**OFFICIAL STATEMENT**

New Issue

*This Official Statement provides information about the 2020 Series A Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.*

# $623,320,000
# STATE OF WISCONSIN
## GENERAL FUND ANNUAL APPROPRIATION REFUNDING BONDS OF 2020, SERIES A (TAXABLE)

**Dated: Date of Delivery** **Due: As shown below**

***Ratings*** AA Fitch Ratings
Aa2 Moody's Investors Service, Inc.

***Interest Payment Dates*** May 1 and November 1, commencing May 1, 2020.

***Redemption*** The 2020 Series A Bonds are subject to optional redemption on any Business Day at the Make-Whole Redemption Price — *See pages 5-6.*

***Source of Payment*** Debt service on the 2020 Series A Bonds is payable from the State's General Fund, subject to annual appropriation. The 2020 Series A Bonds are not general obligations of the State—*See pages 9-13.*

***Tax Matters*** Interest on the 2020 Series A Bonds is included in gross income for federal income tax purposes—*See page 19*.

Interest on the 2020 Series A Bonds is not exempt from current State of Wisconsin income or franchise taxes—*See page 19*.

***Purpose*** The 2020 Series A Bonds are being issued to current refund all of the State's General Fund Annual Appropriation Refunding Bonds of 2008, Series B and Series C (Taxable Floating Rate Notes)—*See pages 4-5.*

***Settlement/Closing*** On or about February 13, 2020.

***Denominations*** Multiples of $5,000

***Book-Entry System*** The Depository Trust Company—*See pages 7-9.*

***Bond Counsel*** Quarles & Brady LLP—*See page 18.*

***Trustee*** The Bank of New York Mellon Trust Company, N.A. as successor to U.S. Bank National Association

***Issuer Contact*** Wisconsin Capital Finance Office; (608) 267-0374; DOACapitalFinanceOffice@wisconsin.gov

***2019 Annual Report*** This Official Statement incorporates by reference Parts I, II, and VIII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 2019.

The prices and yields listed below were determined on January 28, 2020 at negotiated sale. The 2020 Series A Bonds were purchased at an aggregate purchase price of $ 620,405,005.01.

| CUSIP | Due (May 1) | Principal Amount | Interest Rate | Yield at Issuance | Price at Issuance | First Optional Call Date | Call Price |
|---|---|---|---|---|---|---|---|
| 977100 GT7 | 2021 | $ 25,685,000 | 1.670% | 1.670% | 100.000 | Any Business Day at | Make-Whole Redemption Price |
| 977100 GU4 | 2022 | 27,285,000 | 1.720 | 1.720 | 100.000 | | |
| 977100 GV2 | 2023 | 27,205,000 | 1.749 | 1.749 | 100.000 | | |
| 977100 GW0 | 2024 | 27,110,000 | 1.799 | 1.799 | 100.000 | | |
| 977100 GX8 | 2025 | 27,340,000 | 1.899 | 1.899 | 100.000 | | |
| 977100 GY6 | 2026 | 63,830,000 | 2.096 | 2.096 | 100.000 | | |
| 977100 GZ3 | 2027 | 105,045,000 | 2.196 | 2.196 | 100.000 | | |
| 977100 HA7 | 2028 | 64,910,000 | 2.299 | 2.299 | 100.000 | | |
| 977100 HB5 | 2029 | 68,785,000 | 2.349 | 2.349 | 100.000 | | |
| 977100 HC3 | 2030 | 72,785,000 | 2.399 | 2.399 | 100.000 | | |
| 977100 HD1 | 2031 | 76,930,000 | 2.429 | 2.429 | 100.000 | | |
| 977100 HE9 | 2032 | 36,410,000 | 2.499 | 2.499 | 100.000 | | |

**Citigroup** **Barclays**

**Cabrera Capital Markets** **J.P. Morgan** **Morgan Stanley**

**UBS** **Wells Fargo Securities**

January 28, 2020

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This document is called the Official Statement because it is the only document the State has authorized for providing information about the 2020 Series A Bonds. This document is not an offer or solicitation for the 2020 Series A Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document is not a contract, and it provides no investment advice. This Official Statement should be considered in its entirety. No one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, ordinances, reports, or other documents are referred to in this Official Statement, reference should be made to those documents for more complete information regarding their subject matter. Prospective investors should consult their advisors and legal counsel with questions about this document, the 2020 Series A Bonds, and anything else related to the offering.

