (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. These estimates do not reflect revisions provided in the November 2016 DOA Report or the January 2017 LFB Report.

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, 2016 to December 31, 2016 Compared With Previous Year

	Annual Fiscal Report Revenues 2015-16 Fiscal Year[(b)]	Projected Revenues 2016-17 Fiscal Year[(c)]	Recorded Revenues July 1, 2015 to December 31, 2015 [(d)]	Recorded Revenues July 1, 2016 to December 31, 2016 [(e)]
Individual Income Tax ....……..	$ 7,740,825,000	$ 8,238,400,000	$ 3,355,449,853	$ 3,506,854,660
General Sales and Use Tax ……	5,065,762,000	5,223,960,000	2,113,579,248	2,163,078,480
Corporate Franchise			0	-
and Income Tax ....……..	963,027,000	1,015,700,000	448,625,473	354,801,574
Public Utility Taxes ....…….	360,597,000	373,400,000	197,391,955	220,140,198
Excise Taxes ....……	708,509,000	676,850,000	310,164,683	308,854,450
Inheritance Taxes ....………	1,745,000	-	0	78,241
Insurance Company Taxes ……..	177,326,000	187,000,000	80,528,323	85,109,408
Miscellaneous Taxes ....……….	79,698,000	76,300,000	123,204,807	134,737,367
SUBTOTAL............…………	15,097,489,000	15,791,610,000	6,628,944,342	6,773,654,377
Federal and Other Inter-				
Governmental Revenues[(f)] ....….	10,009,068	10,668,877,300	4,477,169,644	4,644,421,162
Dedicated and				
Other Revenues[(g)] ....…….	16,064,687,932	6,718,222,600	3,056,828,131	2,821,091,030
TOTAL...................…………	$ 31,172,186,000	$ 33,178,709,900	$ 14,162,942,117	$ 14,239,166,570

(a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2015-16 fiscal year dated October 15, 2016 and subsequently restated on November 21, 2016.
(c) The estimates and projections for the 2016-17 fiscal year (cash basis) reflect the 2015-17 biennial budget (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. These estimates do not reflect revisions provided in the November 2016 DOA Report or the January 2017 LFB Report.
(d) The amounts shown are the 2015-16 fiscal year general purpose revenues and program revenues taxes as recorded by State agencies. There may be differences between the tax revenues shown in this report and those that may be reported by DOR from time to time in their monthly general purpose revenue collections report; the DOR report (i) only includes general purpose revenues or taxes that are actually collected by DOR (and not by other State agencies), and (ii) may include accruals or other adjustments that may not be recorded by State agencies until a subsequent month.
(e) The amounts shown are the 2016-17 fiscal year general purpose revenues and program revenue taxes as recorded by State agencies. There may be differences between the tax revenues shown in this report and those that may be reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report (i) only includes general purpose revenues or taxes that are actually collected by DOR (and not by other State agencies), and (ii) may include accruals or other adjustments that may not be recorded by State agencies until a subsequent month.
(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[(a)]
(Agency-Recorded Basis)
July 1, 2016 to December 31, 2016 Compared With Previous Year

	Annual Fiscal Report Expenditures 2015-16 Fiscal Year[(b)]	Appropriations 2016-17 Fiscal Year[(c)]	Recorded Expenditures July 1, 2015 to December 31, 2015[(d)]	Recorded Expenditures July 1, 2016 to December 31, 2016[(e)]
Commerce	$ 199,200,000	$ 208,732,100	$ 83,813,743	$ 88,910,358
Education	12,795,785,000	13,475,926,900	5,433,073,611	5,671,027,106
Environmental Resources	305,488,000	321,761,500	84,486,034	65,259,938
Human Relations & Resources	14,048,751,000	14,014,356,300	6,989,192,948	7,138,918,482
General Executive	1,005,715,000	1,545,987,600	605,095,980	634,662,026
Judicial	130,937,000	137,569,900	57,963,867	66,021,853
Legislative	66,951,000	75,617,400	28,447,125	29,072,992
General Appropriations	2,299,329,000	2,514,205,700	1,956,774,402	2,102,184,310
TOTAL	$ 30,852,156,000	$ 32,294,157,400	$ 15,238,847,710	$ 15,796,057,065

(a) The expenditures in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2015-16 fiscal year dated October 15, 2016 and subsequently restated on November 21, 2016.
(c) The estimates and projections for the 2016-17 fiscal year (cash basis) reflect the 2015-17 biennial budget (2015 Wisconsin Act 55) and the estimated General Fund tax revenues included in the January 2016 LFB Report. These estimates do not reflect revisions provided in the November 2016 DOA Report or the January 2017 LFB Report.
(d) The amounts shown are 2015-16 fiscal year expenditures as recorded by State agencies.
(e) The amounts shown are 2016-17 fiscal year expenditures as recorded by State agencies.

Source: Wisconsin Department of Administration.

Table II-39; Unemployment Rate Comparison (Part II; Page 90). Replace with the following updated table.

UNEMPLOYMENT RATE COMPARISON[a][b]
By Month 2011 To 2016
By Quarter 2007 To 2010

	2016		2015		2014		2013		2012		2011	
	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.
January	5.2	5.3	5.4	6.1	6.4	7.0	7.9	8.5	7.8	8.8	8.8	9.8
February	5.5	5.2	5.5	5.8	6.8	7.0	7.9	8.1	8.2	8.7	9.1	9.5
March	5.0	5.1	5.3	5.6	6.6	6.8	7.6	7.6	7.9	8.4	8.8	9.2
April	4.3	4.7	4.5	5.1	5.6	5.9	7.1	7.1	7.0	7.7	7.9	8.7
May	3.8	4.5	4.6	5.3	5.4	6.1	6.5	7.3	7.0	7.9	7.7	8.7
June	4.4	5.1	4.8	5.5	5.6	6.3	7.1	7.8	7.5	8.4	8.2	9.3
July	4.2	5.1	4.6	5.6	5.5	6.5	6.7	7.7	7.3	8.6	7.8	9.3
August	4.0	5.0	4.2	5.2	5.1	6.3	6.3	7.3	6.9	8.2	7.5	9.1
September..	3.5	4.8	4.0	4.9	4.6	5.7	5.9	7.0	6.1	7.6	7.0	8.8
October......	3.5	4.7	3.9	4.8	4.4	5.5	5.9	7.0	6.0	7.5	6.7	8.5
November..	3.6	4.4	4.2	4.8	4.5	5.5	6.0	6.6	6.2	7.4	6.7	8.2
December ..	3.7	4.5	4.2	4.8	4.5	5.4	6.0	6.5	6.6	7.6	6.9	8.3
Annual Average	N.A.	4.9	4.6	5.3	5.4	6.2	6.7	7.4	7.0	8.1	7.8	8.9

