

OFFICIAL STATEMENT

New Issue

This Official Statement provides information about the Certificates. 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.

\$26,615,000

MASTER LEASE CERTIFICATES OF PARTICIPATION OF 2018, SERIES A

**Evidencing Proportionate Interests of the Owners Thereof in
Certain Lease Payments to be Made by the**

STATE OF WISCONSIN

Acting by and through the Department of Administration

Dated: Delivery Date	Maturities: March 1 and September 1, as shown on inside front cover
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 Certificates is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers — <i>See pages 11-12.</i> Interest on the Certificates is not exempt from current State of Wisconsin income and franchise taxes — <i>See page 12.</i>
Redemption	<i>Optional</i> — The Certificates maturing on or after March 1, 2022 are callable at par on September 1, 2021 or any date thereafter — <i>See page 4.</i> <i>Mandatory</i> —Master lease certificates of participation of all series, including the Certificates, are subject to mandatory redemption at par upon an Event of Default under the Master Indenture, which includes Nonappropriation or an Event of Default under the Master Lease — <i>See page 4.</i>
Security	The Certificates evidence proportionate interests in certain Lease Payments under the State's Master Lease Program. The Master Lease requires the State to make Lease Payments from any source of legally available funds, subject to annual appropriation. All Leased Items serve as a common pool of collateral, ratably securing all series of master lease certificates of participation issued under the Master Indenture for the Program. Nonappropriation or an Event of Default under the Master Lease or any Lease Schedule constitutes an Event of Default for all series of master lease certificates of participation — <i>See pages 5-8.</i>
State Budget	The enactment and administration of the State budget are subject to various constitutional and statutory provisions — <i>See pages 7-8.</i>
Purpose	Funding Lease Schedules previously financed through a revolving credit facility, financing an additional Lease Schedule, and paying costs of issuance for the Certificates — <i>See page 3.</i>
Interest Payment Dates	March 1 and September 1
First Interest Payment Date	March 1, 2019
Denominations	Multiples of \$5,000
Closing/Delivery/Settlement	On or about September 6, 2018
Bond Counsel	Foley & Lardner LLP
Trustee/Registrar/Paying Agent	U.S. Bank National Association
Issuer Contact	Wisconsin Capital Finance Office (608) 267-0374; DOACapitalFinanceOffice@wisconsin.gov
Book-Entry-Only Form	The Depository Trust Company — <i>See pages 4-5.</i>
2017 Annual Report	This Official Statement incorporates by reference Parts I, II, and IV of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2017.

The Certificates were sold at competitive sale on August 23, 2018. The interest rates payable by the State, which are shown on the inside front cover, resulted from the award of the Certificates.

August 23, 2018

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND OTHER INFORMATION

\$26,615,000

**MASTER LEASE CERTIFICATES OF PARTICIPATION
OF 2018, SERIES A**

**Evidencing Proportionate Interests of the Owners Thereof in
Certain Lease Payments to be Made by the**

STATE OF WISCONSIN

Acting by and through the Department of Administration

CUSIP	Maturity Date	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date	Call Price
977087 JG1	March 1, 2019	\$ 3,065,000	5.00%	1.41%	101.732%	Not Callable	-
977087 JH9	September 1, 2019	2,970,000	5.00	1.48	103.433	Not Callable	-
977087 JJ5	March 1, 2020	3,040,000	5.00	1.55	105.048	Not Callable	-
977087 JK2	September 1, 2020	3,115,000	5.00	1.61	106.600	Not Callable	-
977087 JL0	March 1, 2021	3,095,000	5.00	1.70	107.999	Not Callable	-
977087 JM8	September 1, 2021	3,115,000	5.00	1.77	109.354	Not Callable	-
977087 JN6	March 1, 2022	2,880,000	3.00	2.03	102.796	^(a) September 1, 2021	100%
977087 JP1	September 1, 2022	2,075,000	3.00	2.08	102.650	^(a) September 1, 2021	100
977087 JQ9	March 1, 2023	3,260,000	3.00	2.16	102.416	^(a) September 1, 2021	100

^(a) These Certificates priced to the September 1, 2021 first optional call date.

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

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 Underwriter is not; however, in accordance with its responsibilities under federal securities laws, the Underwriter is required to review the information in this document and must have a reasonable basis for its belief in the accuracy and completeness of its key representations.

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

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

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the Certificates 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 Certificates 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 Certificates 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

	Page		Page
PARTICIPANTS IN ISSUANCE AND SALE OF		Budget Process	7
THE CERTIFICATES	ii	RISK FACTORS	8
SUMMARY DESCRIPTION OF CERTIFICATES	iii	Nonappropriation	8
INTRODUCTION	1	Essential Use of Leased Items	9
THE STATE	2	Collateral Value of Leased Items	9
THE MASTER LEASE PROGRAM	2	Tax Exemption	9
PLAN OF FINANCE	3	Applicability of Securities Law	9
General	3	OTHER INFORMATION	10
Sources and Uses	3	Borrowing Plans for 2018	10
THE CERTIFICATES	3	Underwriting	10
General	3	Reference Information About the Certificates	10
Ratings	3	Financial Advisor	10
Redemption Provisions	4	Legal Opinions	11
Registration and Payment of Certificates	4	Tax Exemption	11
Book-Entry-Only Form	4	CONTINUING DISCLOSURE	12
SECURITY FOR CERTIFICATES	5	APPENDIX A– INFORMATION ABOUT	
General	5	THE STATE	A-1
Common Pool of Collateral	6	APPENDIX B– INFORMATION ABOUT THE	
Reserve Fund	6	MASTER LEASE PROGRAM	B-1
Governmental Use	6	APPENDIX C– EXPECTED FORM OF BOND	
Centralized Control and Review	6	COUNSEL OPINION	C-1
Two-Phase Financing Structure	6		
Expected Refunding of Certificates	7		

**PARTICIPANTS IN ISSUANCE
AND SALE OF THE CERTIFICATES**

The Honorable Scott Walker
Governor
State of Wisconsin

Ms. Ellen E. Nowak
Secretary
Department of Administration

Department of Administration
101 E. Wilson Street, 10th Floor
P.O. Box 7864
Madison, Wisconsin 53707-7864
Telefax (608) 266-7645
DOACapitalFinanceOffice@wisconsin.gov

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

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

Bond Counsel
Foley & Lardner LLP

Financial Advisor
Acacia Financial Group, Inc.

Trustee
U.S. Bank National Association

SUMMARY DESCRIPTION OF CERTIFICATES

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

Principal Amount and Description:	\$26,615,000 Master Lease Certificates of Participation of 2018, Series A (State of Wisconsin)
Denominations:	Multiples of \$5,000
Date of Issue:	Date of delivery (on or about September 6, 2018)
Record Date:	February 15 and August 15
Interest Payments:	March 1 and September 1, commencing March 1, 2019.
Maturities:	March 1 and September 1, commencing March 1, 2019 and ending March 1, 2023.
Redemption:	<i>Optional</i> —The Certificates maturing on or after March 1, 2022 are callable at par on September 1, 2021 or any date thereafter— <i>See page 4.</i> <i>Mandatory</i> —Master lease certificates of participation of all series, including the Certificates, are subject to mandatory redemption at par upon an Event of Default under the Master Indenture, which includes Nonappropriation or an Event of Default under the Master Lease— <i>See page 4.</i>
Form:	Book-entry-only— <i>See pages 4-5.</i>
Paying Agent:	All payments of the principal of, and interest on, the Certificates will be paid by U.S. Bank National Association, as Trustee. All payments initially will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security:	The Certificates evidence proportionate interests in certain Lease Payments under the State’s Master Lease Program. The Master Lease requires the State to make Lease Payments from any source of legally available funds, subject to annual appropriation. All Leased Items serve as a common pool of collateral, ratably securing all series of master lease certificates of participation issued under the Master Indenture for the Program. Nonappropriation or an Event of Default under the Master Lease or any Lease Schedule constitutes an Event of Default for all series of master lease certificates of participation. As of August 1, 2018, the principal amount of all outstanding master lease certificates of participation was \$107 million, and an aggregate principal Lease Payment of \$11 million is scheduled for September 1, 2018— <i>See pages 5-8.</i>
State Budget:	The State budget is the legislative document that authorizes amounts of State expenditures for the two fiscal years in the biennium, based on the amount of revenues (primarily taxes) projected to be received. The executive budget for the 2017-19 biennium was enacted on September 21, 2017— <i>See pages 7-8.</i>
Continuing Authority of Budget:	Under State law, in the event a budget is not in effect at the start of a fiscal year, the prior fiscal year’s budget serves as the budget until a new budget is enacted— <i>See page 7.</i>

Fiscal Controls and Priority of Payments:	If an emergency arises which requires payments in excess of available money, the Secretary of Administration has statutory power to order reductions in the appropriations of State agencies (which represent less than one-quarter of the General Fund budget). In addition, the Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. The Wisconsin Statutes provide an order of preference for all payments from the General Fund. The Master Lease provides that, if such an emergency arises, then the Secretary of Administration will establish a priority schedule for payments that gives Lease Payments due under the Master Lease a high priority. However, the Secretary of Administration is required to give higher priority to payments on outstanding State general obligations, operating notes, and employee payroll— <i>See page 8.</i>
Authority for Issuance:	The State entered into the Master Lease pursuant to Section 16.76 of the Wisconsin Statutes.
Purpose:	Funding Lease Schedules previously financed through a revolving credit facility, financial an additional Lease Schedule, and paying costs of issuance for the Certificates— <i>See page 3.</i>
Additional Certificates:	Additional master lease certificates of participation may be issued.
Tax Exemption:	Interest on the Certificates is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers— <i>See pages 11-12.</i> Interest on the Certificates is not exempt from current State of Wisconsin income and franchise taxes— <i>See page 12.</i>
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP— <i>See page C-1.</i>
2017 Annual Report:	This Official Statement incorporates by reference, and makes updates and additions to, Parts I, II, and IV of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2017.

OFFICIAL STATEMENT

\$26,615,000

MASTER LEASE CERTIFICATES OF PARTICIPATION OF 2018, SERIES A

Evidencing Proportionate Interests of the Owners Thereof in
Certain Lease Payments to be Made by the

STATE OF WISCONSIN

Acting by and through the Department of Administration

INTRODUCTION

This Official Statement provides information about the \$26,615,000 Master Lease Certificates of Participation of 2018, Series A (**Certificates**) that represent a proportionate interest in certain Lease Payments to be made by the State of Wisconsin (**State**) pursuant to the Third Amended and Restated Master Lease, dated April 28, 2000 (**Master Lease**), between a predecessor-in-interest of U.S. Bank National Association (**Lessor**), as lessor, and the State, acting by and through the State of Wisconsin Department of Administration (**Department of Administration**), as lessee (**Lessee**).

This Official Statement includes by reference **Parts I, II, and IV** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2017 (**2017 Annual Report**).

The Certificates are issued pursuant to and secured by the **Master Indenture**, dated July 1, 1996, among Firststar Bank Milwaukee, N.A., Firststar Trust Company, and the Lessee, and Supplemental Indenture No. 2018-A (**Supplemental Indenture**), dated September 6, 2018, among the Lessor, U.S. Bank National Association, as trustee (**Trustee**), and the Lessee. The Master Indenture established a trust (**Trust**) that consists of lease schedules to the Master Lease (**Lease Schedules**), rent, being the amount payable to the Lessor on each payment date during the term of the Master Lease, as shown in the related Lease Schedule, including interim rent and any additional rent, and any other amount payable under a Lease Schedule (**Lease Payments**), the tangible property and, in certain situations, intangible property or prepaid service items, acquired by the State pursuant to the Lease Schedules (**Leased Items**), and other property and rights related to those Lease Schedules. *All Leased Items serve as a common pool of collateral, ratably securing all series of master lease certificates of participation issued under the Master Indenture.*

The State is required under the Master Lease to make Lease Payments from any source of legally available funds, subject to annual appropriation, and the scheduled Lease Payments are sufficient to pay, when due, the principal of, and interest on, all then outstanding master lease certificates of participation, including the Certificates. *The obligation of the State to make Lease Payments does not constitute an obligation of the State for which the State is obligated to levy or pledge any form of taxation. The obligation of the State to make Lease Payments does not constitute debt of the State.*

In connection with the issuance and sale of the Certificates, the Department of Administration has prepared this Official Statement, which contains information furnished by the State or obtained from the sources indicated. Capitalized terms not defined in this Official Statement have the meanings provided in the Master Lease and Master Indenture.

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 and its financial condition is included as **APPENDIX A**, which incorporates by reference Part II of the 2017 Annual Report. **APPENDIX A** also makes updates and additions to Part II of the 2017 Annual Report, including, but not limited to:

- Estimated General Fund condition statement for the 2017-19 biennium, as included in a summary provided by Legislative Fiscal Bureau (**LFB**) on June 14, 2018 relating to action by the Legislative Joint Committee on Finance (**June 2018 LFB Paper**).
- Estimated General Fund tax collections for the 2017-18 and 2018-19 fiscal years, as included in a report provided by the LFB on January 17, 2018 (**January 2018 LFB Report**).
- General Fund information for the 2017-18 fiscal year through June 30, 2018, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the 2018-19 fiscal year, which is presented on a cash basis. Projected General Fund information reflects the January 2018 LFB Report and the June 2018 LFB Paper.

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

Contact: State of Wisconsin Department of Administration
Attn: Capital Finance Office
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: doa.wi.gov/capitalfinance

THE MASTER LEASE PROGRAM

The Department of Administration created the Master Lease program (**Program**) in 1992 by entering into the Master Lease. The Program permits the State to acquire Leased Items for all State agencies through installment purchase contracts. As of August 1, 2018, the total amount of originations completed through the Program was \$772 million, and the principal amount of outstanding master lease certificates of participation was \$107 million with an aggregate principal Lease Payment of \$11 million scheduled for September 1, 2018. The Program continues to be used to originate Lease Schedules.

Information concerning the Program is included as **APPENDIX B**, which includes by reference Part IV of the 2017 Annual Report. **APPENDIX B** also makes updates and additions to Part IV of the 2017 Annual Report.

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

Contact: State of Wisconsin Department of Administration
Attn: Capital Finance Office
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: doa.wi.gov/capitalfinance

PLAN OF FINANCE

General

The Certificates are being issued to (i) provide funding with interest based on long-term, tax-exempt, fixed interest rates for Lease Schedules previously financed through a revolving credit facility in which the State pays interest based on short-term, taxable, variable interest rates, (ii) finance the acquisition of an additional Lease Schedule, and (iii) pay costs of issuance for the Certificates. See “**SECURITY FOR CERTIFICATES; Two-Phase Financing Structure**”.

Sources and Uses

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

Sources:	
Principal Amount of Certificates	\$26,615,000.00
Original Issue Premium	<u>1,267,315.17</u>
Total Sources	<u>\$27,882,315.17</u>
Uses:	
Funding and Financing Lease Schedules	\$27,659,839.15
Cost of Issuance	211,778.12
Underwriter’s Discount.....	<u>10,697.90</u>
Total Uses	<u>\$27,882,315.17</u>

THE CERTIFICATES

General

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

The Certificates will be dated their date of delivery (expected to be September 6, 2018) and will bear interest from that date payable on March 1 and September 1 of each year, beginning on March 1, 2019.

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

The Certificates are issued in principal denominations of multiples of \$5,000.

Ratings

The following ratings have been assigned to the Certificates:

<u>Rating</u>	<u>Rating Agency</u>
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 Certificates. The State may elect not to continue requesting ratings on the Certificates from any particular rating organization, or may elect to request ratings on the Certificates from a different rating organization.

Redemption Provisions

Optional Redemption

The Certificates maturing on or after March 1, 2022 may be redeemed on September 1, 2021, 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 Department of Administration may decide whether to redeem Certificates, and the Capital Finance Director may direct the amounts and maturities of the Certificates to be redeemed.