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

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

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

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the 2020 Series A Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the 2020 Series A Bonds does not imply that there has been no change in the matters contained in this document since the date of this document. Material referred to in this document is not part of this document unless expressly incorporated.

The 2020 Series A Bonds will not be registered under the Securities Act of 1933, as amended, or the securities laws of any state of the United States, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity shall have passed upon the accuracy or adequacy of this Official Statement.

## TABLE OF CONTENTS

## STATE OFFICIALS PARTICIPATING IN THE SALE AND ISSUANCE OF THE 2020 SERIES A BONDS

**GOVERNOR**

Tony Evers
Term of office expires on January 9, 2023

**SECRETARY OF ADMINISTRATION**

Mr. Joel T. Brennan
Serves at the pleasure of the Governor

**STATE ATTORNEY GENERAL**

Mr. Joshua L. Kaul
Term of office expires on January 9, 2023

**DEBT MANAGEMENT AND DISCLOSURE**

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

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

Mr. Aaron Heintz
Assistant Capital Finance Director
(608) 267-1836

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

Mr. Juan Gomez
Capital Finance Officer
(608) 267-2734

## SUMMARY DESCRIPTION OF 2020 SERIES A BONDS

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

| | |
|---|---|
| Principal Amount and Description: | $623,320,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2020, Series A (Taxable) |
| Denominations: | Multiples of $5,000 |
| Date of Issue: | Date of delivery (on or about February 13, 2020) |
| Record Date: | April 15 and October 15 |
| Interest Payments: | May 1 and November 1, beginning May 1, 2020 |
| Maturities: | May 1, 2021-2032—*See front cover* |
| Redemption: | *Optional Make Whole Call*—The 2020 Series A Bonds are subject to optional redemption on any Business Day at the Make-Whole Redemption Price—*See pages 5-6* |
| Form: | Book-entry-only—*See pages 7-9* |
| Paying Agent: | All payments of principal of, and interest on, the 2020 Series A Bonds will be paid by the Trustee. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein. |
| Security: | Debt service on the 2020 Series A Bonds is payable from the State's General Fund, subject to annual appropriations. The 2020 Series A Bonds are not general obligations of the State of Wisconsin—*See pages 9-13* |
| Additional Bonds: | The State may issue additional general fund annual appropriation bonds—*See page 5* |
| Authority for Issuance: | The 2020 Series A Bonds are authorized by Section 16.527 of the Wisconsin Statutes, as amended, and issued pursuant to the 2003 Indenture and the Authorizing Certification—*See page 2* |
| Purpose: | The 2020 Series A Bonds are being issued to current refund all of the State's General Fund Annual Appropriation Refunding Bonds of 2008, Series B and Series C (Taxable Floating Rate Notes) and to terminate the Existing Swap Agreements—*See pages 4-5* |
| Tax Matters: | Interest on the 2020 Series A Bonds is included in gross income for federal income tax purposes—*See pages 19* |
| | Interest on the 2020 Series A Bonds is not exempt from current State of Wisconsin income or franchise taxes—*See page 19* |
| Legal Opinion: | Validity opinion to be provided by Quarles & Brady LLP—*See APPENDIX C* |

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# OFFICIAL STATEMENT

# $623,320,000
# STATE OF WISCONSIN

### GENERAL FUND ANNUAL APPROPRIATION REFUNDING BONDS OF 2020, SERIES A (TAXABLE)

## INTRODUCTION

This Official Statement sets forth information concerning the $623,320,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2020, Series A (Taxable) (**2020 Series A Bonds**). The State of Wisconsin **(State)** Department of Administration **(Department or DOA)** is empowered by law to issue and sell the 2020 Series A Bonds on the State's behalf. This Official Statement includes by reference Parts I, II and VIII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 2019 (**2019 Annual Report**). See APPENDIX A and APPENDIX B.

The 2020 Series A Bonds are being issued to current refund all of the State's General Fund Annual Appropriation Refunding Bonds of 2008, Series B and Series C (Taxable Floating Rate Notes) and to terminate the Existing Swap Agreements.