2010 Quarters	WI	U.S.	2009 Quarters	WI	U.S.
I	10.3	10.4	I	8.6	8.8
II	8.7	9.5	II	8.7	9.1
III	8.1	9.5	III	8.5	9.6
IV	7.6	9.2	IV	8.5	9.5

2008 Quarters	WI	U.S.	2007 Quarters	WI	U.S.
I	5.3	5.3	I	5.6	4.8
II	4.5	5.2	II	4.9	4.4
III	4.6	6.0	III	4.5	4.7
IV	5.3	6.6	IV	4.1	4.6

(a) Figures show the percentage of labor force that is unemployed and are ***not seasonally adjusted***.
(b) Historical information has been adjusted due to benchmarking through the Local Area Unemployment Statistics (LAUS).

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

Legislative Fiscal Bureau

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State of Wisconsin

January 18, 2017

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:

Annually, this office prepares general fund revenue and expenditure projections for the Legislature prior to commencement of legislative deliberations on the state's budget.

In the odd-numbered years, our report includes estimated revenues and expenditures for the current fiscal year and tax collection projections for each year of the next biennium. This report presents the conclusions of our analysis.

Comparison with the Administration's November 21, 2016, Report

On November 21, 2016, the Departments of Administration and Revenue submitted a report to the Governor and Legislature that identified general fund revenue and expenditure projections for the 2016-17 fiscal year and the 2017-19 biennium. That report, required by statute, identifies the magnitude of state agency biennial budget requests and presents a projection of general fund tax collections.

Our analysis indicates that for the three-year period, aggregate general fund tax collections will be $454.6 million higher than those of the November 21 report ($63.4 million in 2016-17, $145.3 million in 2017-18, and $245.9 million in 2018-19).

Based upon the November 21 report, the administration's general fund condition statement for 2016-17 reflects a gross ending balance of $104.8 million and a net balance (after consideration of the $65.0 million required statutory balance) of $39.8 million.

Our analysis indicates a gross balance of $427.2 million and a net balance of $362.2 million. This is $322.4 million above that of the administration's report. The 2016-17 general fund condition statement is shown in Table 1.

TABLE 1

Estimated 2016-17 General Fund Condition Statement

	2016-17
Revenues	
Opening Balance, July 1	$331,038,000
Taxes	15,503,600,000
Departmental Revenues	
Tribal Gaming	24,385,600
Other	518,899,600
Total Available	$16,377,923,200
Appropriations	
Gross Appropriations	$17,015,005,400
Transfers to Transportation Fund	39,458,300
Compensation Reserves	18,616,800
Biennial Appropriation Adjustment	-4,665,700
Sum Sufficient Reestimates	-55,361,100
Less Lapses	-1,062,303,100
Net Appropriations	$15,950,750,600
Balances	
Gross Balance	$427,172,600
Less Required Statutory Balance	-65,000,000
Net balance, June 30	$362,172,600

The factors that cause the $322.4 million difference are as follows. First, based on economic forecasts and tax collections to date, our estimated tax collections are $63.4 million above the projections of the November 21 report. Second, departmental revenues (non-tax receipts deposited into the general fund) are projected to be $33.0 million above the administration's estimate. Third, estimated net appropriations are $226.0 million below those shown in the November 21 document.

The net appropriation reduction of $226.0 million is primarily due to sum sufficient appropriation reestimates of -$45.3 million and increased lapses (appropriated amounts that will revert to the general fund) of $176.0 million. A large portion of the lapse difference is due to projected underspending in the medical assistance (MA) program.

The updated fund condition statement reflects an estimated GPR lapse from the Department of Health Services' medical assistance appropriations of $312.5 million, which is $137.5 million more than the lapse amount included in the administration's November 21 report. The current estimate is based on the Department of Health Services' MA quarterly status report to the Joint Committee on Finance from December, 2016. According to that report, MA GPR expenditures in the 2015-17 biennium are projected to be lower than the Act 55 budget by 5.5%. The principal reasons for the lower expenditures are a lower-than-anticipated enrollment in BadgerCare Plus (particularly in the childless adult group), a higher federal matching percentage, lower managed care capitation rates, and lower utilization in certain fee-for-service categories (particularly nursing homes and personal care).

General Fund Tax Revenues

The following sections present information related to general fund tax revenues for 2016-17 and the 2017-19 biennium. The information provided includes a review of the U.S. economy in 2016, a summary of the national economic forecast for 2017 through 2019, and detailed general fund tax revenue estimates for the current fiscal year and the next biennium.

Review of the National Economy in 2016

In January, 2016, this office prepared updated revenue estimates for the 2015-17 biennium based on the IHS Markit, formerly IHS Global Insight, January, 2016, forecast for the U.S. economy. The forecast predicted real (inflation-adjusted) U.S. gross domestic product (GDP) growth of 2.7% in 2016 and 2.9% in 2017.

Going into 2016, economic growth slowed sharply in the fourth quarter of 2015 (estimated at 0.9%). The growth was largely due to momentum in residential housing and sustained growth in consumer spending. However, drags on the economy included continued weakness in the industrial sector, excessive business inventories, and a strong dollar (which made imports cheaper and U.S. exports more expensive). Notably, low energy prices resulted in capital spending on mines and wells to sharply contract in the third and fourth quarters of 2015. This caused a plunge in oil-sector earnings and contributed to a sizable drop in corporate economic profits (-22.3% in the fourth quarter). Nevertheless, IHS Markit expected that the industrial sector would improve in 2016 once businesses began to restock their inventories and energy sector capital spending rebounded. When combined with anticipated strength in consumer demand, IHS Markit expected that growth would accelerate over the course of 2016.