Mandatory Redemption

Master lease certificates of participation of all series, including the Certificates, are subject to mandatory redemption, to the extent money is available, in whole or in part on any date, at a redemption price equal to par (100% of the principal of the Certificates to be redeemed), plus accrued interest to the redemption date, upon an Event of Default under the Master Indenture, which includes Nonappropriation or an Event of Default under the Master Lease (including the failure to pay rent due under any Lease Schedule).

Selection of Certificates

So long as the Certificates 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 Certificates 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 Certificate called for redemption will cease to accrue on the redemption date so long as the Certificate is paid or money is provided for its payment.

Registration and Payment of Certificates

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

Book-Entry-Only Form

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

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

Payment

The Trustee will make all payments of the principal of, and interest on, the Certificates to DTC. Owners of the Certificates will receive payments through the DTC Participants.

Notices and Voting Rights

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

Redemption

If less than all Certificates of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the Certificates 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, certificates would be executed and delivered to DTC Participants.

Further Information

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

The State and the Trustee are not responsible for any failure by DTC or any DTC Participant to transfer payments or notices to the owners of the Certificates or to follow the procedures established by DTC for its book-entry system.

Redemption and Payment if Book-Entry-Only System is Discontinued

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

Payment of principal would be made by check or draft issued upon the presentation and surrender of the Certificates at the office of the Paying Agent, as designated by the State and the Trustee. Payment of interest due on the Certificates 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.

If less than all Certificates of a given maturity were being redeemed, Certificates would be selected for redemption by lot.

Any redemption notice would be mailed, postage prepaid, between 30 and 60 days before the redemption date, to the registered owners of any Certificates to be redeemed and would be sent to the Municipal Securities Rulemaking Board. The mailing, however, would not be a condition to the redemption; any proceedings to redeem the Certificates would still be effective even if the notice were not mailed. A redemption notice could be revoked by mailing a notice, postage prepaid, at least 15 days before the proposed redemption date to the registered owners of any Certificates to have been redeemed and by sending the notice to the Municipal Securities Rulemaking Board. 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 Certificate called for redemption would cease to accrue on the redemption date so long as the Certificate was paid or money was provided for its payment.

SECURITY FOR CERTIFICATES

General

The Certificates represent proportionate interests in Lease Payments required to be made by the State under the Master Lease. The Master Lease requires the State to make Lease Payments from any source of legally available funds, subject to annual appropriation. The scheduled Lease Payments are sufficient to pay when due the principal of, and interest on, all then outstanding series of master lease certificates of participation, including the Certificates. Lease Payments are due on September 1 and March 1 of each fiscal year.

The obligation of the State to make Lease Payments does not constitute an obligation for which the State is obligated to levy or pledge any form of taxation or for which the State has levied or pledged any form of taxation. The obligation of the State to make Lease Payments does not constitute debt of the State or any of its political subdivisions. See "RISK FACTORS; Nonappropriation".

Common Pool of Collateral

Under the Master Indenture, the Lessor has assigned to the Trustee, for the benefit of all owners of master lease certificates of participation, all its rights in the following:

- The funds and accounts created by the Master Indenture.
- The Lease Schedules specified in the supplemental indentures.
- All Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease.

All Leased Items serve as a common pool of collateral, ratably securing the Certificates and all present and future master lease certificates of participation. All master lease certificates of participation are secured by all Leased Items, regardless of their funding source or the time at which the Program finances them. Once a Lease Schedule is fully paid, the Leased Item related to the Lease Schedule no longer serves as collateral. If the Wisconsin State Legislature (**Legislature**) fails to appropriate necessary funds for the continued performance of the State's obligations under any Lease Schedule or if an Event of Default occurs under the Master Lease, then an Event of Default exists with respect to the Certificates and all outstanding master lease certificates of participation.

In the opinion of Bond Counsel, the transfer of Lease Schedules by the Lessor to the Trustee constitutes a true sale and not a secured transaction. The State's obligation to make Lease Payments does not depend upon any service provided by the Lessor, and thus the transfer of Lease Schedules would be unaffected by any insolvency of the Lessor.

Reserve Fund

The Master Indenture allows a reserve fund to be established for any specific series of master lease certificates of participation. No reserve fund has been established for the Certificates, and no reserve funds are available to any outstanding series of master lease certificates of participation. In the event that the Department of Administration were to establish a reserve fund under the Master Indenture, the amounts in the reserve fund would only be available to the series of master lease certificates of participation for which the reserve fund was authorized.

Governmental Use

In connection with each Lease Schedule, the State certifies that each Leased Item will be used to perform a governmental function. Many of the Leased Items will perform critical governmental functions, but the State does not certify that the Leased Items perform any "essential" functions. Examples of Leased Items currently existing in the Trust include components of the State's integrated tax collection and processing system, components of the State's central mainframe computer, technology upgrades and equipment for various information technology initiatives, and components of a comprehensive information technology system that allows the State to centrally manage finance, budget, procurement, business intelligence and human resource functions. See **APPENDIX B** for a detailed listing of all outstanding Lease Schedules.

Centralized Control and Review

The Program structure allows one division within the Department of Administration to centrally administer many Program activities. Program functions related to administration, review, and day-to-day operations occur in the Capital Finance Office. Program functions related to review and biennial budget preparation occur in the State Budget Office. Program functions related to collection of Lease Payments occur in the State Controller's Office. Each of these offices is part of the Division of Executive Budget and Finance.

Two-Phase Financing Structure

The State generally uses a two-phase financing structure for the Program. In the first (or acquisition) phase, all Leased Items are initially financed with proceeds from a revolving credit facility. The revolving credit facility is a line of credit, and the State, acting on behalf of the Trustee, requests draws from the revolving credit facility to pay for the acquisition of Leased Items. Master lease certificates of

participation have been issued to the provider of the revolving credit facility to evidence the State's repayment of balances under the facility. The provider of the facility is currently PNC Bank, National Association, and the scheduled termination date of the facility is September 1, 2018. The State anticipates amending the revolving credit facility to extend the termination date to September 1, 2020. The State pays interest on funds drawn from the facility based on a taxable variable interest rate, and the repayment term under the facility can extend for up to three years after the scheduled termination date.

In the second phase, the State, acting on behalf of the Trustee, may sell additional master lease certificates of participation (such as the Certificates) with interest payments based on a fixed (and most likely tax-exempt) interest rate to fund all, or a portion of, the Lease Schedules previously funded with proceeds from the revolving credit facility. Since substantially all of the proceeds of master lease certificates of participation being issued as part of the second phase are immediately applied to acquire existing Lease Schedules, the proceeds of the Certificates are not subject to significant nonorigination risk. Prior to the issuance of the Certificates, fixed-rate master lease certificates of participation were most recently issued to fund Lease Schedules in July, 2016.

All sources of financing for the Program are issued under the Master Indenture. See "**SECURITY FOR CERTIFICATES; Common Pool of Collateral**".

Expected Refunding of Certificates

Some of the Lease Schedules to be funded with the Certificates currently have terms that extend beyond the final maturity date of the Certificates, including some terms that extend to September 1, 2027. The State intends to issue additional master lease certificates of participation on or prior to March 1, 2023, to refund all or a portion of the principal of the Certificates maturing on March 1, 2023. In connection with the issuance of the Certificates, the Lease Schedules will be amended to provide for rental payments sufficient to make scheduled payments of principal of, and interest on, the Certificates. Upon issuance of any master lease certificates of participation to refund the Certificates maturing March 1, 2023, the State may further amend the Lease Schedules to extend the payment terms in a manner consistent with their current terms.

Budget Process

The central control of the Program provides the State Budget Office with knowledge of all past, current, and pending scheduled Lease Payments due under the Master Lease. Lease Payments due under the Master Lease are not included in the State budget as a separate budget line item. Rather, Lease Payments due under the Master Lease are included with other expenditures in one or more of an agency's existing budget line items.

State law establishes procedures for establishing and enacting a State budget. The Secretary of the State of Wisconsin Department of Administration (**Secretary of Administration**), under the direction of the Governor and with assistance from the State Budget Office, compiles all budget information and prepares an executive budget, which is presented for legislative deliberation. The State budget is the legislative document that sets the level of authorized State expenditures for the two fiscal years in the biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures.

See **APPENDIX A** for additional information on the State's budget process, the status of the 2017-19 biennial budget, and remedies available when the General Fund is in a negative cash position.

Continuing Authority of Budget

State law provides that in the event a budget is not in effect at the start of a fiscal year, the prior fiscal year's budget serves as the budget until such time a new budget is enacted. The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The 2017-19 biennial budget of the State was enacted on September 21, 2017, which was 82 days after the start of the biennium. Of the ten prior biennial budgets, the 2009-11, 2011-13 and 2013-15 biennial budgets were enacted prior to the start of the biennium; however, the 2015-17

biennial budget and each of the six biennial budgets prior to the 2009-11 biennium was enacted after the start of the biennium, with the latest date after the start of a biennium being October 27, 1999 (for the 1999-2000 biennium), which was nearly four months after the start of that biennium.

Budgetary Reductions and Priority of Claims

If an emergency arises that requires payments in excess of available money, the Secretary of Administration has statutory power to order reductions in the appropriations of State agencies (which represent less than one-quarter of the General Fund budget). If needed, the Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of the principal of, and interest on, State general obligation debt have first priority and may not be prorated or reduced.
- All direct and indirect payments of the principal of, and interest on, operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.
- All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced.

Payments described by the first three statutory priorities must be made before Lease Payments may be made under the Master Lease; however, the Master Lease includes representations that, if an emergency arises that requires the Department of Administration to draw vouchers for payment that will be in excess of available moneys, then the Secretary of Administration will establish a priority schedule for the other payments that gives Lease Payments due under the Master Lease a high priority. A similar covenant regarding priority of payment has also been made with respect to the State's general fund annual appropriation bonds and for appropriations to the Wisconsin Center District to assist in the development and construction of a new arena in Milwaukee, Wisconsin.

Before the Secretary of Administration may establish a priority schedule for the other payments, the Secretary of Administration is required to consult with the State Treasurer and to notify the Legislature's Joint Committee on Finance. The Secretary of Administration may not proceed with the priority schedule until the Legislature's Joint Committee on Finance either (1) holds a meeting to review the proposal, which meeting must occur within two working days after notification of the priority schedule, or (2) does not schedule a meeting to review the proposal within two working days after notification of the priority schedule.

RISK FACTORS

Nonappropriation

The State's obligation to make Lease Payments is subject to appropriation of the necessary funds by the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise will be available to make the Lease Payments. A failure by the State to make a Lease Payment with respect to any Leased Item would cause the Master Lease to terminate with respect to all Leased Items. The State's obligation to make Lease Payments is not a general obligation of the State, and the obligation does not involve the State of Wisconsin Building Commission. Rather, the Master Lease is a contract entered into by the Department of Administration under separate statutory authority. The owners of the Certificates could suffer a loss or fail to obtain payment on a timely basis if no appropriation were made or if an insufficient appropriation were made. This could occur either through the direct action of the Legislature or the Governor or through a failure to act.

The Master Lease does not include a nonsubstitution clause. If the Legislature were to fail to appropriate necessary funds for the continued performance of the State's obligations under the Master Lease

(Nonappropriation), the State would be allowed to acquire and use similar items for the same function as the Leased Item for which no appropriation was made.

As described under “**SECURITY FOR CERTIFICATES; Expected Refunding of Certificates**”, some Lease Schedules funded with the Certificates originally had scheduled Lease Payment dates extending to September 1, 2027. Similarly, Lease Schedules funded with master lease certificates of participation previously issued under the Master Indenture had original scheduled payment dates extending beyond the final maturities of those certificates. The State intends to refund portions of the principal amounts of the Certificates and previously issued master lease certificates that mature on March 1, 2023. However, if such refunding does not occur for any reason, larger than normal appropriations would be needed to provide for the payment of the Certificates and previously issued master lease certificates of participation maturing on March 1, 2023. The amount of Certificates and previously issued master lease certificates of participation that would be subject to such refunding is approximately \$39 million.

While it is possible that failure to make Lease Payments might hinder the State’s subsequent access to the capital markets, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for Lease Payments. See **APPENDIX B** for additional information about remedies available under the Master Lease and Master Indenture if no appropriation is made.

Essential Use of Leased Items

Although the State has made certain representations that each Leased Item serves a governmental function, and although many Leased Items serve critical functions, it should be assumed that the State could function without any Leased Item.

Collateral Value of Leased Items

Although the State has provided a security interest in the Leased Items to the Trustee (for the benefit of the owners of all master lease certificates of participation), the Certificates are not offered on the basis of the collateral value of the Leased Items or the value of any other pledged asset (other than the Lease Payments). Though the term of the Lease Schedule is not permitted to exceed the useful life of the Leased Item, it should not be assumed that the value of the Leased Item at any particular time will exceed the portion of the remaining Lease Payments that will be applied to principal or that the existence of any excess would motivate the State to continue making Lease Payments. Typically, it is difficult to realize the full value of collateral through sale of the collateral, and some of the Leased Items, such as service contracts, intangible property, or tangible property that is incorporated into real estate, may be impossible or difficult to sell or have little or no value to a third-party purchaser.

Records that evidence the security interest are kept by the Department of Administration, separate and apart from the central record system of security interests under the Uniform Commercial Code kept by the State of Wisconsin Department of Financial Institutions.

Tax Exemption

Should the Master Lease be terminated, no assurance can be given that subsequent payments made by the Trustee with respect to the outstanding Certificates and designated as interest would be excluded from gross income for federal income tax purposes.

Applicability of Securities Law

Should the Master Lease be terminated, the transfer of a Certificate might be subject to compliance with the registration provisions of applicable federal and state securities laws, which could impair the liquidity of the Certificates.

OTHER INFORMATION

Borrowing Plans for 2018

This is the first series of master lease certificates of participation to be issued in calendar year 2018.

A revolving credit facility with PNC Bank, National Association is used by the State for origination of Lease Schedules; the termination date of this facility is September 1, 2018, and the State anticipates extending this termination date to September 1, 2020. A master lease certificate of participation was issued to the provider of this facility in calendar year 2016 to evidence a proportionate interest in the Lease Payments associated with the facility, and with the anticipated extension of the facility, that certificate of participation will be cancelled and a new certificate of participation will be issued in calendar year 2018 for the same purpose.

The amount and timing of any additional series of master lease certificates of participation to be issued in this calendar year depend on the amount and timing of originations under the Program. See “**SECURITY FOR CERTIFICATES; Two-Phase Financing Structure**”.

Underwriting

The Certificates were purchased through competitive bidding on August 23, 2018 by Goldman Sachs & Co. LLC (**Underwriter**). The Underwriter paid \$27,871,617.27, and its bid resulted in a true-interest-cost rate to the State of 1.99503%.

Reference Information About the Certificates

Information about the Certificates is provided for reference in the following table and the table on the **inside front cover**. The CUSIP number for each maturity has been obtained from sources the State believes to be reliable, but the CUSIP numbers are subject to change after issuance of the Certificates, and neither the State nor the Underwriter takes responsibility for the correctness of the CUSIP numbers. The Underwriter has provided the reoffering yields and prices. For the Certificates 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.

\$26,615,000
Master Lease Certificates of Participation of 2018, Series A
(State of Wisconsin)

Dated and Delivery Date: On or about September 6, 2018

First Interest Date: March 1, 2019

<u>CUSIP</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield at Issuance</u>	<u>Price at Issuance</u>	<u>First Optional Call Date</u>	<u>Call Price</u>
977087 JG1	March 1, 2019	\$ 3,065,000	5.00%	1.41%	101.732%	Not Callable	-
977087 JH9	September 1, 2019	2,970,000	5.00	1.48	103.433	Not Callable	-
977087 JJ5	March 1, 2020	3,040,000	5.00	1.55	105.048	Not Callable	-
977087 JK2	September 1, 2020	3,115,000	5.00	1.61	106.600	Not Callable	-
977087 JL0	March 1, 2021	3,095,000	5.00	1.70	107.999	Not Callable	-
977087 JM8	September 1, 2021	3,115,000	5.00	1.77	109.354	Not Callable	-
977087 JN6	March 1, 2022	2,880,000	3.00	2.03	102.796	^(a) September 1, 2021	100%
977087 JP1	September 1, 2022	2,075,000	3.00	2.08	102.650	^(a) September 1, 2021	100
977087 JQ9	March 1, 2023	3,260,000	3.00	2.16	102.416	^(a) September 1, 2021	100

^(a) These Certificates priced to the September 1, 2021 first optional call date.