The January, 2016, IHS Markit forecast incorporated the following assumptions into its analysis: (a) that the average price of oil would decline from $54 per barrel in 2015 to $48 per barrel in 2016 before increasing to $58 per barrel in 2017; (b) that the Federal Reserve would increase its target for the federal funds rate at a steady, moderate pace until it reached 3.25% by the end of 2018; (c) the inflation-adjusted, trade-weighted value of the dollar would appreciate against the U.S.'s broad index of trading partners through the first half of 2016 up to 17.7% higher than its average value in the second half of 2014, and then begin a steady decline throughout the forecast period; (d) that the federal tax on high-premium insurance plans would be postponed until 2020; (e) that the accelerated depreciation allowances on equipment would be made permanent, rather than sunset after 2019; (f) that grants-in-aid to state and local government and local highway spending would increase more than previously forecast; and (g) that the federal gasoline tax would remain at the same level.

The national economy grew more slowly than forecast for 2016. Real growth in U.S. GDP is now estimated at 1.6%, which is 1.1% lower than previously estimated. GDP growth slowed in 2016 due to the continued drawdown of excessive business inventories, a continued decline in energy sector capital spending, and the continued combination of a strong dollar and weak global growth (which caused imports to grow faster than exports, thereby reducing GDP growth). Notably, manufacturing growth remained weak at 0.1% for the year.

The slow growth at the end of 2015 carried over into 2016, as real GDP grew by an estimated 0.8% in the first quarter. Despite ongoing growth in employment (1.9%) and income (1.3%), consumer spending was weaker than anticipated (1.6%), especially for automobile sales. The pace of real GDP growth increased in the second quarter to 1.4%, as personal incomes and consumer spending jumped 4.9% and 4.6%, respectively. However, excess private inventories were again a drag on GDP growth, reducing the rate of growth by an estimated 1.2 percentage points.

Real GDP growth increased sharply in the third quarter to 3.5%. Net exports contributed an estimated 0.9 percentage points of that growth, with a surge in soybean exports related to a bad harvest in South America accounting for all of the gain in exports (10.0%). Consumer spending remained strong (3.0%), especially for motor vehicle sales, which had recovered from a weak first quarter. The Dow Jones Industrial Average Index rallied to an all-time record high in July and continued to rise through the end of the year. Further, oil prices rebounded and as a result the downward trend in energy sector capital spending started to reverse course.

Real GDP growth slowed to 1.5% in the fourth quarter. Consumer spending continued to grow (2.5%) as real household net worth reached an all-time high. In addition, industrial production increased for the first time in over a year, with mining activities leading the way. However, growth was dampened by a substantial widening of the trade deficit due to downward pressure on exports from a strong dollar.

Overall, growth in consumer spending continued in 2016, with nominal (i.e., not adjusted for inflation) personal consumption expenditures (PCE) rising by 3.8%. Consumer spending was supported by low energy prices and growth in employment, real disposable income, and household net worth. Private non-farm payrolls grew slightly slower than the previous year at 1.9% in 2016, which is an average of nearly 200,000 jobs per month. Manufacturing employment lagged behind, however, shrinking by an estimated 0.3% in 2016.

Federal fiscal policy was mostly consistent with IHS Markit's assumptions last January, but Federal Reserve monetary policy was not. IHS Markit had estimated that the Federal Reserve would increase the federal funds rate to 1.5% by the end of 2016. However, due in part to low inflation and slower than predicted real GDP and employment growth in the first half of 2016, the Federal Reserve refrained from raising the federal funds rate until its December meeting. The Federal Reserve raised the federal funds rate by 25 basis points to a target range of 0.50% to 0.75%.

Oil prices declined and then sharply rose throughout the year as forecasted, but at prices lower than anticipated in the first three quarters. Brent spot prices bottomed out at $26.01 per barrel in mid-January with an average price of $33.70 per barrel over the first quarter. Average U.S. gasoline prices fell 28 cents to $1.96 per gallon. As prices remained low, the Baker Hughes count of rigs drilling for oil and natural gas fell to a historic 71-year low of 404 in May. However, oil prices rose throughout the remainder of the year, and the Baker Hughes count steadily increased to 658 rigs. In the fourth quarter, Brent spot prices increased significantly. As of January 9, 2017, the U.S. Energy Information Administration estimates that the U.S. average gasoline price had increased to $2.39 per gallon and the Brent spot price to $54.39 per barrel. A contributing factor in the rise was an agreement by the Organization of the Petroleum Exporting Countries (OPEC) and other major oil producing nations to cut supplies by 1.8 million barrels per day in the first six months of 2017.

National Economic Forecast

Under the January, 2017, forecast, IHS Markit predicts real GDP growth of 2.3% in 2017, 2.6% in 2018, and 2.3% in 2019. The main drivers of growth are expected to be consumer spending, business fixed investment, and residential investment. However, the trade deficit is forecast to increase due to an appreciating U.S. dollar and growing domestic demand for imports, thereby dampening real GDP growth.

The 2017 forecast is based on the following key assumptions. First, the forecast assumes that the new Trump administration and Congress will lower the average effective personal income tax rate from 21.0% to 19.5% and lower the statutory corporate tax rate from 35% to 20% (partially offset by reducing tax deductions and credits). Second, the forecast also assumes a $250 billion increase in federal infrastructure spending over the next ten years. Third, the 2017 forecast assumes that the Federal Reserve will increase the federal funds rate by 75 basis points in each of the next three years to 1.50% by the end of 2017, 2.25% by the end of 2018, and 3.00% by the end of 2019. Fourth, the Brent spot crude oil price is projected to average $54 per barrel in 2017 and $57 per barrel in 2018. Fifth, the inflation-adjusted, trade-weighted value of the dollar for the broad index of U.S. trading partners is expected to increase 3.3% between fourth-quarter 2016 and fourth-quarter 2017, where it will reach its peak value at 5.5% above the 2016 average, followed by a steady decline. Finally, real GDP growth of major and other important U.S. trading partners is assumed to average 1.7% annually and 3.5% annually, respectively.

The 2017 forecast is summarized in Table 2, which reflects IHS Markit's January, 2017, baseline outlook. Selected baseline projections are presented in more detail below, with alternative optimistic and pessimistic scenarios discussed thereafter.