Financial Advisor

Acacia Financial Group, Inc. (**Financial Advisor**) serves as a financial advisor to the State with respect to the issuance and sale of the Certificates. The Financial Advisor has provided advice on the Program and the structure of the Certificates, and has also reviewed certain legal and disclosure documents, including this Official Statement, for financial matters.

Legal Opinions

Bond Opinion

Legal matters relating to the authorization, issuance, and sale of the Certificates are subject to the approval of **Bond Counsel**, which is Foley & Lardner LLP. Bond Counsel will deliver an approving opinion when the Certificates are delivered, in substantially the form shown in **APPENDIX C**. If

certificated Certificates were issued, then the opinion would be printed on the reverse side of each Certificate.

Attorney General

The Attorney General will deliver an opinion to the effect 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 Certificates, and there 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 Certificates, (2) the validity of the Certificates or any of the proceedings taken with respect to the issuance, sale, execution, or delivery of the Certificates, or (3) the pledge or application of any moneys or security provided for the payment of the Certificates.

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law, the portion of rent under the Lease Schedules constituting interest paid by the Lessee and received as interest on the Certificates 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, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations for taxable years beginning on or before December 31, 2017. The State must comply with certain requirements of the Internal Revenue Code for interest on the Certificates 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 Certificates to be included in gross income for federal income tax purposes, perhaps even starting from the date the Certificates are issued. No provision is made for an increase in interest rates or a redemption of the Certificates in the event interest on the Certificates 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 Certificates for federal income tax purposes. It will not be binding on the Internal Revenue Service (IRS) or the courts, and it will not be a guaranty of result. As to questions of fact, Bond Counsel will rely upon certified proceedings and certifications of public officials without independently undertaking to verify them.

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

The IRS has an active tax-exempt bond enforcement program. Under current IRS procedures, owners of the Certificates would have little or no right to participate in an IRS examination of the Certificates. 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 Certificates 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 Certificates and may cause the State or the owners of the Certificates to incur significant expense.

Current and future legislative proposals, if enacted into law, may cause the interest on the Certificates to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the Certificates 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 Certificates. Prospective purchasers of the Certificates should consult their own tax advisors about federal legislative proposals.

State of Wisconsin Income and Franchise Taxes

Interest on the Certificates 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 Certificate.

Premium Certificates

Certificates purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Certificates, the interest on which is excluded from gross income for federal income tax purposes.

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

Owners of Certificates purchased at a premium should consult their own tax advisors with respect to the federal tax consequences of owning such Certificates, including computation of their tax basis and the effect of any purchase of Certificates that is not made in the initial offering at the issue price. Owners of such Certificates should also consult their own tax advisors with respect to the state and local tax consequences of owning those Certificates.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Certificates, 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 2017 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
doa.wi.gov/capitalfinance

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

Dated: August 23, 2018

STATE OF WISCONSIN,
Acting by and through the
DEPARTMENT OF ADMINISTRATION

/S/ ELLEN E. NOWAK

Ellen E. Nowak, Secretary
State of Wisconsin Department of Administration

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

CERTAIN INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin (**State**) contained in [Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2017 \(2017 Annual Report\)](#). This Appendix also makes updates and additions to the information presented in Part II of the 2017 Annual Report, including, but not limited to:

- Estimated General Fund condition statement for the 2017-19 biennium, as included in a summary provided by Legislative Fiscal Bureau (**LFB**) on June 14, 2018 relating to action by the Legislative Joint Committee on Finance (**June 2018 LFB Paper**).
- Estimated General Fund tax collections for the 2017-18 and 2018-19 fiscal years, as included in a report provided by the LFB on January 17, 2018 (**January 2018 LFB Report**).
- General Fund information for the 2017-18 fiscal year through June 30, 2017, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the 2018-19 fiscal year, which reflects the January 2018 LFB Report and the June 2018 LFB Paper.

The State's audited general purpose external financial statements for the fiscal year ended June 30, 2017 were not available as of the date of the 2017 Annual Report. On February 13, 2018, the Comprehensive Annual Financial Report (**CAFR**) and the audited General Purpose External Financial Statements section of the CAFR for the fiscal year ended June 30, 2017 were published. The State filed those documents with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system on February 14, 2018. In addition, the General Purpose External Financial Statements have been made part of APPENDIX A to Part II of the 2017 Annual Report. No other information in Part II of the 2017 Annual Report was updated, and the revision of Part II of the 2017 Annual Report to include the audited General Purpose External Financial Statements does not create any implication that any other information in the 2017 Annual Report remains accurate at any time after its date.

The 2017 Annual Report was filed with the MSRB through its EMMA system. The 2017 Annual Report is also available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin". The Capital Finance Office web site is located at the following address:

doa.wi.gov/capitalfinance

Copies of the 2017 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

After publication and filing of the 2017 Annual Report, certain changes or events have occurred that affect items discussed in the 2017 Annual Report. Listed below, by reference to the particular sections of Part II of the 2017 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 (August 16, 2018). Any such change or addition is identified accordingly.

State Budget; Budget for 2017-19 Biennium (Part II, Pages 35-36). Update with the following information:

Fiscal Year 2017-18 Results

The 2017-18 fiscal year ended on June 30, 2018. The Annual Fiscal Report (budgetary basis) for the 2017-18 fiscal year will be published by approximately October 15, 2018. This report will include the ending budgetary undesignated balance for the 2017-18 fiscal year, along with final General Fund tax collection amounts. The State intends to file the Annual Fiscal Report (budgetary basis) for the 2017-18 fiscal year, when it is available, with the MSRB through its EMMA system.

June 2018 LFB Paper

The June 2018 LFB Paper includes an updated General Fund condition statement for the 2017-19 biennium and was provided and approved by the Legislative Joint Committee on Finance for the purposes of publishing the schedules required in Chapter 20, Wisconsin Statutes. The updated General Fund condition statement reflects all bills enacted during the 2017 legislative session (Acts 1 through 367), and approvals to-date by the Joint Committee on Finance. The revised General Fund condition statements include a net ending balance of \$477 million and \$107 million in fiscal year 2017-18 and fiscal year 2018-19, respectively. These amounts are approximately \$105 million and \$279 million, respectively, less than the projected ending net balances included in the January 2018 LFB Report.

The table on the following page provides the estimated General Fund condition statements for each fiscal year of the 2017-19 biennium as set forth in the June 2018 LFB Paper. The table also includes, for comparison, the estimated General Fund condition statement for each such fiscal year, as included in the 2017-19 biennial budget (2017 Wisconsin Act 59) and the January 2018 LFB Report. Updates to individual components of the General Fund taxes were not provided; updated General Fund tax collections reflect changes in tax laws, not underlying economic conditions.

The June 2018 LFB Paper was filed with the MSRB through its EMMA system. A copy is available from the State as provided on page [A-1](#).

January 2018 LFB Report

The January 2018 LFB Report included an updated General Fund condition statement and estimated General Fund tax revenues for each fiscal year of the 2017-19 biennium. The net General Fund balance for the end of the biennium (June 30, 2019) was projected to be \$385 million. This was \$138 million higher than the balance that was projected at the time of the enactment of the 2017-19 biennial budget.

A complete copy of the January 2018 LFB Report, which includes a national economic forecast and its application to the State's projected tax collections at that time, is included at the end of this APPENDIX A. In addition, the State has filed the January 2018 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on page [A-1](#).

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

	2017-18 Fiscal Year			2018-19 Fiscal Year		
	2017 Wisconsin <u>Act 59</u>	January 2018 <u>LFB Report</u>	June 2018 <u>LFB Paper</u>	2017 Wisconsin <u>Act 59</u>	January 2018 <u>LFB Report</u>	June 2018 <u>LFB Paper</u>
Revenues						
Opening Balance*	\$ 579.0	\$ 579.0	\$ 579.0	\$ 554.7	\$ 652.1	\$ 547.3
Taxes	16,077.5	16,125.9	16,125.8	16,650.9	16,678.8	16,631.8
Department Revenues						
Tribal Gaming	26.2	26.2	26.2	26.1	26.1	26.1
Other	<u>493.1</u>	<u>485.9</u>	<u>485.9</u>	<u>443.2</u>	<u>452.0</u>	<u>451.9</u>
Total Available	\$ 17,175.7	\$17,217.0	\$17,216.8	\$ 17,674.8	\$17,809.0	\$17,657.0
Appropriations						
Gross Appropriations	\$ 16,876.5	\$16,876.5	\$16,946.9	\$ 17,690.1	\$17,690.1	\$17,830.0
Current Session Bills	19.8	19.9	0	10.2	10.3	0
Transfers	40.2	64.4	64.4	41.6	55.6	41.6
Sum Sufficient Reestimates	0	(47.6)	0	0	(5.3)	0
Compensation Reserves	3.1	3.1	3.1	52.1	52.1	52.1
Less: Lapses	<u>(318.5)</u>	<u>(351.5)</u>	<u>(344.8)</u>	<u>(441.8)</u>	<u>(453.9)</u>	<u>(448.2)</u>
Net Appropriations	\$ 16,621.1	\$16,564.9	\$16,669.6	\$ 17,352.1	\$17,348.8	\$17,475.3
Balances						
Gross Balance	\$ 554.7	\$ 652.1	\$ 547.3	\$ 322.7	\$ 460.2	\$ 181.7
Less: Req. Statutory Balance	<u>(70.0)</u>	<u>(70.0)</u>	<u>(70.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>
Net Balance, June 30	\$ 484.7	\$ 582.1	\$ 477.3	\$ 247.7	\$ 385.2	\$ 106.7

* Differences between tables in the 2017 Annual Report and this table primarily reflect an increased opening balance for fiscal year 2017-18, resulting from ending budgetary balances of the 2016-17 fiscal year.

State Budget; Budget for 2017-19 Biennium; 2017-19 General Fund Tax Collections (Part II, Pages 36-37). Update with the following information:

Sales and Use Taxes on Remote Sales

On June 21, 2018 the U.S. Supreme Court ruled that a state can require out-of-state sellers lacking a physical presence in that state, referred to as remote sellers, to collect and remit sales or use taxes on remote sales delivered into that state (*South Dakota v. Wayfair, Inc.*). The Wisconsin Department of Revenue (DOR) has announced that, beginning October 1, 2018, the State will require remote sellers to collect and remit sales or use taxes on sales of taxable products and services in the State.

Administrative rules are being developed by DOR for administering the sales tax laws on remote sellers, and such rules will be consistent with the Supreme Court ruling and include a small seller exception.

It is estimated that expanding the sales and use tax obligations to remote sellers in compliance with the Supreme Court ruling could increase General Fund tax collections by \$90 million in the 2018-19 fiscal year and \$120 million in the 2019-20 fiscal year. However, State law includes procedures for reducing individual income tax rates if certain conditions are met, which may include any federal law that expands the State's ability to require out-of-state sellers to collect and remit state sales and use tax revenues on remote sales. The State is currently reviewing if provisions for reducing individual income tax rates are triggered because of the Supreme Court ruling. Additionally, the Governor has publicly stated that revenues collected from this expansion of the sales and use taxes should be used to provide a tax cut in some form; however, no such legislation has been introduced.

With respect to State Budget Stabilization Fund deposit requirements, it is possible that the collection of the expanded sales and use tax revenues in the 2018-19 fiscal year could result in general fund tax

collections in that year exceeding the projected amount, as included in the 2017-19 biennial budget. If so, some of the excess General Fund revenues would be transferred to the Budget Stabilization Fund.

January 2018 LFB Report

The estimated General Fund tax revenues included in the January 2018 LFB Report are \$16.126 billion in the 2017-18 fiscal year and \$16.679 billion in the 2018-19 fiscal year. These amounts are \$48 million and \$28 million, respectively, greater than the estimated General Fund tax revenues as included in the 2017-19 biennial budget. The estimated General Fund tax revenues in the January 2018 LFB Report reflect limited provisions of the federal Tax Cuts and Jobs Act, signed into law on December 22, 2017, that are automatically adopted for State tax purposes.

The following table provides the estimated General Fund tax revenues for each fiscal year of the 2017-19 biennium. For comparison, the estimated General Fund tax revenues for each year of the 2017-19 biennium, as included in the 2017-19 biennial budget (2017 Wisconsin Act 59), are included. The June 2018 LFB Paper does not modify the January 2018 LFB Report's General Fund tax revenue estimates.

**ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS
2017-18 AND 2018-19 FISCAL YEARS**

	(in Millions)			
	<u>2017-18 Fiscal Year</u>		<u>2018-19 Fiscal Year</u>	
	<u>2017 Wisconsin</u>	<u>January 2018</u>	<u>2017 Wisconsin</u>	<u>January 2018</u>
	<u>Act 59</u>	<u>LFB Report</u>	<u>Act 59</u>	<u>LFB Report</u>
Individual Income	\$ 8,379.8	\$ 8,380.0	\$ 8,720.0	\$ 8,720.0
Sales and Use	5,383.8	5,465.0	5,593.1	5,650.0
Corp. Inc. & Franch.	950.8	950.0	962.4	960.0
Public Utility	373.5	359.0	378.2	363.0
Excise				
Cigarettes	564.7	548.0	560.4	547.0
Tobacco Products	85.0	82.0	88.0	85.0
Liquor & Wine	52.0	52.0	53.0	53.0
Beer	8.9	8.9	8.8	8.8
Insurance Company	192.0	190.0	197.0	195.0
Miscellaneous Taxes	<u>87.0</u>	<u>91.0</u>	<u>90.0</u>	<u>97.0</u>
TOTAL	\$ 16,077.5	\$16,125.9	\$ 16,650.9	\$16,678.8

General Fund Information; General Fund Cash Flow (Part II; Pages 43-56). The following tables provide updates and additions to various tables containing General Fund information for the 2017-18 fiscal year, which are presented on either a cash basis or an agency-recorded basis. Data is through June 30, 2018. The following tables also include 2018-19 fiscal year projections and estimates and reflect the budget bill for the 2017-19 biennium (2017 Wisconsin Act 59), the estimated General Fund tax revenues in the January 2018 LFB Report and the estimates from the June 2018 LFB Paper.

The comparison of monthly General Fund information that is presented on a cash basis has many inherent problems. Unforeseen events or variations from underlying assumptions may cause a decrease or increase in receipts and disbursements from those projected for any specific month. The following tables may show negative balances on a cash basis. The State can have a negative cash balance at the end of a fiscal year.

The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect and may also temporarily reallocate for a period of up to 30 days an additional amount up to 3% of the general-purpose revenue appropriations then in effect.

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

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

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2017 TO JUNE 30, 2018^{(a) (b)}
(Cash Basis)
(Amounts in Thousands)

	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
BALANCES^{(a)(b)}												
Beginning Balance	\$ 1,369,479	\$ 683,578	\$ 774,773	\$ 1,131,482	\$ 2,252,934	\$ 2,079,046	\$ 1,552,921	\$ 2,945,219	\$ 2,931,857	\$ 1,129,637	\$ 1,782,589	\$ 2,606,687
Ending Balance ^(c)	683,578	774,773	1,131,482	2,252,934	2,079,046	1,552,921	2,945,219	2,931,857	1,129,637	1,782,589	2,606,687	1,526,729
Lowest Daily Balance ^(c)	366,105	(43,568)	403,680	1,131,482	1,865,333	701,565	1,552,921	2,752,751	1,129,637	1,129,637	1,496,059	1,222,368
RECEIPTS												
TAX RECEIPTS												
Individual Income	\$ 737,127	\$ 582,634	\$ 694,115	\$ 938,898	\$ 603,605	\$ 744,074	\$ 1,338,685	\$ 658,839	\$ 575,427	\$ 1,655,155	\$ 616,038	\$ 693,145
Sales & Use	520,841	521,403	494,469	539,293	467,970	476,280	569,108	418,534	390,533	481,558	448,750	538,360
Corporate Income	42,449	25,114	186,257	34,644	35,199	177,397	43,449	22,005	110,988	148,904	44,509	199,964
Public Utility	57	31	102	13,169	203,434	400	47	25	30	5,098	193,907	106
Excise	68,987	59,845	63,536	57,450	62,778	52,984	52,882	51,808	49,595	52,871	53,287	63,630
Insurance	100	2,810	40,427	319	1,572	43,278	2,384	16,268	15,236	41,812	4,989	38,758
Subtotal Tax Receipts	\$ 1,369,561	\$ 1,191,837	\$ 1,478,906	\$ 1,583,773	\$ 1,374,558	\$ 1,494,413	\$ 2,006,555	\$ 1,167,479	\$ 1,141,809	\$ 2,385,398	\$ 1,361,480	\$ 1,533,963
NON-TAX RECEIPTS												
Federal	\$ 875,292	\$ 683,556	\$ 816,059	\$ 781,061	\$ 773,440	\$ 680,691	\$ 890,581	\$ 953,424	\$ 831,917	\$ 472,355	\$ 960,628	\$ 495,953
Other & Transfers	572,745	338,112	771,078	650,972	299,853	468,593	378,685	746,423	445,905	523,906	429,745	487,691
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	\$ 1,448,037	\$ 1,021,668	\$ 1,587,137	\$ 1,432,033	\$ 1,073,293	\$ 1,149,284	\$ 1,269,266	\$ 1,699,847	\$ 1,277,822	\$ 996,261	\$ 1,390,373	\$ 983,644
TOTAL RECEIPTS	\$ 2,817,598	\$ 2,213,505	\$ 3,066,043	\$ 3,015,806	\$ 2,447,851	\$ 2,643,697	\$ 3,275,821	\$ 2,867,326	\$ 2,419,631	\$ 3,381,659	\$ 2,751,853	\$ 2,517,607
DISBURSEMENTS												
Local Aids	\$ 1,382,827	\$ 181,849	\$ 768,273	\$ 87,585	\$ 917,068	\$ 1,249,872	\$ 162,999	\$ 685,403	\$ 1,644,011	\$ 112,711	\$ 155,670	\$ 1,854,541
Income Maintenance	996,906	805,222	729,256	726,034	806,061	845,157	748,088	773,942	944,916	776,650	644,435	573,636
Payroll and Related	331,436	425,567	476,684	385,741	399,169	420,233	452,663	418,286	605,738	370,256	416,816	471,636
Tax Refunds	94,736	100,074	94,295	118,786	118,384	150,153	108,054	513,354	533,275	505,389	206,596	160,173
Debt Service	192,497	-	-	139,342	-	-	-	-	-	520,977	55,356	-
Miscellaneous	505,097	609,598	640,826	436,866	381,057	504,407	411,719	489,703	493,911	442,724	448,882	537,579
TOTAL DISBURSEMENTS	\$ 3,503,499	\$ 2,122,310	\$ 2,709,334	\$ 1,894,354	\$ 2,621,739	\$ 3,169,822	\$ 1,883,523	\$ 2,880,688	\$ 4,221,851	\$ 2,728,707	\$ 1,927,755	\$ 3,597,565

(a) The results in this table reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) along with agency reestimates, and the estimated General Fund tax revenues included in the January 2018 LFB Report and the June 2018 LFB Paper. Temporary reallocations of cash are not included.

(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. These designated funds ranged from \$1.1 billion to \$1.8 billion during the 2016-17 and 2017-18 fiscal years, and are anticipated to range from \$1.1 billion to \$1.8 billion during the 2018-19 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds have averaged and are expected to continue to average approximately \$25 million during each 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 2017-18 fiscal year were approximately \$1.519 billion and \$506 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.

Source: Wisconsin Department of Administration.

PROJECTED GENERAL FUND CASH FLOW; JULY 1, 2018 TO JUNE 30, 2019^{(a) (b)}
(Cash Basis)
(Amounts in Thousands)

	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019	April 2019	May 2019	June 2019
BALANCES^{(a)(b)}												
Beginning Balance	\$ 1,526,729	\$ 702,535	\$ 850,509	\$ 1,287,527	\$ 2,161,833	\$ 1,755,691	\$ 1,393,157	\$ 2,522,038	\$ 2,399,445	\$ 779,322	\$ 1,335,168	\$ 1,649,099
Ending Balance^(c)	702,535	850,509	1,287,527	2,161,833	1,755,691	1,393,157	2,522,038	2,399,445	779,322	1,335,168	1,649,099	1,098,700
Lowest Daily Balance^(c)	475,107	345,578	716,349	1,287,527	1,528,690	553,198	1,197,873	2,029,787	779,322	674,248	1,014,209	565,615
RECEIPTS												
TAX RECEIPTS												
Individual Income	\$ 907,953	\$ 629,669	\$ 699,486	\$ 950,717	\$ 637,611	\$ 777,001	\$ 1,299,387	\$ 698,940	\$ 616,735	\$ 1,553,902	\$ 691,696	\$ 697,887
Sales & Use	547,185	538,523	507,415	537,959	500,922	474,852	579,846	435,412	416,620	488,150	483,580	540,447
Corporate Income	53,813	30,118	190,464	33,911	28,899	184,972	40,816	34,274	107,487	144,206	43,465	189,726
Public Utility	41	29	204	14,759	206,196	269	25	38	18	5,215	194,191	61
Excise	65,576	59,901	63,428	59,167	60,326	56,164	55,428	48,511	51,822	53,562	54,020	64,643
Insurance	170	4,457	39,546	204	3,180	42,503	1,407	16,707	17,479	41,826	5,350	40,596
Subtotal Tax Receipts	\$ 1,574,738	\$ 1,262,697	\$ 1,500,543	\$ 1,596,717	\$ 1,437,134	\$ 1,535,761	\$ 1,976,909	\$ 1,233,882	\$ 1,210,161	\$ 2,286,861	\$ 1,472,302	\$ 1,533,360
NON-TAX RECEIPTS												
Federal	\$ 839,007	\$ 868,665	\$ 906,498	\$ 686,029	\$ 734,652	\$ 726,287	\$ 846,253	\$ 951,041	\$ 871,615	\$ 600,692	\$ 786,975	\$ 740,084
Other & Transfers	595,620	349,661	776,054	667,173	376,624	500,423	425,313	738,811	430,711	559,467	438,043	606,661
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	\$ 1,434,627	\$ 1,218,326	\$ 1,682,552	\$ 1,353,202	\$ 1,111,276	\$ 1,226,710	\$ 1,271,566	\$ 1,689,852	\$ 1,302,326	\$ 1,160,159	\$ 1,225,018	\$ 1,346,745
TOTAL RECEIPTS	\$ 3,009,365	\$ 2,481,023	\$ 3,183,095	\$ 2,949,919	\$ 2,548,410	\$ 2,762,471	\$ 3,248,475	\$ 2,923,734	\$ 2,512,487	\$ 3,447,020	\$ 2,697,320	\$ 2,880,105
DISBURSEMENTS												
Local Aids	\$ 1,573,228	\$ 153,147	\$ 826,006	\$ 112,103	\$ 933,792	\$ 1,281,034	\$ 172,815	\$ 633,598	\$ 1,806,256	\$ 98,935	\$ 216,475	\$ 1,987,409
Income Maintenance	1,162,789	910,403	873,320	833,478	942,651	854,960	934,266	888,751	842,419	893,299	879,725	357,528
Payroll and Related	310,100	543,803	310,572	430,319	536,816	322,888	478,236	438,910	456,598	437,069	545,162	414,618
Tax Refunds	96,597	100,811	99,224	117,342	118,139	168,403	93,391	554,009	542,965	500,218	180,149	143,871
Debt Service	178,946	4,529	-	159,588	4,529	-	-	4,529	-	528,212	80,657	-
Miscellaneous	511,899	620,355	636,955	422,783	418,625	497,719	440,886	526,531	484,372	433,441	481,221	527,079
TOTAL DISBURSEMENTS	\$ 3,833,559	\$ 2,333,048	\$ 2,746,077	\$ 2,075,613	\$ 2,954,552	\$ 3,125,004	\$ 2,119,594	\$ 3,046,328	\$ 4,132,610	\$ 2,891,174	\$ 2,383,389	\$ 3,430,505

(a) The results, projections, or estimates in this table reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) along with agency reestimates, and the estimated General Fund tax revenues included in the January 2018 LFB Report and the June 2018 LFB Paper. Temporary reallocations of cash are not included.

(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. These designated funds ranged from \$1.1 billion to \$1.8 billion during the 2016-17 and 2017-18 fiscal years, and are anticipated to range from \$1.1 billion to \$1.8 billion during the and 2018-19 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds have averaged and are expected to continue to average approximately \$25 million during each 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 2018-19 fiscal year are approximately \$1.592 billion and \$531 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.

Source: Wisconsin Department of Administration.

Table II-12; Historical General Fund Cash Flow (Part II; Page 48). Replace with the following updated table.

HISTORICAL GENERAL FUND CASH FLOW ^{(a) (b)}
ACTUAL FISCAL YEARS 2013-14 TO 2017-18

	Actual 2013-14 <u>Fiscal Year</u>	Actual 2014-15 <u>Fiscal Year</u>	Actual 2015-16 <u>Fiscal Year</u>	Actual 2016-17 <u>Fiscal Year</u>	Actual 2017-18 <u>Fiscal Year</u>
RECEIPTS					
Tax Receipts					
Individual Income	\$ 9,093,741	\$ 8,834,854	\$ 9,058,349	\$ 9,487,657	\$ 9,837,742
Sales	4,890,683	5,149,353	5,425,943	5,549,486	5,867,099
Corporate Income	1,075,966	1,167,126	1,173,106	1,151,868	1,070,879
Public Utility	365,105	373,082	404,820	415,784	416,406
Excise	691,507	705,796	710,742	708,762	689,653
Insurance	105,124	97,612	62,730	204,510	207,953
Total Tax Receipts	\$ 16,222,126	\$ 16,327,823	\$ 16,835,690	\$ 17,518,067	\$ 18,089,732
Non-Tax Receipts					
Federal	\$ 9,121,758	\$ 9,195,173	\$ 9,375,674	\$ 9,396,361	\$ 9,214,957
Other and Transfers	5,033,394	5,468,954	4,790,882	5,673,340	6,113,708
Total Non-Tax Receipts	\$ 14,155,152	\$ 14,664,127	\$ 14,166,556	\$ 15,069,701	\$ 15,328,665
TOTAL RECEIPTS	\$ 30,377,278	\$ 30,991,950	\$ 31,002,246	\$ 32,587,768	\$ 33,418,397
DISBURSEMENTS					
Local Aids	\$ 8,400,938	\$ 8,796,013	\$ 8,575,297	\$ 9,223,782	\$ 9,202,809
Income Maintenance	7,952,437	8,319,192	8,848,420	9,186,111	9,370,303
Payroll & Related	4,779,633	5,035,483	5,126,869	5,000,390	5,174,225
Tax Refunds	2,839,727	2,562,911	2,508,923	2,550,017	2,703,269
Debt Service	1,118,715	899,619	952,280	891,234	908,172
Miscellaneous	5,611,799	5,508,775	5,300,700	5,427,066	5,902,369
TOTAL DISBURSEMENTS	\$ 30,703,249	\$ 31,121,993	\$ 31,312,489	\$ 32,278,600	\$ 33,261,147
NET CASH FLOW	\$ (325,971)	\$ (130,043)	\$ (310,243)	\$ 309,168	\$ 157,250

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.
- (b) The results for the 2017-18 fiscal year reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) and the estimated General Fund tax revenues included in the January 2018 LFB Report and the June 2018 LFB Paper.

Source: Wisconsin Department of Administration.

Table II-13; General Fund Cash Receipts and Disbursements Year-to-Date Compared to Estimates and Previous Fiscal Year (Part II; Page 50). 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 June 30, 2018 (2017-18 Fiscal Year)

(Amounts in Thousands)

	2016-17 Fiscal Year through June 30, 2017		2017-18 Fiscal Year through June 30, 2018				Difference FY17 Actual to FY18 Actual
	Actual		Actual	Estimate ^(b)	Variance	Adjusted Variance ^(c)	
RECEIPTS							
Tax Receipts							
Individual Income	\$ 9,487,657		\$ 9,837,742	\$ 9,703,549	\$ 134,193	\$ 134,193	\$ 350,085
Sales	5,549,486		5,867,099	5,746,524	120,575	120,575	317,613
Corporate Income	1,151,868		1,070,879	1,203,062	(132,183)	(132,183)	(80,989)
Public Utility	415,784		416,406	424,737	(8,331)	(8,331)	622
Excise	708,762		689,653	704,773	(15,120)	(15,120)	(19,109)
Insurance	204,510		207,953	208,978	(1,025)	(1,025)	3,443
Total Tax Receipts	\$ 17,518,067		\$ 18,089,732	\$ 17,991,623	\$ 98,109	\$ 98,109	\$ 571,665
Non-Tax Receipts							
Federal	\$ 9,396,361		\$ 9,214,957	\$ 9,303,880	\$ (88,923)	\$ (88,923)	\$ (181,404)
Other and Transfers	5,673,340		6,113,708	6,168,307	(54,599)	(54,599)	440,368
Total Non-Tax Receipts	\$ 15,069,701		\$ 15,328,665	\$ 15,472,187	\$ (143,522)	\$ (143,522)	\$ 258,964
TOTAL RECEIPTS	\$ 32,587,768		\$ 33,418,397	\$ 33,463,810	\$ (45,413)	\$ (45,413)	\$ 830,629
DISBURSEMENTS							
Local Aids	\$ 9,223,782		\$ 9,202,809	\$ 9,262,453	\$ 59,644	\$ 59,644	\$ (20,973)
Income Maintenance	9,186,111		9,370,303	9,718,451	348,148	348,148	184,192
Payroll & Related	5,000,390		5,174,225	5,176,959	2,734	2,734	173,835
Tax Refunds	2,550,017		2,703,269	2,627,696	(75,573)	(75,573)	153,252
Debt Service	891,234		908,172	1,034,140	125,968	125,968	16,938
Miscellaneous	5,427,066		5,902,369	5,646,393	(255,976)	(255,976)	475,303
TOTAL DISBURSEMENTS	\$ 32,278,600		\$ 33,261,147	\$ 33,466,092	\$ 204,945	\$ 204,945	\$ 982,547
2017-18 FISCAL YEAR VARIANCE YEAR-TO-DATE					\$ 159,532	\$ 159,532	

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.
- (b) The results for the 2017-18 fiscal year reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) and the estimated General Fund tax revenues included in the January 2018 LFB Report and the June 2018 LFB Paper.
- (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-14; General Fund Monthly Cash Position (Part II; Page 51). Replace with the following updated table.