TABLE 2

Summary of National Economic Indicators
IHS Markit Baseline Forecast, January, 2017
($ in Billions)

	2016	2017	2018	2019
Nominal Gross Domestic Product	$18,564.5	$19,428.4	$20,365.3	$21,269.3
Percent Change	2.9%	4.7%	4.8%	4.4%
Real Gross Domestic Product	$16,656.1	$17,033.4	$17,482.8	$17,883.3
Percent Change	1.6%	2.3%	2.6%	2.3%
Consumer Prices (Percent Change)	1.3%	2.5%	2.1%	2.5%
Personal Income	$16,007.0	$16,736.0	$17,606.2	$18,533.9
Percent Change	3.5%	4.6%	5.2%	5.3%
Nominal Personal Consumption Expenditures	$12,751.5	$13,334.4	$13,985.5	$14,683.2
Percent Change	3.8%	4.6%	4.9%	5.0%
Economic Profits	$2,094.1	$2,261.6	$2,370.0	$2,377.6
Percent Change	0.3%	8.0%	4.8%	0.3%
Unemployment Rate	4.9%	4.6%	4.3%	4.1%
Total Nonfarm Payrolls (millions)	144.3	146.2	148.0	149.7
Percent Change	1.7%	1.3%	1.2%	1.2%
Light Vehicle Sales (millions)	17.41	17.38	17.57	17.56
Percent Change	0.0%	-0.1%	1.1%	0.0%
Sales of New and Existing Homes (millions)	6.006	6.109	6.083	6.201
Percent Change	4.7%	1.7%	-0.4%	1.9%
Housing Starts (millions)	1.162	1.223	1.320	1.387
Percent Change	4.8%	5.2%	8.0%	5.1%

Consumer Prices. The consumer price index (CPI) increased by 1.3% in 2016. IHS Markit expects the CPI to increase by 2.5% in 2017, 2.1% in 2018, and 2.5% in 2019. Although a strong dollar is expected to depress the price of imports, the CPI is nevertheless expected to slightly increase due to higher oil prices and wage inflation from a tighter labor market. Overall, the rate of core (excluding food and energy) inflation, which was 2.2% in 2016, is forecast to remain steady at 2.2% in 2017, 2.1% in 2018, and 2.2% in 2019. Food prices, which grew only by 0.3% in 2016, are expected to increase by 1.2% in 2017, 2.4% in 2018, and 3.0% in 2019. Energy prices, which fell by 6.3% in 2016, are expected to grow by 8.1% in 2017, 1.3% in 2018, and 4.0% in 2019.

Monetary Policy. The Federal Reserve raised its target range for the federal funds rate to

0.50% to 0.75% in its December meeting, and projected three 0.25 percentage point increases in each of the next three years to an upper bound of 3.00% in 2019. IHS Markit also projects the same rate increases, as it anticipates that the PCE deflator, the Federal Reserve's favored inflation indicator, would not rise to the Fed's growth target of 2.0% until 2019.

Fiscal policy, growth in prices and wages, and higher demand for loans are projected to lead to higher interest rates. In 2016, the yield on the 10-year U.S. Treasury note averaged 1.84% and the rate for a 30-year conventional fixed-rate mortgage averaged 3.62%. IHS Markit expects that average annual yields on the 10-year U.S. Treasury note will increase significantly to 2.69% in 2017, 3.16% in 2018, and 3.84% in 2019. IHS Markit also expects the average annual interest rate on 30-year conventional fixed-rate mortgages to increase to 4.26% in 2017, 5.05% in 2018, and 5.80% in 2019.

Personal Income. Personal income grew by an estimated 3.5% in 2016 and average hourly earnings rose by 2.9%. IHS Markit forecasts personal income growth to accelerate to 4.6% in 2017, 5.2% in 2018, and 5.3% in 2019. Employment gains and wage increases are expected to drive income growth, with wage gains continuing to outpace inflation. Federal tax cuts assumed to be implemented in 2017 are also projected to increase incomes. Real household net worth, supported by rising incomes and real estate prices, grew by 4.3% in 2016. Growth is forecast to slow down to 3.0% in 2017, 2.6% in 2018, and 2.1% in 2019.

Personal Consumption. As noted, nominal PCE grew by an estimated 3.8% in 2016. IHS Markit forecasts that nominal PCE will grow by 4.6% in 2017, 4.9% in 2018, and 5.0% in 2019, supported by employment growth and wage gains. Further, the forecast expects sizable increases in household spending on natural gas, electricity, and heating oil in the first quarter of 2017. Growth is expected to ramp up in 2018 due to federal fiscal policy, including tax cuts and increased spending on infrastructure, and due to a jump in growth in real disposable income (2.7% in 2017, 4.1% in 2018, and 3.0% in 2019).

Sales of consumer items generally subject to the state sales tax (such as most durable goods, clothing, restaurant meals and accommodations, and certain taxable services) grew by an estimated 3.6% in 2016, while sales of nontaxable items (such as food for home consumption, gasoline, certain medical equipment and products, and most services) grew 3.9%. Based upon the IHS Markit baseline forecast, consumption of taxable items is estimated to grow by 3.6% in 2017, 5.1% in 2018 and 4.9% in 2019. Sales of nontaxable items are estimated to grow by 5.0% in 2017, 4.8% in 2018, and 5.1% in 2019.

Corporate Profits. After falling by 5.5% in 2015, before-tax profits grew by 3.0% in 2016. IHS Markit forecasts that before-tax profits will pick up to 8.2% growth in 2017. Economic profits, which are adjusted for inventory valuation and capital consumption at current cost and thus are not affected by federal tax laws, fell by 3.0% in 2015, grew by only 0.3% in 2016, and are forecast to jump 8.0% in 2017. The forecasted growth in 2017 and 2018 reflects IHS Markit's assumption that the statutory federal corporate tax rate will decrease in late 2017 from 35% to 20%, with many but not all tax preferences and "loopholes" being removed. This may lead to repatriation of corporate profits earned in foreign markets. Corporate profits are also estimated to increase due to recovery in the energy sector as oil prices rebound. Before-tax profits are expected to grow 3.4% in 2018 and 0.5% in 2019. Likewise, economic profits are expected to grow 4.8% in 2018 and 0.3% in 2019.

Employment. Total nonfarm payrolls rose slightly more than projected at an estimated 2.5 million new jobs in 2016, decelerating from a gain of 2.9 million in 2015. The biggest increases were in health care and professional business services. By contrast, manufacturing employment decreased by 0.26% for the first time since 2010 and the mining sector saw by far the largest job losses (-15.5%). Overall, the unemployment rate improved from 5.3% in 2015 to 4.9% in 2016. Notably, the labor force participation rate grew by 0.2% to 61.4% in 2016 for the first time since 2006.