GENERAL FUND MONTHLY CASH POSITION ^(a)
July 1, 2016 through June 30, 2018 – Actual
July 1, 2018 through June 30, 2019 – Estimated ^(b)
(Amounts in Thousands)

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts ^(c)</u>	<u>Disbursements ^(c)</u>
2016	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	2,942,209	1,808,524
	February.....	2,410,606	2,721,016	2,857,261
	March.....	2,274,361	2,688,376	3,934,216
	April.....	1,028,521	2,832,722	2,591,412
	May.....	1,269,831	2,581,512	2,004,233
	June.....	1,847,110	2,998,211	3,475,842
	July.....	1,369,479	2,817,598	3,503,499
	August.....	683,578 ^(d)	2,213,505	2,122,310
	September.....	774,773	3,066,043	2,709,334
	October.....	1,131,482	3,015,806	1,894,354
	November.....	2,252,934	2,447,851	2,621,739
	December.....	2,079,046	2,643,697	3,169,822
2018	January.....	1,552,921	3,275,821	1,883,523
	February.....	2,945,219	2,867,326	2,880,688
	March.....	2,931,857	2,419,631	4,221,851
	April.....	1,129,637	3,381,659	2,728,707
	May.....	1,782,588	2,751,853	1,927,755
	June.....	2,606,686	2,517,607	3,597,565
	July.....	1,526,728	3,009,365	3,833,559
	August.....	702,534	2,481,023	2,333,048
	September.....	850,509	3,183,095	2,746,077
	October.....	1,287,527	2,949,919	2,075,613
	November.....	2,161,833	2,548,410	2,954,552
	December.....	1,755,691	2,762,471	3,125,004
2019	January.....	1,393,158	3,248,475	2,119,594
	February.....	2,522,039	2,923,734	3,046,328
	March.....	2,399,445	2,512,487	4,132,610
	April.....	779,322	3,447,020	2,891,174
	May.....	1,335,168	2,697,320	2,383,389
	June.....	1,649,099	2,880,105	3,430,505

- (a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).
- (b) The results and projections for the 2017-18 fiscal year reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59), the estimated General Fund tax revenues included in the January 2018 LFB Report and the June 2018 LFB Paper.
- (c) Operating notes were not issued for the 2016-17 fiscal years and are not anticipated for the 2017-18 or 2018-19 fiscal years.
- (d) At some period during the month, the General Fund was in a negative cash position. 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 (approximately \$1.519 billion in the 2017-18 fiscal year and approximately \$1.592 billion in the 2018-19 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 \$506 million in the 2017-18 fiscal year and \$531 million in the 2018-19 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-15; Cash Balances in Funds Available for Temporary Reallocation (Part II; Page 52).
 Replace with the following updated table.

**CASH BALANCES IN FUNDS AVAILABLE FOR
 TEMPORARY REALLOCATION** ^{(a) (b)}

July 31, 2016 to June 30, 2018 — Actual ^(c)

July 31, 2018 to June 30, 2019 — 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 \$2.18 billion during November 2013 to a high of \$3.94 billion during April 2018. 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

<u>Month (Last Day)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
January		\$1,442	\$1,548	\$1,548
February		1,305	1,620	1,620
March		1,356	1,633	1,633
April		1,302	1,681	1,302
May		1,361	1,403	1,361
June.....		1,289	1,507	1,289
July	\$1,597	1,388	1,388	
August	1,481	1,464	1,464	
September.....	1,622	1,524	1,524	
October.....	1,420	1,304	1,304	
November.....	1,390	1,444	1,444	
December	1,683	1,592	1,592	

Available Balances; Includes Balances in the LGIP

<u>Month (Last Day)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
January.....		\$5,115	\$5,205	\$5,205
February.....		5,050	5,457	5,457
March.....		5,289	5,699	5,699
April.....		4,901	5,462	4,901
May.....		4,600	4,906	4,600
June.....		4,461	5,028	4,461
July	\$5,803	5,461	5,461	
August.....	4,750	4,762	4,762	
September.....	4,663	4,670	4,670	
October.....	4,292	4,103	4,103	
November.....	4,120	4,256	4,256	
December	4,902	4,761	4,761	

- (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 results for the 2017-18 fiscal year and the projections 2018-19 fiscal year include the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59), but not the estimated General Fund tax revenues included in the January 2018 LFB Report and the June 2018 LFB Paper.

Source: Wisconsin Department of Administration.

Table II-16; General Fund Recorded Revenues (Part II; Page 54). Replace with the following updated table.

GENERAL FUND RECORDED REVENUES^(a)
(Agency-Recorded Basis)
July 1, 2017 to June 30, 2018 Compared With Previous Year

	Annual Fiscal Report Revenues <u>2016-17 Fiscal Year^(b)</u>	Projected Revenues <u>2017-18 Fiscal Year^(c)</u>	Recorded Revenues July 1, 2016 to <u>June 30, 2017^(d)</u>	Recorded Revenues July 1, 2017 to <u>June 30, 2018^(e)</u>
Individual Income Tax	\$ 8,039,506,000	\$ 8,379,980,000	\$ 8,040,565,460	\$ 7,639,265,121
General Sales and Use Tax	5,223,935,000	5,383,804,900	5,223,935,061	4,778,515,334
Corporate Franchise and Income Tax	920,947,000	950,800,000	920,946,841	782,182,367
Public Utility Taxes	360,473,000	373,500,000	360,472,829	365,342,776
Excise Taxes	705,681,000	710,600,000	705,870,580	622,542,305
Inheritance Taxes	434,000	-	1,744,736	-32,063
Insurance Company Taxes	181,584,000	192,000,000	181,584,219	186,272,058
Miscellaneous Taxes	85,025,000	87,000,000	112,560,816	358,899,854
SUBTOTAL.....	<u>15,517,585,000</u>	<u>16,077,684,900</u>	<u>15,547,680,543</u>	<u>14,732,987,751</u>
Federal and Other Inter- Governmental Revenues ^(f)	10,431,105,000	10,624,981,400	9,992,784,266	10,011,381,624
Dedicated and Other Revenues ^(g)	<u>6,441,464,000</u>	<u>6,750,288,200</u>	<u>6,361,265,914</u>	<u>6,597,272,945</u>
TOTAL.....	<u>\$ 32,390,154,000</u>	<u>\$ 33,452,954,500</u>	<u>\$ 31,901,730,723</u>	<u>\$ 31,341,642,320</u>

- (a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2016-17 fiscal year dated October 15, 2017.
- (c) The projections for the 2017-18 fiscal year (cash basis) reflect the 2017-19 biennial budget (2017 Wisconsin Act 59), but do not reflect the estimated General Fund tax revenues included in the January 2018 LFB Report and the June 2018 LFB Paper.
- (d) The amounts shown are the 2016-17 fiscal year general purpose revenues and program revenues taxes as recorded by State agencies. The amounts shown are as of June 30, 2017 and do not include revenues for the 2016-17 fiscal year that were recorded by State agencies during the months of July and August 2017. 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 2017-18 fiscal year general purpose revenues and program revenue taxes as recorded by State agencies. The amounts shown are as of June 30, 2018 and do not include revenues for the 2017-18 fiscal year that were recorded by State agencies during the months of July and August 2018. 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-17; General Fund Recorded Expenditures by Function (Part II; Page 56). Replace with the following updated table.

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION^(a)
(Agency-Recorded Basis)
July 1, 2017 to June 30, 2018 Compared With Previous Year

	Annual Fiscal Report Expenditures 2016-17 Fiscal Year ^(b)	Appropriations 2017-18 Fiscal Year ^(c)	Recorded Expenditures July 1, 2016 to June 30, 2017 ^(d)	Recorded Expenditures July 1, 2017 to June 30, 2018 ^(e)
Commerce.....	\$ 209,017,000	\$ 200,578,100	\$ 315,564,675	\$ 190,985,133
Education.....	13,368,786,000	13,706,059,200	13,393,301,710	13,565,818,294
Environmental Resources.....	320,463,000	339,979,600	321,530,203	321,655,350
Human Relations & Resources	14,343,401,000	14,341,728,400	14,382,568,082	14,683,789,502
General Executive.....	1,075,321,000	1,146,065,800	1,090,842,210	1,052,080,868
Judicial.....	139,027,000	144,250,300	139,030,432	139,022,323
Legislative.....	68,575,000	76,520,900	68,575,061	68,581,318
General Appropriations.....	<u>2,367,075,000</u>	<u>2,560,816,600</u>	<u>2,417,589,191</u>	<u>2,552,205,862</u>
TOTAL.....	<u>\$ 31,891,665,000</u>	<u>\$ 32,515,998,900</u>	<u>\$ 32,129,001,565</u>	<u>\$ 32,574,138,650</u>

- (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 2016-17 fiscal year dated October 15, 2017.
- (c) The estimates for the 2017-18 fiscal year (cash basis) reflect the 2017-19 biennial budget (2017 Wisconsin Act 59), but do not reflect the January 2018 LFB Report or the June 2018 LFB Paper.
- (d) The amounts shown are 2016-17 fiscal year expenditures as recorded by State agencies. The amounts shown are as of June 30, 2017 and do not include expenditures for the 2016-17 fiscal year that were recorded by State agencies during the months of July and August 2017.
- (e) The amounts shown are 2017-18 fiscal year expenditures as recorded by State agencies. The amounts shown are as of June 30, 2018 and do not include expenditures for the 2017-18 fiscal year that were recorded by State agencies during the months of July and August 2018.

Source: Wisconsin Department of Administration.

State Obligations; Employee Pension Funds (Part II; Pages 69-70). Update with the following information.

Required Wisconsin Retirement System (WRS) contributions for all employee types, effective January 1, 2019 will decrease slightly. Rate changes are primarily due to higher favorable WRS Trust Fund investment performance. In general, when trust fund investment earnings are greater than expected, contribution rates may decrease the following year. When earnings are lower than expected, rates may increase to make up for the shortfall.

**WISCONSIN RETIREMENT SYSTEM
STATE EMPLOYER CONTRIBUTION RATES
As of January 1, 2019**

<u>Employee Classification</u>	<u>Employee Required</u>	<u>Employer Required</u>	<u>% Change</u>
General, Executive and Elected Officials (including teachers)	6.55%	6.55%	(0.3%)
Protective occupations with Social Security	6.55	10.55	(0.3)
Protective occupations without Social Security	6.55	14.95	(0.1)

Source: Department of Employee Trust Funds

Table II-29; State Assessment (Equalized Value) of Taxable Property (Part II; Page 82). Replace with the following updated table. Information for this updated table became available after the date of the Preliminary Official Statement.

Table II-29

**STATE ASSESSMENT
(EQUALIZED VALUE)
OF TAXABLE PROPERTY**

<u>Calendar Year</u>	<u>Value of Taxable Property</u>	<u>Rate of Increase (Decrease)</u>
2009	\$511,911,983,100	(0.5)
2010	495,904,192,300	(3.1)
2011	486,864,232,800	(1.8)
2012	471,092,529,200	(3.2)
2013	467,502,564,000	(0.8)
2014	479,023,957,200	2.5
2015	490,602,544,050	2.4
2016	505,124,328,250	3.0
2017	525,984,545,850	4.1
2018	549,532,691,500	4.5

Source: Department of Revenue

Table II-40; Unemployment Rate Comparison (Part II; Page 89). Replace with the following updated table. As the Bureau of Labor Standards no longer reports prior year quarterly data, this chart only reflects actual monthly data for the current year and the prior five years.

UNEMPLOYMENT RATE COMPARISON ^{(a)(b)}
By Month 2013 To 2018

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>	
	<u>Wis.</u>	<u>U.S.</u>										
January	3.1	4.5	4.2	5.1	4.7	5.3	5.4	6.1	6.4	7.0	7.9	8.5
February	3.3	4.4	4.5	4.9	4.9	5.2	5.5	5.8	6.8	7.0	7.9	8.1
March	3.2	4.1	3.7	4.6	4.7	5.1	5.3	5.6	6.6	6.8	7.6	7.6
April	2.7	3.7	3.0	4.1	4.1	4.7	4.5	5.1	5.6	5.9	7.1	7.1
May	2.6	3.6	2.8	4.1	3.8	4.5	4.6	5.3	5.3	6.1	6.5	7.3
June	3.4	4.2	3.5	4.5	4.5	5.1	4.8	5.5	5.6	6.3	7.1	7.8
July			3.4	4.6	4.2	5.1	4.6	5.6	5.5	6.5	6.7	7.7
August			3.4	4.5	4.0	5.0	4.2	5.2	5.1	6.3	6.3	7.3
September..			3.0	4.1	3.8	4.8	3.9	4.9	4.6	5.7	5.9	7.0
October.....			2.8	3.9	3.7	4.7	3.9	4.8	4.4	5.5	5.9	7.0
November..			2.7	3.9	3.7	4.4	4.1	4.8	4.5	5.5	6.0	6.6
December ..			<u>2.7</u>	<u>3.9</u>	<u>3.7</u>	<u>4.5</u>	<u>4.1</u>	<u>4.8</u>	<u>4.6</u>	<u>5.4</u>	<u>6.0</u>	<u>6.5</u>
Annual												
Average			3.3	4.4	4.1	4.9	4.6	5.3	5.4	6.2	6.7	7.4

^(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 Standards

Legislative Fiscal Bureau

Robert Wm. Lang, Director



State of Wisconsin

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

January 17, 2018

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

Dear Senator Darling and Representative Nygren:

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

Based upon our analysis, we project the closing, net general fund balance at the end of this biennium (June 30, 2019) to be \$385.2 million. This is \$137.5 million above the balance that was projected at the time of enactment of the 2017-19 biennial budget (2017 Act 59).

The \$137.5 million is the net result of: (1) an increase of \$76.3 million in estimated tax collections; (2) an increase of \$1.7 million in departmental revenues (non-tax receipts deposited into the general fund); (3) a decrease of \$97.7 million in net appropriations, and (4) a transfer of \$38.2 million to the budget stabilization fund.

The majority (\$77.8 million) of the \$97.7 million net appropriation reduction is due to reestimates of the amounts necessary to fund general fund debt service. General fund debt service savings are primarily attributable to three 2017 general obligation bond refinancing transactions and partly the result of a slower pace of bond issuance compared to earlier issuance assumptions. Recent changes to federal tax law have an effect on municipal bond refunding transactions. Effective in 2018, interest on a bond issued to advance refund another bond is no longer tax-exempt. This change prompted the state to advance refund bonds before the end of 2017, that were originally scheduled for advance refundings in 2018.

Under s. 16.518(3) the statutes, if actual tax collections exceed the amounts estimated in the state's biennial budget act, one-half of such excess is deposited into the budget stabilization

fund. Under the estimates of this analysis, tax collections are projected to exceed the Act 59 estimate by \$48.4 million in 2017-18 and \$27.9 million in 2018-19. Thus, one-half of that amount, \$24.2 million in 2017-18 and \$14.0 million in 2018-19 would transfer to the budget stabilization fund.

The following table reflects the 2017-19 general fund condition statement, which incorporates our revenue and expenditure projections.

TABLE 1
2017-19 General Fund Condition Statement

	<u>2017-18</u>	<u>2018-19</u>
Revenues		
Opening Balance, July 1	\$579,015,000	\$652,082,900
Taxes	16,125,900,000	16,678,800,000
Departmental Revenues		
Tribal Gaming Revenues	26,157,000	26,085,900
Other	<u>485,877,700</u>	<u>452,009,000</u>
Total Available	\$17,216,949,700	\$17,808,977,800
Appropriations and Reserves		
Gross Appropriations		
2017 Act 59	\$16,876,502,200	\$17,690,079,800
Other 2017 Acts	19,922,500	10,281,300
Sum Sufficient Reestimates	-47,581,300	-5,288,800
Transfers to		
Transportation Fund	40,194,700	41,597,100
Budget Stabilization Fund	24,207,600	13,961,600
Compensation Reserves	3,080,500	52,081,600
Less Lapses	<u>-351,459,400</u>	<u>-453,889,700</u>
Net Appropriations	\$16,564,866,800	\$17,348,822,900
Balances		
Gross Balance	\$652,082,900	\$460,154,900
Less Required Statutory Balance	<u>-70,000,000</u>	<u>-75,000,000</u>
Net Balance, June 30	\$582,082,900	\$385,154,900

Table 1 incorporates the fiscal effects of all bills enacted to date in the current legislative session (through 2017 Act 135). It does not reflect the impact of any bills that are pending before the Legislature.