IHS Markit forecasts that real GDP growth will lead to steady improvement in the unemployment rate to 4.6% in 2017, 4.3% in 2018, and 4.1% in 2019. IHS Markit anticipates that stimulative fiscal policy will boost job gains in 2018, which would otherwise have been forecast to decelerate. Total nonfarm payrolls are expected to continue to increase, albeit at a slower pace, by 1.9 million in 2017, 1.8 million in 2018, and 1.7 million in 2019. IHS Markit also forecasts that the labor force participation rate will continue to increase to 61.7% by the end of 2019. The largest job gains are forecast for health care and professional business services. Manufacturing employment is expecting to grow by 0.2% in 2017, 0.9% in 2018, and 1.6% in 2019.

Housing. Overall home prices have rebounded since the recession and now exceed their precession peak. In 2016, average prices of existing homes increased by 3.6% and average prices of new homes grew by 3.4%. Although housing starts (1.16 million) grew by 4.8%, sales of new homes (0.56 million) grew by 12.6%, and sales of existing homes (5.44 million) grew by 4.0% in 2016, they still have not reached their pre-recessionary peaks of 2005 (2.07 million, 1.28 million, and 7.08 million units respectively).

IHS Markit expects the housing market to continue to recover, supported by growth in employment and real incomes. Mortgage rates, although expected to rise, are forecast to remain relatively low. Sales of new homes are forecast to increase by 15.3% in 2017, 9.7% in 2018, and 3.7% in 2019. Existing home sales are forecast to remain steady, increasing by 0.3% in 2017, decreasing by 1.6% in 2018, and increasing by 1.7% in 2019. IHS Markit expects that rising prices, low inventories of unsold homes, and low rental vacancy rates will induce builders to accelerate construction activity in both 2017 and 2018, with multifamily structures accounting for approximately one-third of housing starts. Housing starts are expected to increase to 1.2 million in 2017, 1.3 million in 2018, and 1.4 million in 2019.

The forecast assumes that federal policy changes will leave the income tax deduction for mortgage interest payments and the standard deduction unchanged. Alterations to these deductions could negatively impact the housing sector (increasing the standard deduction would reduce the number of homeowners who would benefit by itemizing their deductions for mortgage interest payments).

Business Investment. Real investment in nonresidential structures declined by 2.8% in 2016, primarily due to a drastic drop of investment in mining and petroleum structures (-43.9%) in response to low energy prices. After falling to a 71-year low in May, 2016, the Baker Hughes rig count has steadily increased along with the recovery in oil prices. IHS Markit forecasts that the rebound in oil prices will support investment growth in mining and petroleum structures (growing 42.4% in 2017 and by 12.8% in 2018). As a result, overall investment in nonresidential structures is forecast to grow 6.6% in 2017, 3.3% in 2018, and 1.7% in 2019.

Real spending on equipment dropped 2.5% in 2016, dragged down by weak domestic and export demand, a strong dollar, and a correction in excess inventories. In the third quarter of 2016, investment in equipment is estimated to have decreased four quarters in a row, the first time this has occurred since at least 1947 (when quarterly record keeping began). However, equipment spending is estimated to have picked up in the fourth quarter of 2016 (9.0%), supported by solid gains in aircraft, computers, and light vehicles. This growth is forecast to carry over into 2017 (4.0%), 2018 (5.7%), and 2019 (5.2%), as foreign and domestic demand picks up and the drag from excessive inventories resolves itself.

Intellectual property investment for software, another indicator of business investment, grew by an estimated 4.9% in 2016, and is forecast to grow at a slower rate of 4.2% in 2017, 3.8% in 2018, and 3.7% in 2019.

International Trade. Real net exports were -$556.6 billion in 2016, representing an increase in the trade deficit of $16.6 billion. Real exports increased by 0.4%, whereas real imports increased by 0.9%. IHS Markit forecasts that the trade deficit will continue to widen and remain a drag on growth, with real net exports decreasing by 13.9% in 2017, 20.5% in 2018, and 11.1% in 2019.

A key factor in the trade imbalance is that the value of the dollar is expected to rise throughout 2017, bolstered by stronger domestic growth and interest rate increases, and then decline relative to U.S. trade partners in 2018 and 2019 as growth rates and interest rates rise in foreign markets. Another factor is that nominal oil imports are forecast to grow (17.4% in 2017, 6.0% in 2018, and 10.6% in 2019) as oil prices recover from their 2016 lows. The result is increasing trade deficits due to real import growth (4.4% in 2017, 6.4% in 2018, and 5.1% in 2019) outstripping export growth (1.9% in 2017, 2.3% in 2018, and 3.1% in 2019).

IHS Markit's baseline forecast does not incorporate proposed trade and immigration policies by the Trump administration. A trade war could potentially cut into long-term growth, but the short-term effects are unclear.

Alternative Scenarios. IHS Markit's 2017 forecast also includes an optimistic scenario and a pessimistic scenario. Under the pessimistic scenario, the January, 2017, forecast assigns a 20% probability of a two-quarter economic contraction in the first half of 2018 due to strained trade relations with China and Mexico. U.S. exports decline more than imports, and economic conditions worsen across the world. The U.S. dollar increases in value, further undermining export competitiveness. U.S. businesses react by postponing capital investments. The stock market declines markedly, along with consumer confidence. Meanwhile, productivity continues to decline, and thus modest demand-side growth causes inflationary pressure. OPEC oil production cuts (which are not offset by increased domestic production) and inflation prompts the Federal Reserve to raise interest rates, further constricting growth. Under this scenario, disagreements between the new Trump administration and Congress, as well as a federal government hiring freeze, prevent stimulus spending. As a result, consumer and business confidence deteriorates, leading to declines in business investment, meager growth in consumer spending, and a fall in housing starts. Real GDP growth is estimated at 1.3% in 2017, -1.1% in 2018, and 1.9% in 2019. These growth rates are lower than the baseline forecast by 1.0% in 2017, 3.7% in 2018, and 0.4% in 2019.