General Fund Tax Revenues

The following sections present information related to general fund tax revenues for the

2017-19 biennium, including a discussion of the national economic forecast and general fund tax revenue estimates for fiscal years 2017-18 and 2018-19.

National Economic Review. This office prepared revenue estimates for the 2017-19 biennium in January, 2017, based on the January, 2017, IHS Markit forecast for the U.S. economy. The forecast predicted real (inflation-adjusted) gross domestic product (GDP) growth of 2.3% in 2017, 2.6% in 2018, and 2.3% in 2019. The main drivers of growth were expected to be consumer spending, business fixed investment, and residential investment. On the other hand, IHS Markit expected the trade deficit to be a drag on economic growth, due to an appreciating U.S. dollar that was projected to increase domestic demand for imports.

The January, 2017, forecast was based on the following assumptions. First, Congress would lower the average 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, federal infrastructure spending would increase by \$250 billion over the next ten years. Third, the Federal Reserve would 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 would 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 would increase 3.3% between fourth quarter 2016 and fourth quarter 2017, where it would reach its peak value at 5.5% above the 2016 average, followed by a steady decline. Finally, the real GDP growth of major and other important U.S. trading partners would average 1.7% annually and 3.5% annually, respectively, over the next ten years.

In May, our office reviewed additional tax collection data and IHS Markit's May economic forecast and did not revise revenue estimates for 2016-17, 2017-18, or 2018-19. We noted that the May forecast was very similar to the January forecast and that tax sources were closely tracking the January revenue estimates and anticipated collection patterns. In September, 2017, it was reported that actual 2016-17 general fund tax collections deviated from the January, 2017, projections by only 0.1%.

The economy grew slowly in the first quarter of 2017, but strong momentum in the remainder of the year brought overall growth in line with the forecast. Real growth in GDP is now estimated at 2.2% in 2017, which is 0.1% less than estimated last January. As forecast, economic growth was bolstered by consumer spending and strong business investment.

Growth in employment, income, and household assets supported a 4.4% increase in personal consumption expenditures (PCE). Employers added more than 2.1 million jobs to lower the unemployment rate to 4.1% in the fourth quarter. Overall, there have been 86 consecutive months of jobs gains. Although personal income grew more slowly than forecast (3.1% compared to 4.6%), household net worth grew by more than forecast (7.5% compared to 4.5%). Household net worth increased by \$6.9 trillion in 2017, led by growth in financial assets (7.8%) such as stocks (15.4%). Wages also grew, albeit more slowly, at 2.6%. The personal saving rate fell to a 10-year low of 3.1% in the fourth quarter of 2017 as consumption growth (4.4%) outstripped gains in disposable income (3.0%).

Residential investment, on the other hand, grew by less than anticipated in 2017. IHS Markit reports that national housing starts rose 2.9% in 2017, well short of the 5.2% increase that had been forecast. Single family housing starts grew by 8.9% whereas multi-family units shrank by 9.0%. One possible explanation for the drop in multi-family starts is that the household formation rate amongst those aged 25 to 29 (who are more likely to utilize multi-family units) reached an all-time low in mid-2017. Other possible causes of the shortfall in housing starts include disruptions by damages and delays caused by the active hurricane season, tight credit for developers, and supply shortages of skilled labor.

The assumptions used in the IHS Markit January, 2017, forecast were mostly accurate. As predicted, the Federal Reserve increased the federal funds rate by 75 basis points to 1.5% in 2017. Further, Congress enacted the Tax Cuts and Jobs Act of 2017, which reduces the corporate tax rate from 35% to 21% and lowers the average effective personal income tax rate by about two percentage points (until the provisions expire in 2026). Similar to the forecast, actual oil prices increased to an average Brent spot price of \$54.8 per barrel in 2017, and \$61 by the end of the fourth quarter. The accuracy of other assumptions was mixed, however. For instance, Congress did not enact an infrastructure bill and it is unclear that it will do so in 2018. Further, the value of the dollar declined by 7.0%, in the broad-based dollar index rather than grow as forecasted by 5.3%. This was due in part to economic growth of trading partners and possibly due to a market correction after the surge in the dollar directly following the 2016 November election.

National Economic Forecast. Under the January, 2018, forecast, IHS Markit predicts real GDP growth of 2.7% in 2018 and 2.6% in 2019. Consumer spending and business investment are expected to contribute to growth throughout 2018 and into 2019. The trade deficit is again expected to be a drag on economic growth.

The new forecast is based on the following key assumptions. First, the recently enacted Tax Reform and Jobs Act of 2017 is projected to generate a modest boost to real GDP growth of approximately 0.1% percentage point in 2018 and 0.2% percentage point in 2019. Second, the Federal Reserve will increase the federal funds rate by 75 basis points to 2.25% by the end of 2018 and by 50 basis points to 2.75% by the end of 2019. Third, the Brent oil price is projected to decrease from \$61 per barrel in the fourth quarter of 2017 to \$55 per barrel by the fourth quarter of 2018. Fourth, the inflation-adjusted, trade-weighted value of the dollar for the broad index of U.S. trading partners will increase 1.5% throughout 2018 and reach a peak value in the first quarter of 2019 (which would be 1.3% below the 2016 average value). Finally, the real GDP growth of major-currency and other important U.S. trading partners will average 2.0% and 3.2%, respectively, in 2018.

The forecast is summarized in Table 2, which reflects IHS Markit's January, 2018, 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, 2018
(\$ in Billions)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Nominal Gross Domestic Product	\$18,624.5	\$19,382.4	\$20,301.2	\$21,288.5
Percent Change	2.8%	4.1%	4.7%	4.9%
Real Gross Domestic Product	\$16,716.2	\$17,091.6	\$17,546.7	\$17,995.1
Percent Change	1.5%	2.2%	2.7%	2.6%
Consumer Prices (Percent Change)	1.3%	2.1%	1.7%	1.9%
Personal Income	\$15,928.7	\$16,415.9	\$17,132.9	\$18,031.3
Percent Change	2.4%	3.1%	4.4%	5.2%
Nominal Personal Consumption Expenditures	\$12,820.7	\$13,385.6	\$13,946.3	\$14,535.7
Percent Change	4.0%	4.4%	4.2%	4.2%
Economic Profits	\$2,073.5	\$2,169.2	\$2,300.8	\$2,383.7
Percent Change	-2.1%	4.6%	6.1%	3.6%
Unemployment Rate	4.9%	4.4%	3.9%	3.7%
Total Nonfarm Payrolls (Millions)	144.3	146.5	148.8	151.0
Percent Change	1.8%	1.5%	1.6%	1.5%
Light Vehicle Sales (Millions of Units)	17.47	17.15	16.93	16.85
Percent Change	0.4%	-1.8%	-1.3%	-0.5%
Sales of New and Existing Homes (Millions)	6.001	6.169	6.408	6.601
Percent Change	4.6%	2.8%	3.9%	3.0%
Housing Starts (Millions of Units)	1.177	1.211	1.289	1.402
Percent Change	6.3%	2.9%	6.4%	8.7%

Employment. Total nonfarm payrolls increased for the seventh consecutive year in 2017 by 1.5% to a total of 146.45 million. The unemployment rate averaged 4.4% in 2017, ending the year at 4.1% in the fourth quarter. The biggest employment increases were in natural resources and mining (4.6%), professional and business services (2.9%), and construction (2.8%). Manufacturing employment growth was modest (0.7%).

IHS Markit forecasts that the employment market will remain strong, with total nonfarm payrolls expanding by 1.6% in 2018 to 148.76 million and by 1.5% in 2019 to 151.01 million. The unemployment rate is expected to decrease to 3.9% in 2018 and 3.7% in 2019. Employment in manufacturing is expected to grow by 2.1% in 2018 and 1.6% in 2019, bolstered by

employment in manufacturing wood products (3.2% in 2018 and 6.0% in 2019) and machinery (5.0% in 2018 and 3.5% in 2019).

Personal Income. Personal income is forecast to grow robustly by 4.4% in 2018 and 5.2% in 2019, due to a strong employment market and increases in wages and salaries (4.4% in 2018 and 5.5% in 2019). As a result, IHS Markit estimates that real disposable income will grow by 3.8% in 2018 and 3.7% in 2019. On the other hand, IHS Markit expects growth in household financial assets to moderate in 2018 (3.5%) and 2019 (2.3%), with growth in household holdings of corporate equities decreasing from 15.4% in 2017 to 3.0% in 2018 and -0.4% in 2019. Partly as a result, growth in real household net worth is expected to decrease from 5.8% in 2017 to 2.8% in 2018 and 1.0% in 2019.

IHS Markit estimates that the Tax Reform and Jobs Act of 2017 will lower effective personal income tax rates by approximately 2%. As a result, the personal savings rate is expected to increase from 3.5% in 2017 to 4.3% in 2018 and 5.3% in 2019. In particular, growth in real disposable income (6.4%) is expected to exceed growth in real consumer spending (2.7%) in the first quarter of 2018.

Personal Consumption. IHS Markit estimates that nominal PCE will grow by 4.2% in both 2018 and 2019, supported by strong employment and income growth. IHS Markit estimates that the Tax Reform and Jobs Act of 2017 will increase real consumption growth by 0.2% in each of the next two years.

Sales of consumer items generally subject to the state sales tax (such as most durable goods, clothing, restaurant meals and accommodations, and certain services) grew by an estimated 3.6% in 2017 and are forecast to grow by 4.0% in both 2018 and 2019. Spending on gasoline and other energy goods is expected to decline 1.6% in 2018 and 0.1% in 2019 after growing by 10.7% in 2016. Purchases of light vehicles declined 1.8% in 2017, down from a record number of sales in 2016. Due in part to lower oil prices in 2016 and at the start of 2017, purchases of light trucks increased 4.3%; however, car purchases declined 11.1%. A somewhat similar pattern is predicted to hold in the next two years, with cars sales decreasing 4.9% in 2018 and 1.3% in 2019 and truck sales increasing 0.7% in 2018 and decreasing by only 0.1% in 2019.

Corporate Profits. After a 4.0% decline in 2015 and no growth in 2016, before-tax corporate profits grew 7.0% in 2017. IHS Markit forecasts continued growth of 4.1% in 2018 and 3.8% in 2019. Economic profits, which are adjusted for inventory valuation and capital consumption at current cost (and thus are not affected by federal tax laws), increased by 4.6% in 2017 and are forecast to increase by 6.1% in 2018 and by 3.6% in 2019.

The forecast reflects that the Tax Reform and Jobs Act of 2017 reduced the federal corporate tax rate from 35% to 21%, extended bonus depreciation by five years (followed by a three-year phase-out period), and provided additional tax deductions for certain pass-through business income. The 2018 forecast assumes that the effective tax rate for all industries will drop from 21.2% in 2017 to 9.2% in 2018, a 12.0-percentage-point difference that is expected to narrow in the future to 4.6% by 2027 as the depreciation provisions expire.

Housing. Low overall residential construction in 2017 led to tight supply, which supported growth in housing prices. According to the Wisconsin Realtors Association, the median value Wisconsin home price rose 5.6% year-over-year in November. For comparison, the volume of sales through November grew by only 1.7% over the same period last year.

In 2018, IHS Markit forecasts that the housing market will continue its recovery, supported by growth in incomes and employment. The household formation rate is expected to stabilize at its current levels and growth in overall housing starts is expected to accelerate in 2018 (6.4%). In particular, multi-family starts are expected to rebound, growing by 8.0% in 2018 and 14.0% in 2019. Housing prices for existing homes are expected to continue their rally into 2018, growing by 4.9%, in part due to growing demand and tight supply. However, growth in the sales of existing homes is not expected to be sufficient to increase sales to their 2005 pre-recessionary peak during the forecast period (through 2027).

It should be noted that the Tax Reform and Jobs Act of 2017 places a deductibility cap of \$10,000 on state and local taxes (which includes property taxes), caps the maximum mortgage amount for which interest payments may be deducted to \$750,000, and doubles the standard deduction (which erodes the value of itemizing deductions based on home ownership). Thus, the new law is expected to place downward pressure on housing prices, especially on the higher end, by an unknown amount going forward.

Business Investment. Nonresidential fixed investment grew 5.8% in 2017, led by investment in equipment (5.5%), intellectual property products (4.8%), and nonresidential structures (8.1%). Strong investment into mining and petroleum structures in the first half of the year (which grew 272% in the first quarter and 116% in the second quarter) supported investment into nonresidential structures.

IHS Markit anticipates that nonresidential fixed investment will continue to grow strongly by 6.7% in 2018 and 6.0% in 2019, supported by expanding global markets, low capital costs, and an improving regulatory climate. Investment in equipment is anticipated to expand by 8.4% in 2018 and 6.2% in 2019, supported by gains in industrial equipment (13.3% in 2018 and 7.3% in 2019) and aircraft (17.4% in 2018 and 18.6% in 2019). Investment in intellectual property products is forecast to remain strong, growing 4.8% in 2018 and 7.7% in 2019.

Investment in nonresidential structures and equipment in Wisconsin is expected to increase significantly in the short term due to the planned investment by Hon Hai Precision Industry, Co., Ltd (Foxconn) to construct a flat-screen manufacturing facility. It is anticipated that construction will begin in early 2018 and may require four or more years. Construction will also likely require significant additional improvements to local road and utility infrastructure, estimated at potentially more than \$1 billion. Foxconn has indicated that it plans to begin hiring employees to start assembly operations in 2018 and will expand operations over the next several years as the facilities are constructed.

Consumer Prices. The consumer price index (CPI) increased by 2.1% in 2017. Despite expected wage inflation from a tight labor market, IHS Markit forecasts that the CPI will continue to increase moderately by 1.7% in 2018 and by 1.9% in 2019. Core inflation, which

excludes energy and food prices, is expected to grow by 1.9% in 2018 and by 2.2% in 2019. Energy prices surged by 7.9% in 2017, but are expected to moderate to 0.4% growth in 2018 and 0.7% growth in 2019 as oil prices stabilize lower. Food prices, which grew only by 0.9% in 2017, are expected to grow modestly by 1.1% in 2018 and by 1.8% in 2019.

Monetary Policy. Although core inflation growth is below the Federal Reserve's 2.0% target, the Federal Reserve raised its target range for the federal funds rate three times in 2017, raising the target range to 1.25-1.50% in December. The rate hikes were due in part to the strong employment outlook. In its most recent meeting, the Federal Reserve continued to forecast 2.0% inflation over the medium term and for the unemployment rate to fall below 4.0% for a short time. IHS Markit assumes that the Federal Reserve will raise the federal funds rate by 25 basis points three times to 2.25% by the end of 2018 and two more times in 2019 to 2.75%.

IHS Markit projects that interest rates will increase throughout 2018. The average annual interest rate on a 30-year conventional fixed-mortgage is estimated to increase from 3.99% in 2017 to 4.54% in 2018 and 5.05% in 2019. The average annual yield on the 10-year U.S. treasury note is expected to increase from an estimated 2.33% in 2017 to 3.01% in 2018 and 3.54% in 2019.

International Trade. IHS Markit forecasts that net exports will continue to detract from GDP, as import growth outpaces export growth. Real exports grew by an estimated 3.4% in 2017, supported by a surge in exports of petroleum and petroleum products (10.1%). Overall, exports are anticipated to increase by 5.3% in 2018 and 4.3% in 2019, supported by strong growth in world real GDP. However, imports are expected to grow by even more than exports during this period (6.2% in 2018 and 4.8% in 2019), due in part to an appreciating U.S. dollar and increasing incomes in the U.S. boosting demand for foreign goods.

Alternative Scenarios. IHS Markit's 2018 forecast also includes an optimistic scenario and a pessimistic scenario. Under the optimistic scenario, IHS Markit assigns a 15% probability that the housing market recovery intensifies due to increased household formation amongst young adults. This drives increased housing starts, consumer spending, and business investment, increasing real GDP growth in 2018 to 3.7% and 4.0% in 2019. Low oil prices and inflation buoy consumer and business confidence while the stock market continues its rally through 2019. Exports jump in 2018 as economic conditions across the world improve. The Federal Reserve refrains from raising interest rates before 2020.

Under the pessimistic scenario, to which IHS Markit assigns a 20% probability, a drop in consumer confidence of 19% and a setback in the commercial real estate market shock the economy into recession in the second half of 2018. The drop in confidence drives up long-term interest rates and dampens the strength of the dollar after the first quarter of 2018. The higher interest rates and lower confidence end the housing recovery as housing starts never surpass 1.5 million. The stock market falls 17.6% between its fourth-quarter 2017 peak and its trough in the first quarter of 2019. Higher interest rates reduce growth in consumer spending and business fixed expenditures. As a result, the pessimistic scenario estimates that the US economy contracts at annual rates of 0.8% in the third quarter of 2018 and then 1.8% in the fourth quarter. The unemployment rate climbs through most of 2019, reaching an eventual peak of 5.2%.

General Fund Taxes

Table 3 shows general fund tax revenue estimates for 2017-18 and 2018-19. In total, these amounts are \$76.3 million higher than the Act 59 estimates. The percentage difference is 0.2%. The excess revenue is almost entirely due to increased projections for the general sales and use tax. Sales tax collections are estimated to be higher than last January's estimates by \$81.2 million in 2017-18 and \$56.9 million in 2018-19. Estimated collections for the real estate transfer fee have also been increased slightly. Small downward adjustments have been made to most of the other taxes.

TABLE 3

**Projected General Fund Tax Revenues
(Millions)**

	2016-17 <u>Actual</u>	Previous Estimates		Revised Estimates January, 2018	
		<u>2017-18</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2018-19</u>
Individual Income	\$8,039.5	\$8,379.8	\$8,720.0	\$8,380.0	\$8,720.0
General Sales and Use	5,223.9	5,383.8	5,593.1	5,465.0	5,650.0
Corporate Income and Franchise	921.0	950.8	962.4	950.0	960.0
Public Utility	360.5	373.5	378.2	359.0	363.0
Excise					
Cigarette	564.2	564.7	560.4	548.0	547.0
Tobacco Products	80.3	85.0	88.0	82.0	85.0
Liquor and Wine	52.1	52.0	53.0	52.0	53.0
Beer	9.1	8.9	8.8	8.9	8.8
Insurance Company	181.6	192.0	197.0	190.0	195.0
Miscellaneous Taxes	<u>85.5</u>	<u>87.0</u>	<u>90.0</u>	<u>91.0</u>	<u>97.0</u>
Total	\$15,517.6	\$16,077.5	\$16,650.9	\$16,125.9	\$16,678.8
Change from Prior Year		\$559.88	\$573.40	\$608.30	\$552.88
Percent Change		3.6%	3.6%	3.9%	3.4%

The new estimates are based on the most recent national economic forecast and tax collections data. They reflect all state tax law changes enacted to-date, and also four provisions of the federal Tax Cut and Jobs Act that will automatically be adopted for state income and franchise tax purposes. These include provisions expanding immediate expensing of business equipment purchases under section 179 of the Internal Revenue Code (IRC), increasing the exemption amounts for the alternative minimum tax (AMT), repealing statutes regarding technical termination of partnerships, and modifying the procedure for claiming the historic rehabilitation credit. It is estimated that the aggregate fiscal effect of these provisions will be a reduction in state tax revenues of \$16.6 million in 2017-18 and \$32.3 million in 2018-19.

In order to adopt other relevant provisions of the new law, legislation to update references to the federal IRC is necessary. This office is reviewing the federal law and preparing an analysis

of those provisions that are relevant for state tax purposes.

Individual Income Tax. State individual income tax revenues were \$8,039.5 million in 2016-17 and are estimated at \$8,380.0 million in 2017-18 and \$8,720.0 million in 2018-19. These amounts are unchanged from the amounts estimated in January, 2017, except for the effects of state law changes enacted since then. On a year-to-year basis, the current estimates represent increases of 4.2% for 2017-18 and 4.1% for 2018-19.

Based on preliminary collection information through December, 2017, individual income tax revenues for the current fiscal year are 5.3% higher than such revenues through the same period in 2016-17. These amounts include adjustments for pass-through withholding and for collections that occurred in January, but can be attributed to December because the month ended on a weekend. A lower rate of increase (3.3%) is anticipated over the next six months because refunds and final payments for tax year 2017 are expected to be affected by higher estimated payments at the end of 2017 by individuals anticipating the effects of the federal Tax Cuts and Jobs Act. It is believed that the \$10,000 limit on itemized deductions for state and local taxes under the Act, which will take effect in tax year 2018, has induced some taxpayers to accelerate federal deductions for state income taxes into tax year 2017.

Several provisions of the Act related to Section 179 expensing, AMT exemption levels, and the historic rehabilitation tax credit will automatically take effect for state tax purposes in tax year 2018 and reduce future state individual income tax collections, estimated at about -\$10.0 million in 2017-18 and -\$20.0 million in 2018-19. However, recent growth in collections has created a stronger base than previously estimated that should allow growth in collections that offset these reductions.

General Sales and Use Tax. State sales and use tax revenues totaled \$5,223.9 million in 2016-17 which was an increase of 3.1% over the prior year. Sales tax collections through December, 2017 are 5.2% higher than the same period in 2016. Accounting for law changes since the January, 2017, estimate, sales tax revenues are estimated to be \$5,465.0 million in 2017-18 and \$5,650.0 million in 2018-19, reflecting growth of 4.6% and 3.4% respectively.

Corporate Income and Franchise Tax. Corporate income/franchise taxes were \$921.0 million in 2016-17, which was \$21.0 million above the estimate. Corporate tax revenues are projected to be \$950.0 million in 2017-18 and \$960.0 million in 2018-19. These estimates reflect growth of 3.2% in 2017-18 and 1.1% in 2018-19.

The revised estimates are virtually unchanged from the Act 59 projections, reflecting several offsetting factors. While the January, 2018, forecast for growth in corporate economic profits for 2017 was reduced from the January, 2017, forecast, actual 2016-17 collections exceeded the prior estimate. Year-to-date corporate collections (including pass-through withholding) are 2.4% higher than the same period in 2016. However, there are two factors that we believe cause the year-to-date growth rate to be understated. First, 2017 Wisconsin Act 2 delayed the due date for the first estimated payment most corporations make by one month, shifting estimated payments for certain taxpayers that would have occurred in December, 2017, to January, 2018. Second, it is expected that some corporations incurred additional expenses

during the latter part of tax year 2017 in order to shift taxable income, and federal and state estimated payments associated with that taxable income, from tax year 2017 to 2018, in response to the lower federal corporate tax rates beginning in tax year 2018. Collections are expected to grow 3.7% over the remainder of 2017-18 to reach the revised estimate.

Federal law changes related to Section 179 expensing and the historic rehabilitation tax credit will automatically take effect for state tax purposes in tax year 2018 and reduce corporate income/franchise taxes by an estimated \$6.4 million in 2017-18 and \$12.1 million in 2018-19. These provisions offset the improved January, 2018, forecast for growth in economic profits in 2018 and 2019.

Public Utility Taxes. Public utility tax revenues were \$360.5 million in 2016-17, and are projected at \$359.0 million in 2017-18 and \$363.0 million in 2018-19. Compared to the previous estimates, these amounts are lower by \$14.5 million in 2017-18 and \$15.2 million in 2018-19. Utility tax collections are expected to decrease by 0.4% in 2017-18 and increase by 1.1% in 2018-19. Private light, heat, and power companies are the largest taxpayer group, comprising 64% of estimated public utility taxes for the 2017-19 biennium. Collections from these companies totaled \$229.6 million in 2016-17, and are estimated to decrease to \$227.7 million in 2017-18 (-0.8%) and increase to \$236.5 million (3.9%) in 2018-19. The decrease in 2017-18 reflects, in part, less electricity and natural gas consumed in 2017 than in 2016. These companies' 2017 sales form the basis for their 2018 license fee.

Excise Taxes. General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), other tobacco products, and beer. In 2016-17, excise tax collections totaled \$705.7 million, a decrease of 0.4% from the previous fiscal year. Of this amount, \$564.2 million (approximately 80%) was from the excise tax on cigarettes. Excise tax revenues are estimated at \$690.9 million in 2017-18, which represents reduced revenues of 2.1%. Excise tax revenues in 2018-19 are estimated at \$693.8 million in 2018-19, which represents an increase of 0.4%.

The estimated 2017-18 reduction in excise tax revenues is primarily from: (a) a decline through December, 2017, in year-to-year cigarette tax collections, which are currently 3.5% lower than collections over the same period in 2016-17; and (b) slower growth in tobacco products tax collections than previously estimated (0.7% through December, 2017, compared to the estimated 5.9% annual growth).

Insurance Premiums Taxes. Insurance premiums taxes totaled \$181.6 million in 2016-17, which was \$5.4 million less than had been estimated in January, 2017. Premiums tax collections are projected to be \$190.0 million in 2017-18 and \$195.0 million in 2018-19. The estimates are lower than prior estimates by \$2.0 million in each year. The reduced estimate in the first year is primarily caused by a lower base for tax collections following the actual collection total in 2016-17, offset partly by higher than expected year-to-date collections of 4.0% and an improved forecast for consumer spending on financial services and insurance. The estimate for 2018-19 reflects historic tax collection growth trends.

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 \$85.5 million in 2016-17, of which 83.0% was generated through the real estate transfer fee. Based on the economic forecast for the housing sector, as well as collections through December, 2017, miscellaneous taxes are projected to increase to \$91.0 million in 2017-18, which represents a 6.5% increase from 2016-17 collections. Miscellaneous taxes are estimated to increase 6.6% to \$97.0 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,

A handwritten signature in black ink, appearing to read "R. Lang". The signature is stylized with a large, looped "R" and a cursive "Lang".

Robert Wm. Lang
Director

RWL/lb

cc: Members, Wisconsin Legislature

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

INFORMATION ABOUT THE MASTER LEASE PROGRAM

This Appendix includes by reference information concerning the Master Lease Program (**Program**) and master lease certificates of participation, as contained in [Part IV of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2017 \(2017 Annual Report\)](#), which can be obtained as described below. This Appendix also makes updates and additions to the information presented in Part IV of the 2017 Annual Report.

Part IV to the 2017 Annual Report contains information about the Program and master lease certificates of participation. More specifically, that part presents information about the following matters:

- Program structure
- Program operations
- Security for the master lease certificates of participation
- Risk factors
- Outstanding master lease certificates of participation
- Outstanding Lease Schedules
- Summary of the Master Lease and the Master Indenture

The 2017 Annual Report was filed with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system, and is also available from the part of the Capital Finance Office web site called “Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin.” The Capital Finance Office web site is located at the following address:

doa.wi.gov/capitalfinance

Copies of the 2017 Annual Report may also 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) 266-2305
DOACapitalFinanceOffice@wisconsin.gov
doa.wi.gov/capitalfinance

After publication and filing of the 2017 Annual Report, certain changes or events have occurred that affect items discussed in the 2017 Annual Report. Listed below, by reference to particular sections of Part IV of the 2017 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes or additions have not been filed with the MSRB. However, the State has filed, and expects to continue to file, informational notices with the MSRB, some of which may be notices that are not required to be filed under the State’s undertakings.

Outstanding Master Lease Schedules; Table IV-3 (Part IV–Pages 137-140). Update with the following, which is a summary of all outstanding Lease Schedules (not just those funded with proceeds of the Certificates):

**OUTSTANDING MASTER LEASE SCHEDULES
(As of August 1, 2018)**

<u>Schedule Number</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Leased Item</u>	<u>Amount Financed</u>	<u>Principal Balance</u>
12-005	2/15/2012	3/1/2019	Dispatch Console Replacement	\$ 1,776,827.76	\$ 237,231.81
12-021	6/29/2012	3/1/2019	Wisconsin Integrated Correction System (WICS) - Phase 3	1,275,647.00	181,793.73
12-033	12/17/2012	9/1/2019	Portable Radio Replacement	1,206,063.10	258,440.75
13-008	5/31/2013	9/1/2018	Delivery Vehicles	683,508.00	62,700.81
13-009	5/31/2013	9/1/2018	Golf Course Maintenance Equipment	70,070.89	6,427.87
13-010	6/14/2013	9/1/2028	ERP Software/Hardware - STAR Project	14,315,300.00	9,332,828.40
13-011	7/1/2013	9/1/2018	ERP Software/Hardware - STAR Project	1,606,208.91	152,908.04
13-012	7/1/2013	9/1/2018	Golf Course Maintenance Equipment	14,089.00	1,319.39
13-014	7/19/2013	9/1/2018	ERP Software/Hardware - STAR Project	1,148,211.55	110,522.13
13-017	9/16/2013	9/1/2028	ERP Software/Hardware - STAR Project	10,000,000.00	6,671,736.12
13-020	10/1/2013	9/1/2020	Fleet Vehicles	37,942.00	13,285.89
14-003	2/7/2014	3/1/2021	Potato Grader	110,000.00	46,119.86
14-004	2/28/2014	3/1/2029	Star Project	1,049,735.00	716,117.34
14-006	4/1/2014	3/1/2029	Star Project	1,266,560.00	871,514.79
14-007	4/1/2014	3/1/2029	Star Project	2,629.87	1,809.22
14-008	4/11/2014	3/1/2019	Star Project	63,111.00	12,665.73
14-010	5/2/2014	3/1/2029	Star Project	1,779,630.00	1,235,165.38
14-013	5/30/2014	3/1/2029	Star Project	2,211,085.00	1,546,611.44
14-016	6/30/2014	3/1/2019	Wisconsin Integrated Correction System (WICS)	1,135,814.00	240,440.40
14-017	6/30/2014	9/1/2020	Patient Lifts	101,190.50	28,578.36
14-020	6/30/2014	3/1/2029	Star Project	3,150,758.69	2,210,462.46
14-023	7/18/2014	9/1/2020	Patient Lifts	113,916.90	46,902.39
14-024	8/8/2014	3/1/2029	Storage Hardware and Software	1,862,780.00	1,336,635.74
14-025	8/8/2014	9/1/2021	Biennial Budget System	335,859.30	163,687.80
14-026	9/16/2014	3/1/2029	Storage Hardware and Software	5,995,392.20	4,303,630.59
14-028	9/16/2014	9/1/2019	Networking Equipment	380,835.80	112,706.92
14-029	10/1/2014	9/1/2018	Storage Hardware and Software	13,373,204.90	1,673,319.27
14-030	10/1/2014	9/1/2020	Patient Lifts	148,281.99	60,994.30
14-031	10/17/2014	3/1/2029	Storage Hardware and Software	2,459,415.00	1,763,213.64
14-032	6/30/2014	3/1/2019	Computer Software	941,472.00	208,059.19
14-033	11/18/2014	3/1/2029	ERP Systems Integrator	2,459,415.00	1,775,447.12
14-034	12/3/2014	3/1/2029	STAR Project - ERP Software	2,459,415.00	1,783,031.25
15-001	1/9/2015	3/1/2029	STAR Project - ERP Software	2,459,415.00	1,801,313.13
15-002	2/13/2015	3/1/2029	STAR Project ERP Software and Services	7,468,416.60	5,559,487.32
15-004	2/13/2015	9/1/2019	Wireless Mobile Microphones	282,452.10	93,799.09
15-005	2/13/2015	9/1/2021	Microwave Network Communications Equipment	1,228,998.25	646,251.06
15-006	3/16/2015	3/1/2029	STAR Project ERP Software and Services	4,405,967.00	3,274,298.44
15-007	3/16/2015	9/1/2018	IT Storage Hardware and Software	1,333,701.84	190,986.50
15-010	4/21/2015	9/1/2018	Storage Hardware and Software	747,523.62	106,995.16
15-011	4/21/2015	9/1/2021	Microwave Network Hardware and Software	13,771.50	7,235.11
15-012	4/21/2015	3/1/2029	STAR Project ERP Software and Services	4,584,263.80	3,405,194.34
15-014	5/22/2015	9/1/2018	IT Storage Hardware and Software	151,226.85	23,343.19
15-016	5/22/2015	3/1/2029	STAR Project ERP Software and Services	3,557,638.40	2,700,820.54
15-017	7/2/2015	3/1/2029	STAR Project ERP Software and Services	3,139,506.40	2,382,284.58
15-019	7/2/2015	3/1/2020	Golf Course Maintenance Equipment	111,285.12	46,294.77
15-020	7/2/2015	9/1/2018	IT Storage Hardware and Software	300,092.15	46,300.33
15-021	7/2/2015	3/1/2018	Copier/Printer/MultiFunctional Devices	264,854.00	5,670.41
15-022	7/29/2015	9/1/2019	Management Services	885,113.10	264,382.92
15-023	7/29/2015	9/1/2020	Golf Course Maintenance Equipment	27,802.62	13,574.48
15-024	7/29/2015	3/1/2029	ERP Software/Hardware - STAR Project	1,466,367.00	1,110,776.10
15-025	8/19/2015	9/1/2018	IT Storage and Hardware	102,802.21	18,633.31
15-026	8/26/2015	3/1/2029	ERP Software/Hardware - STAR Project	1,466,367.00	1,118,133.02
15-027	8/19/2015	9/1/2018	IT Storage and Hardware	99,304.00	17,999.26
15-028	8/19/2015	9/1/2016	Copier/Printer/MultiFunctional Devices	90,506.00	18,039.95
15-029	9/18/2015	9/1/2020	ERP Software/Hardware - STAR Project	1,340,408.15	665,886.91
15-030	9/18/2015	9/1/2020	ERP Software/Hardware - STAR Project	1,466,367.00	731,136.41
15-031	10/26/2015	3/1/2017	Dell Computers	27,792.00	5,123.99
15-032	10/26/2015	9/1/2020	ERP Software/Hardware - STAR Project	445,742.00	224,599.64
15-033	11/23/2015	9/1/2020	ERP Software/Hardware - STAR Project	1,595,192.00	812,288.23