Under the optimistic scenario, the January, 2017, forecast assigns a 15% probability of higher real GDP growth than the baseline forecast (0.5% higher in 2017, 0.8% higher in 2018, and 1.1% higher in 2019). On the supply side under this scenario, Trump administration policies boost the economy by rolling back regulations and lowering corporate income taxes, which result in increased capital spending. Stronger business fixed investment and technological advances enhance productivity. The stock market sees strong growth as consumer and business confidence improve. The Federal Reserve takes a cautious approach to raising interest rates, with two rate increases instead of three in 2017. On the demand side, stronger consumer spending and gains in the housing sector are supported by income growth as well as low inflation, interest rates, and oil prices. Additionally, Congress decreases income taxes even lower than forecast, further supporting income and spending. Finally, global growth increases moderately in 2017 and 2018. This relieves pressure on net exports by leading the dollar to decline (which increases above the baseline only in 2019). As a result, real GDP increases by 2.8% in 2017, 3.4% in 2018, and 3.4% in 2019.

General Fund Taxes

Table 3 shows general fund tax revenue estimates for 2016-17 and each year of the 2017-19 biennium. Over the three-year period, these estimates are $454.6 million (0.95%) higher than the projections released by the Department of Revenue (DOR) last November. By year, the new estimates are higher than DOR's projections by $63.4 million in 2016-17, $145.3 million in 2017-18, and $245.9 million in 2018-19. The estimates for all three of the state's major tax sources (the individual income tax, general sales and use tax, and corporate income and franchise tax) are greater than DOR's estimates in each year. The new estimates are based on the most recent national economic forecast and tax collections data, both of which are generally stronger than in November. The estimates also incorporate all law changes enacted to date.

TABLE 3

Projected General Fund Tax Collections
(Millions)

	2015-17 Biennium		2017-19 Biennium	
	2015-16 Actual	2016-17 Estimated	2017-18 Estimated	2018-19 Estimated
Individual Income	$7,740.8	$8,050.0	$8,360.0	$8,710.0
Sales and Use	5,065.8	5,215.0	5,370.0	5,580.0
Corporate Income & Franchise	963.0	900.0	940.0	950.0
Public Utility	360.6	359.7	373.5	378.2
Excise				
Cigarettes	573.4	565.0	565.0	561.0
Tobacco Products	76.1	82.0	85.0	88.0
Liquor and Wine	50.0	51.0	52.0	53.0
Beer	9.0	8.9	8.9	8.8
Insurance Company	177.3	187.0	192.0	197.0
Miscellaneous Taxes	81.4	85.0	87.0	90.0
Total	$15,097.5	$15,503.6	$16,033.4	$16,616.0
Change from Prior Year		$406.1	$529.8	$582.6
Percent Change		2.7%	3.4%	3.6%

Individual Income Tax. Individual income tax revenues are estimated to total $8,050.0 million in 2016-17, which represents a 4.0% increase relative to income tax collections in 2015-16 of $7,740.8 million. Individual income tax revenues are estimated at $8,360.0 million in 2017-18 and $8,710.0 million in 2018-19. These amounts represent increases of 3.9% in the first year and 4.2% in the second year.

The January, 2017, IHS Markit forecast projects national personal income growth of 3.5% in 2016, 4.6% in 2017, 5.2% in 2018, and 5.3% in 2019. However, personal income includes both taxable components, such as wage and salary disbursements, and nontaxable components, such as employer contributions for employee fringe benefits and government transfer payments to individuals. The taxable components of personal income are estimated to increase by 3.5% in 2016, 4.9% in 2017, 5.4% in 2018, and 5.4% in 2019. Personal income, as measured by the U.S. Bureau of Economic Analysis, does not include income from capital gains realizations, which are subject to state and federal taxation.

Although individual income tax collections are currently 4.6% above 2015-16 collections on a year-to-date basis, collections are estimated to increase 3.5% in the rest of 2016-17 and end the year 4.0% higher than 2015-16. A lower growth rate in the second half of 2016-17 reflects some taxpayers accelerating estimated payments in December, 2016, as opposed to January, 2017, and an increase in refunds in the Spring months due to law changes. The law changes include increasing the standard deduction for married filers, federalizing exemption amounts under the alternative minimum tax, the final year phase-in of the manufacturing and agriculture credit, and the capital gains exclusion for Wisconsin assets. The capital gains provision was enacted as part of 2011 Wisconsin Act 32, but its initial impact will occur in tax year 2016 due to a five-year holding period requirement. Law changes will also affect future collections as their impact, relative to 2015-16, is expected to grow from -$77.7 million in 2016-17 to -$123.6 million in 2017-18 and -$150.7 million in 2018-19. Otherwise, individual income tax collections are expected to increase over the coming biennium, reflecting the continuation of the national recovery from the 2008-2009 economic downturn.

General Sales and Use Tax. State sales and use tax revenues totaled $5,065.8 million in 2015-16, and are estimated at $5,215.0 million for 2016-17. The estimate represents an increase of 2.9% growth over the prior year. Sales tax revenues in the next biennium are estimated at $5,370.0 in 2017-18 and $5,580.0 in 2018-19, reflecting growth of 3.0% and 3.9% respectively.

Sales tax collections through December, 2016, (including an anticipated transfer of $10.0 million from the Department of Transportation for collections related to sales of motor vehicles) are 2.8% higher than the same period in 2015. Accounting for changes in law which reduced collections, year-to-date growth is the approximately equal to 3.0%. Growth is projected to remain at 3.0% for the remainder of the 2016-17 fiscal year.

Corporate Income/Franchise Tax. Corporate income/franchise taxes are estimated to decrease from $963.0 million in 2015-16 to $900.0 million in 2016-17. Corporate income/franchise tax revenues are forecast to increase to $940.0 million in 2017-18 and $950.0 million in 2018-19. This represents a decrease in revenues of 6.5% in 2016-17, followed by increases of 4.4% in 2017-18 and 1.1% in 2018-19.

The estimate for 2016-17 reflects a 13.9% reduction from our office's January, 2016, estimate of $1,045.0 million. The revision is based primarily on weak year-to-date corporate income/franchise collections. Through December, 2016, collections were 20.9% lower when compared to the same period in 2015-16. However, collections this year have been affected by certain large one-time refund payments. According to IHS Markit, growth in both economic profits and adjusted before-tax book profits are expected to be higher over the remainder of the state fiscal year as compared to the six-month year-to-date collection period. Similarly, IHS Markit's national measure for state and local income taxes is expected to reverse from a small year-to-date contraction to moderate growth over the next two quarters. Projected corporate income/franchise tax revenues for 2017-18 and 2018-19 reflect the forecast for adjusted before-tax book profits through the remainder of the forecast period, as well certain state tax law changes that are anticipated to have an impact on future corporate income/franchise tax revenues.