OUTSTANDING MASTER LEASE SCHEDULES—Continued
(As of August 1, 2018)

<u>Schedule Number</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Leased Item</u>	<u>Amount Financed</u>	<u>Principal Balance</u>
15-034	11/30/2015	9/1/2018	Biochemistry Analyzer	\$ 19,693.00	\$ 10,056.05
15-035	12/22/2015	9/1/2028	IT Storage and Hardware	1,692,524.00	318,489.97
15-036	12/22/2015	9/1/2018	IT Storage and Hardware	320,952.48	1,244.13
15-037	12/22/2015	9/1/2020	ERP Software/Hardware - STAR Project	89,148.40	44,956.66
16-001	1/12/2016	9/1/2020	ERP Software/Hardware - STAR Project	45,333.20	22,555.25
16-002	1/12/2016	9/1/2020	Veterinary Nuclear Medicine System	127,500.00	66,252.43
16-003	1/12/2016	3/1/2017	Dell Computers	20,151.00	3,736.02
16-004	1/29/2016	3/1/2021	Microwave Network	734,883.72	733,260.30
16-006	2/16/2016	3/1/2023	ERP Software/Hardware - STAR Project	1,973,887.00	1,341,822.42
16-008	2/16/2016	9/1/2020	ERP Software/Hardware - STAR Project	45,333.20	24,064.56
16-009	3/2/2016	3/1/2023	Microwave Network	83,388.85	56,694.76
16-011	3/2/2016	9/1/2020	IT Storage and Hardware	6,455,575.11	3,427,846.05
16-012	3/2/2016	9/1/2020	IT Storage and Hardware	925,290.10	491,315.42
16-013	3/2/2016	3/1/2021	Laptops	2,827,902.00	922,969.32
16-014	3/2/2016	3/1/2021	ERP Software/Hardware - STAR Project	89,148.40	50,975.11
16-015	3/28/2016	3/1/2021	ERP Software/Hardware - STAR Project	89,148.40	50,995.02
16-016	3/28/2016	3/1/2021	ERP Software/Hardware - STAR Project	253,760.00	145,156.79
16-017	3/28/2016	3/1/2023	Microwave Network	734,883.72	499,757.41
16-018	4/15/2016	3/1/2021	Mobile Radios	1,535,514.00	878,350.96
16-019	4/15/2016	3/1/2021	ERP Software/Hardware - STAR Project	253,760.00	145,196.02
16-020	4/22/2016	9/1/2020	Computer Hardware Systems	2,157,633.56	811,820.50
16-021	7/2/2015	3/1/2018	Copier/Printer/MultiFunctional Devices	912,886.50	522,554.54
16-022	5/13/2016	3/1/2022	Mobile Radios	327,721.90	209,213.24
16-023	5/13/2016	3/1/2022	ERP Software/Hardware - STAR Project	206,933.20	132,103.35
16-024	5/13/2016	3/1/2022	IT Storage and Hardware	124,314.00	79,360.35
16-025	6/13/2016	3/1/2023	IT Storage and Hardware	146,682.60	99,824.44
16-026	6/13/2016	3/1/2023	ERP Software/Hardware - STAR Project	252,593.60	171,901.86
16-027	6/13/2016	3/1/2023	ERP Software/Hardware - STAR Project	358,535.00	244,000.03
16-028	6/13/2016	9/1/2022	Mobile Radios	27,185.86	18,054.05
16-029	6/13/2016	9/1/2021	Call Center Software/Hardware System	4,067,296.13	2,475,205.54
16-030	6/13/2016	3/1/2021	Forage Merger	99,000.00	56,696.32
16-031	6/30/2016	3/1/2019	IPADS	142,383.35	25,534.75
16-032	6/30/2016	9/1/2020	Computer Hardware Systems	145,499.97	90,783.39
16-033	6/30/2016	9/1/2022	Microwave Network	661,314.26	501,658.96
16-034	6/30/2016	9/1/2021	Mobile Radios	56,920.50	40,091.77
16-035	7/19/2016	3/1/2019	IPADS	90,765.00	36,064.20
16-036	8/9/2016	3/1/2022	ERP Software/Hardware - STAR Project	233,416.60	174,248.92
16-037	8/9/2016	9/1/2021	Golf Course Maintenance Equipment	141,239.60	101,389.68
16-038	8/31/2016	3/1/2022	ERP Software/Hardware - STAR Project	2,185,701.00	1,646,482.23
16-039	8/31/2016	3/1/2022	IT Storage and Hardware	77,513.95	58,391.03
16-040	8/31/2016	9/1/2019	IPADS	51,971.20	26,924.80
16-041	8/31/2016	3/1/2023	Industrial Equipment	167,696.58	133,582.93
16-042	10/6/2016	9/1/2020	Computer Hardware Systems	54,798.69	34,221.80
16-043	10/6/2016	9/1/2023	ERP Software/Hardware - STAR Project	63,148.40	51,945.28
16-044	10/26/2016	9/1/2023	ERP Software/Hardware - STAR Project	209,800.00	173,751.97
16-045	10/26/2016	9/1/2021	Call Center Software/Hardware System	195,931.25	150,350.81
16-046	12/2/2016	9/1/2023	ERP Software/Hardware - STAR Project	46,000.00	38,602.34
16-047	12/16/2016	9/1/2023	IT Storage and Hardware	1,909,997.00	1,610,670.34
16-049	6/13/2016	3/1/2021	IT Storage and Hardware	158,038.76	116,838.60
16-050	8/31/2016	9/1/2021	Industrial Equipment	81,500.00	59,764.09
16-051	6/30/2016	9/1/2020	Computer Hardware Systems	562,655.11	393,871.17
17-002	1/25/2017	9/1/2020	IT Storage and Hardware	925,290.10	495,344.61
17-003	3/2/2017	9/1/2021	Trucks	300,471.00	239,478.03
17-006	5/3/2017	3/1/2024	Scale Truck Equipment	311,841.99	274,879.46
17-007	5/15/2017	9/1/2023	ERP Software/Hardware - STAR Project	31,600.00	28,126.21
17-008	3/2/2017	9/1/2021	Trucks	296,061.00	245,840.38
17-010	6/19/2017	3/1/2021	IT Storage and Hardware	214,433.50	176,747.49
17-011	6/20/2017	3/1/2024	Scale Truck Equipment	259,715.56	236,378.67
17-012	7/28/2017	3/1/2022	Golf Course Maintenance Equipment	147,688.00	144,844.80

OUTSTANDING MASTER LEASE SCHEDULES—Continued
(As of August 1, 2018)

<u>Schedule Number</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Leased Item</u>	<u>Amount Financed</u>	<u>Principal Balance</u>
17-013	7/28/2017	9/1/2027	Health Records System	\$ 394,895.88	\$ 392,088.03
17-014	7/28/2017	9/1/2023	Buses	1,163,386.00	1,147,621.26
17-015	8/29/2017	3/1/2023	IT Storage and Hardware	475,315.81	436,860.94
17-016	8/29/2017	3/1/2022	IT Storage and Hardware	2,976,088.39	2,674,208.48
17-017	11/17/2017	9/1/2025	Tractors	917,500.00	914,675.56
17-018	11/17/2017	9/1/2027	Health Records System	394,895.88	385,721.57
17-019	11/30/2017	9/1/2022	IT Mainframe	11,702,855.00	11,143,955.91
17-020	6/7/2017	9/1/2021	Call Center Software/Hardware System	531,500.16	493,612.73
17-021	11/17/2017	9/1/2027	Health Records System	394,895.88	388,732.04
18-001	1/24/2018	3/21/2021	Computers	39,192.00	39,192.00
18-002	3/14/2018	3/21/2021	IT Storage and Hardware	1,961,200.15	1,961,200.15
18-003	3/22/2018	9/1/2027	Health Records System	873,000.00	873,000.00
18-004	4/18/2018	9/1/2021	Call Center Software/Hardware System	531,500.16	531,500.16
18-005	5/2/2018	9/1/2027	Health Records System	394,895.88	394,895.88
18-006	5/23/2018	3/1/2022	IT Storage and Hardware	18,041.90	18,041.90
18-007	5/23/2018	3/1/2023	IT Storage and Hardware	332,612.06	332,612.06
18-008	6/15/2018	9/1/2027	Health Records System	1,132,019.14	1,132,019.14
18-009	6/15/2018	3/1/2023	IT Storage and Hardware	780,852.10	780,852.10
18-010	7/31/2018	9/1/2027	Health Records System	516,188.62	516,188.62
Total					\$108,377,372.43

Note: The principal balance of the Lease Schedules in the above table is as of August 1, 2018. The principal balance of certain Lease Schedules in the above table reflects amortization at an assumed fixed interest rate; however, during the period that a Lease Schedule is funded with proceeds from the revolving credit facility, interest accrues and is based on a variable interest rate. As a result, the principal balances included in this table may change slightly when reconciled to reflect actual accrued interest. During a period of low interest rates, the principal balance of each Lease Schedule (and the corresponding series of master lease certificates of participation) may actually be slightly less than shown in the table as any payment in excess of the actual accrued interest is applied as principal prepayments. Final reconciliation of the actual to the assumed interest rates occurs with either the funding of Lease Schedules with master lease certificates of participation having fixed interest rates, such as the Certificates, or the last scheduled Lease Payment.

APPENDIX C

EXPECTED FORM OF BOND COUNSEL OPINION

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

(Letterhead of Foley & Lardner LLP)

Secretary of Administration
State of Wisconsin Department of Administration
101 East Wilson Street, 10th Floor
Madison, Wisconsin 53703

Subject: \$26,615,000
Master Lease
Certificates of Participation of 2018, Series A
(State of Wisconsin)

We have acted as bond counsel in connection with the issuance by U.S. Bank National Association, as trustee (the “**Trustee**”), of \$26,615,000 Master Lease Certificates of Participation of 2018, Series A (State of Wisconsin), dated the date hereof (the “**Certificates**”).

The Certificates are being issued pursuant to the Master Indenture, dated as of July 1, 1996 (the “**Indenture**”), by and among a predecessor-in-interest of U.S. Bank National Association (the “**Lessor**”), a predecessor-in-interest of the Trustee, and the State of Wisconsin, acting by and through the Department of Administration (the “**Lessee**”), as supplemented by Supplemental Indenture No. 2018-A, dated as of September 6, 2018 (the “**Supplemental Indenture**”), among the same parties or their successors-in-interest.

The Certificates evidence proportionate interests of the owners thereof in certain payments of rent to be made by the Lessee, under the Third Amended and Restated Master Lease #1992-1, dated as of April 28, 2000 (the “**Master Lease**”), by and between a predecessor-in-interest of the Lessor and the Lessee, which was entered into pursuant to Section 16.76, Wisconsin Statutes, as amended.

We examined the law, a certified copy of the proceedings relating to the issuance of the Certificates, 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 the foregoing, we are of the opinion that, under existing law:

1. The Master Lease was duly authorized, executed, and delivered by the Lessee and, assuming due authorization, execution, and delivery thereof by the lessor thereunder, is valid and binding on the Lessee.
2. The Indenture and the Supplemental Indenture have been duly authorized, executed, and delivered by the Lessee, and, assuming due authorization, execution, and delivery thereof by the Trustee and the Lessor, the Indenture, as supplemented by the Supplemental Indenture, is valid and binding upon the Lessee.
3. The Certificates evidence valid and binding proportionate interests in, and rights to receive, the payments of rent under the Master Lease.

4. The Lessee is required to make the payments of rent from any source of legally available funds, subject to annual appropriation. The obligation of the Lessee to make the payments of rent does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any tax or for which the Lessee has levied or pledged any tax. The obligation of the Lessee to make the payments of rent does not constitute public debt (as defined under Chapter 18 of the Wisconsin Statutes) of the Lessee or any of its political subdivisions.

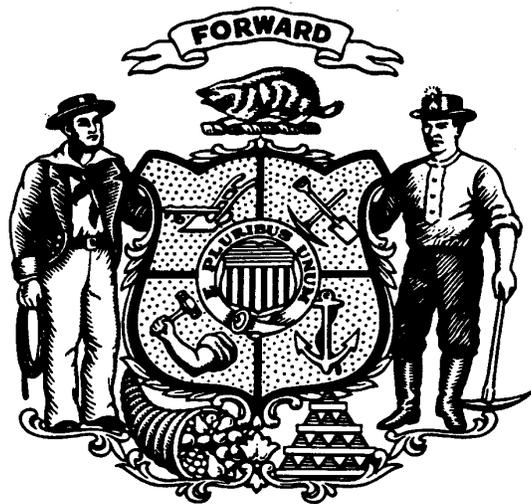
5. The portion of rent designated as and constituting interest paid by the Lessee and received by the owners of the Certificates as interest is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, the interest portion of rent is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations for taxable years beginning on or before December 31, 2017. This letter expresses no opinion as to the federal income tax consequences resulting from ownership of the Certificates or the receipt by owners thereof of payments on the Certificates following the termination of the Master Lease resulting from an event of nonappropriation or an event of default thereunder. The Lessee must comply with all requirements of the Internal Revenue Code that must be satisfied after the Certificates are issued for the interest portion of rent to be, or continue to be, excluded from gross income for federal income tax purposes. The Lessee has agreed to do so. A failure to comply may cause the interest portion of rent to be included in gross income for federal income tax purposes, in some cases retroactively to the date the Certificates were issued. This letter expresses no opinion about other federal tax law consequences regarding the Certificates.

The rights of the owners of the Certificates and the enforceability of the Certificates and the Master Lease 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 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 August 23, 2018 or any other offering material relating to the Certificates (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only the matters set forth as our opinion in the Official Statement).

Our opinion is given as of the date of this letter. We assume no duty to update our opinion 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 Lessee.

Very truly yours,



Printed on
Recycled Paper