Public Utility Taxes. Public utility taxes are estimated at $359.7 million in 2016-17, $373.5 million in 2017-18, and $378.2 million in 2018-19. On a year-to-year basis, these estimates represent a decrease of 0.2% in 2016-17, and increases of 3.8% in 2017-18 and 1.3% in 2018-19. The gross revenues tax group comprises almost 70% of estimated collections, and gross revenues taxes are estimated to increase 0.3% in 2016-17, 5.9% in 2017-18, and 1.7% in 2018-19. Private light, heat, and power companies are the largest taxpayer group among gross revenues taxpayers, and collections from these companies are estimated to increase 0.7% in 2016-17, 6.2% in 2017-18, and 1.6% in 2018-19. This pattern is influenced by a mild winter and low natural gas prices in 2016 and a return to more normal weather patterns and some "bounce-back" in natural gas prices beginning in 2017. Companies subject to a state ad valorem tax comprise the other group of taxpayers with public utility tax liabilities. Collections from these taxpayers are estimated to decrease 1.2% in 2016-17, and 0.4% in 2017-18, but then increase by 0.4% in 2018-19. The decreases result from falling ad valorem tax rates and the loss of tax base due to depreciation and obsolescence. The largest decreases are expected among telephone companies, while modest tax increases due to new construction are expected for pipeline companies. These companies comprise the two largest ad valorem taxpayer groups.

Excise Taxes. General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), tobacco products, and beer. In 2015-16, excise tax collections totaled $708.5 million. Of this amount, $573.4 million (approximately 80.9%) was from the excise tax on cigarettes. Excise tax revenues are estimated at $706.9 million in 2016-17, which represents reduced revenues of 0.2%. The estimated reduction in excise tax revenues is primarily from a decline through December, 2016, in year-to-year cigarette tax collections, which are currently 1.7% lower than collections over the same period in 2015. Excise tax revenues over the next biennium are estimated at $710.9 in 2017-18 and $710.8 in 2018-19.

Insurance Premiums Taxes. Insurance premiums taxes are projected to increase from $177.3 million in 2015-16 to $187.0 million in 2016-17, $192.0 million in 2017-18, and $197.0 million in 2018-19. The estimate for 2016-17 is based, in part, on year-to-date insurance premiums tax collection growth of 5.7%, whereas the estimates for 2017-18 and 2018-19 reflect historic growth trends. The estimates reflect annual growth in insurance premiums taxes of 5.5% in 2016-17, 2.7% in 2017-18, and 2.6% in 2018-19.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee, municipal and circuit court-related fees, and a small amount from the occupational tax on coal. Miscellaneous tax revenues were $81.4 million in 2015-16, of which 80.0% was generated through the real estate transfer fee. Based on the economic forecast for the housing sector, as well as collections through December, 2016, miscellaneous taxes are projected to increase to $85.0 million in 2016-17, which represents a 4.4% increase from 2015-16 collections. Miscellaneous taxes are estimated to increase to $87.0 million in 2017-18 and $90.0 million in 2018-19, primarily due to an anticipated continuation of the housing recovery.

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,

Bob Lang

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

APPENDIX B

GENERAL OBLIGATION ISSUANCE STATUS REPORT FEBRUARY 15, 2017

			Credit to Capital Improvement Fund			
Program Purpose	**Legislative Authorization**	**General Obligations Issued to Date**	**Interest Earnings[a]**	**Premium [a]**	**G.O. Bonds of 2017, Series A[b]**	**Total Authorized Unissued Debt**
University of Wisconsin; academic facilities	$ 2,341,609,100	$ 1,936,335,806	$ 13,072,507	$ 42,731,856	$ 56,518,012	$ 292,950,919
University of Wisconsin; self-amortizing facilities	2,709,353,100	2,102,631,321	2,911,822	39,843,297	45,623,836	518,342,824
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program	1,046,250,000	798,297,379	405,319	18,202,785	20,708,200	208,636,317
Natural resources; municipal clean drinking water grants	9,800,000	9,518,744	141,818			139,438
Clean water fund program	686,743,200	627,527,240		2,749,943	8,699,423	47,766,594
Safe drinking water loan program	65,600,000	62,752,350		1,577,402	4,348	1,265,900
Natural resources; nonpoint source grants	94,310,400	93,954,036	190,043	165,649		672
Natural resources; nonpoint source	37,900,000	29,099,339	1,454	2,509,913		6,289,294
Natural resources; environmental repair	57,000,000	48,877,656	203,594	244,091	218,246	7,456,413
Natural resources; urban nonpoint source cost-sharing	49,900,000	41,295,076	30,671	1,449,756		7,124,497
Natural resources; contaminated sediment removal	32,000,000	23,838,803		1,112,200	691,867	6,357,130
Natural resources; environmental segregated fund supported administrative facilities	19,969,200	10,655,566	143	144,257		9,169,234
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	80,234,562	93,544	2,520,030	2,851,986	16,665,178

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
FEBRUARY 15, 2017

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[(a)]	Credit to Capital Improvement Fund: Premium[(a)]	G.O. Bonds of 2017, Series A[(b)]	Total Authorized Unissued Debt
Natural resources; general fund supported administrative facilities	$ 16,514,100	$ 11,307,269	$ 21,753	$ 7,540	$ 10,434	$ 5,167,104
Natural resources; ice age trail	750,000	750,000				
Natural resources; dam safety projects	21,500,000	15,447,296	49,701	1,059,219		4,943,784
Natural resources; segregated revenue supported land acquisition	2,500,000	2,500,000				
Natural resources; Warren Knowles - Gaylord Nelson stewardship program	231,000,000	229,243,222	1,306,849	132,869		317,060
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	245,000,000	211,166,181		31,716,475	1,825,967	291,377
Transportation; rail passenger route development	79,000,000	66,084,243	3,016	1,342,987		11,569,754
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; Southeast rehabilitation projects, southeast megaprojects, and high-cost bridge projects	1,328,550,000	1,077,995,155	3,018,078	80,228,154	104,949,604	62,359,009
Transportation; state highway rehabilitation projects, southeast megaprojects	820,063,700	781,310,356	1,182,897	37,234,535	292,068	43,844
Transportation; major highway projects	100,000,000	98,948,179		1,051,814		7
Transportation; state highway rehabilitation, certain projects	141,000,000	134,924,101		6,075,854		45
Transportation; major highway and rehabilitation projects subject to joint committee on finance approval	350,000,000	163,491,017		29,942,531	58,225,018	98,341,434
Transportation; harbor improvements	105,900,000	79,464,173	234,581	3,294,771	6,746,512	16,159,963
Transportation; rail acquisitions and improvements	238,300,000	159,655,892	5,187	13,319,149	108,688	65,211,084
Transportation; local roads for job preservation, state funds	2,000,000	2,000,000				
Corrections; correctional facilities	882,346,900	824,473,616	11,467,562	2,961,011		43,444,711

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
FEBRUARY 15, 2017

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[a]	Credit to Capital Improvement Fund: Premium [a]	G.O. Bonds of 2017, Series A[b]	Total Authorized Unissued Debt
Corrections; self-amortizing facilities and equipment	$ 2,116,300	$ 2,115,438	$ 99			$ 763
Corrections; juvenile correctional facilities	28,652,200	28,538,452	108,861	$ 988		3,899
Health services; mental health and secure treatment facilities	185,951,200	167,398,997	895,124	1,221,114	$ 782,557	15,653,408
Agriculture; soil and water	61,075,000	52,643,579	3,025	1,882,929	1,912,917	4,632,550
Agriculture; conservation reserve enhancement	28,000,000	13,981,748		205,515	2,086,819	11,725,918
Administration; Black Point Estate	1,600,000	1,598,655	445			900
Administration; energy conservation projects; capital improvement fund	200,000,000	140,619,882		7,613,422	14,781,634	36,985,062
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	5,285,000,000	4,248,918,916				1,036,081,084
Building commission; housing state departments and agencies	820,767,100	576,763,530	2,356,097	12,193,424	5,230,735	224,223,314
Building commission; 1 West Wilson street parking ramp	15,100,000	14,805,521	294,479			
Building commission; project contingencies	47,961,200	46,837,250	64,761	96,201	26,085	936,903
Building commission; capital equipment acquisition	125,660,000	123,144,850	740,327	233,130		1,541,693
Building commission; discount sale of debt	90,000,000	72,908,307				17,091,693
Building commission; discount sale of debt (higher education bonds)	100,000,000	99,988,833 [c]				11,167
Building commission; other public purposes	2,491,765,400	2,260,205,015	8,728,268	41,793,135	45,063,752	135,975,230

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
FEBRUARY 15, 2017

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[(a)]	Credit to Capital Improvement Fund: Premium[(a)]	G.O. Bonds of 2017, Series A[(b)]	Total Authorized Unissued Debt
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities	$ 10,000,000	$ 10,000,000				
Norskedalen Nature and Heritage Center	1,048,300					$ 1,048,300
Bond Health Center	1,000,000	983,307		-		16,693
Lac du Flambeau Indian Tribal Cultural Center	250,000	210,495		-		39,505
Dane County; livestock facilities	9,000,000	7,577,838		$ 1,422,134		28
K I Convention Center	2,000,000	1,721,100		273,926	$ 4,261	713
HR Academy, Inc.	1,500,000	1,500,000				
Medical College of Wisconsin, Inc.; biomedical research and technology incubator	35,000,000	33,755,270		901,921	64,691	278,118
AIDS Resource Center of Wisconsin, Inc	800,000	800,000				
Bradley Center Sports and Entertainment Corporation	5,000,000	4,869,946		130,053		1
Medical College of Wisconsin; community medical education facilities	7,384,300					7,384,300
Family justice center	10,625,000	7,343,665		1,270,262	1,748,580	262,493
Marquette University; dental clinic and education facility	25,000,000	23,315,857	$ 818	969,163	206,421	507,741
Civil War exhibit at the Kenosha Public Museums	500,000	500,000				
AIDS Network, Inc.	300,000	300,000				
Wisconsin Maritime Center of Excellence	5,000,000				3,738,014	1,261,986
Hmong cultural centers	250,000	250,000				
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 Services, Inc.	560,000	476,330		83,327		343
Carroll University	3,000,000	1,878,585			4,000	1,117,415
Wisconsin Agricultural Education Center, Inc.	5,000,000					5,000,000
Eau Claire Confluence Arts, Inc.	15,000,000					15,000,000
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				
Administration; public library educational technology infrastructure financial assistance	269,000	268,918	42			41
Educational communications board; educational communications facilities	24,169,000	24,112,683	38,515	11,925		5,877
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	1,029,300	1,029,156	3,896			

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
FEBRUARY 15, 2017

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[a]	Credit to Capital Improvement Fund: Premium [a]	G.O. Bonds of 2017, Series A[b]	Total Authorized Unissued Debt
Historical society; historic records	$ 26,650,000	$ 13,581,774		$ 2,058,772	$ 2,038,996	$ 8,970,458
Historical society; historic sites	9,591,800	9,049,163	$ 847	289,816		251,974
Historical society; museum facility	4,384,400	4,362,469				21,931
Historical society; Wisconsin history center	16,000,000	5,194,127		900,065	1,414,689	8,491,119
Public instruction; state school, state center and library facilities	12,350,600	11,845,468	32,509	467,826		4,797
Military affairs; armories and military facilities	46,272,700	37,825,440	195,308	1,465,168		6,786,784
Veterans affairs; veterans facilities	10,686,100	9,405,485	50,593			1,230,021
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	69,948,700	26,282,457	1,613	979,837		42,684,793
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	52,699,335	22,401	13,596		951,768
Total	$30,994,328,588	$26,586,492,548	$73,888,124	$398,138,593	$ 386,578,360	$3,549,234,816

(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) Amounts include aggregate of par amount of Bonds being issued and purchase premium expected to be received from the sale of the Bonds and credited to the Capital Improvement Fund.

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

Source: Department of Administration.

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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 53703

Subject: **$335,310,000**
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2017, SERIES A

We have acted as bond counsel in connection with the issuance by the State of Wisconsin **(State)** of its $335,310,000 General Obligation Bonds of 2017, Series A, 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 February 15, 2017 (**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 federal 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. We express 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 7, 2017 or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion as to those matters (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

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