The 2020 Series A Bonds are issued pursuant to Section 16.527 of the Wisconsin Statutes, as amended **(Enabling Act)** and an authorizing certification signed by the Secretary of Administration **(Authorizing Certification)**. The 2020 Series A Bonds are issued under a Trust Indenture, dated as of December 1, 2003, between the State, acting by and through the Department, and the Trustee, as successor to Deutsche Bank Trust Company Americas and U.S. Bank National Association, as supplemented and amended by a First Supplemental Trust Indenture, dated as of March 1, 2008, a Second Supplemental Trust Indenture, dated as of April 1, 2008, a Third Supplemental Trust Indenture, dated as of June 1, 2008, a Fourth Supplemental Trust Indenture, dated as of November 1, 2012, a Fifth Supplemental Trust Indenture, dated as of August 1, 2016, a Sixth Supplemental Trust Indenture, dated as of January 29, 2019, and a Seventh Supplemental Trust Indenture, dated as of February 1, 2020 **(Seventh Supplemental Trust Indenture)**, all between the State, acting by and through the Department, and the Trustee (collectively, as supplemented and amended, **2003 Indenture.)**

The Enabling Act and the 2003 Indenture establish a framework for the issuance and sale of evidences of appropriation obligations, including the 2020 Series A Bonds, all previously issued general fund annual appropriation obligations issued under the 2003 Indenture, and any additional bonds delivered under the 2003 Indenture (**Additional 2003 Indenture Bonds**) (collectively, the **2003 Indenture Bonds**). Selected terms and provisions of the Indenture are summarized in APPENDIX B.

## THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 20th among the states in population and 25th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information concerning the State, its financial condition, and its general obligation debt is included as Appendix A, which incorporates by reference Part II of the 2019 Annual Report. Appendix A also makes updates and additions to Part II of the 2019 Annual Report, including but not limited to:

- Estimated General Fund condition statement for the 2019-21 biennium and General Fund tax revenue estimates for the 2019-20 and 2020-21 fiscal years, as included in a report provided by the Legislative Fiscal Bureau **(LFB)** on January 23, 2020 (**January 2020 LFB Report**).

- General Fund information for the 2019-20 fiscal year through November 30, 2019 and projected General Fund information for the remainder of the 2019-20 fiscal year, which is presented on a budgetary and cash basis.

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

| | |
|---|---|
| *Contact:* | State of Wisconsin Capital Finance Office<br>Department of Administration<br>Attn: Capital Finance Director |
| *Mail:* | 101 East Wilson Street, FLR 10<br>P.O. Box 7864<br>Madison, WI 53707-7864 |
| *Phone:* | (608) 267-0374 |
| *E-mail:* | DOACapitalFinanceOffice@wisconsin.gov |
| *Web sites:* | doa.wi.gov/capitalfinance<br>wisconsinbonds.com |

# PLAN OF FINANCE

**Statutory Authority for Issuance**

The Enabling Act contains legislative findings that the State, by prepaying part or all of its unfunded prior service liability and its unfunded accrued liability for sick leave conversion credits, may reduce its costs and better ensure the timely and full payment of retirement benefits, and therefore it is in the public interest to issue appropriation obligations for that purpose.

The 2003 Indenture Bonds were issued to provide funds for payment to the Wisconsin Retirement System (**Retirement System**) for all or a portion of the State's unfunded accrued prior service (pension) liability and unfunded accrued liability for sick leave conversion credits, or to refund appropriation obligations issued for that purpose.

The Department is authorized to issue 2003 Indenture Bonds without limit to fund or refund outstanding 2003 Indenture Bonds, to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements, such as Swap Agreements as defined below. All of the 2003 Indenture Bonds issued in 2008, 2012, and 2016 were issued, and the 2020 Series A Bonds are being issued, for these purposes.

**Outstanding Obligations**

As of January 15, 2020 the general fund annual appropriation bonds included in the table on the following page were outstanding.

The scheduled principal payments due on May 1, 2020 for all series of general fund annual appropriation bonds is approximately $108 million. Pursuant to the 2003 Indenture and the trust indenture for other general fund annual appropriation bonds **(2009 Indenture)**, the funds for payment of interest due on May 1, 2020 or the first of each month, and the principal due on May 1, 2020, has been on deposit with The Bank of New York Mellon Trust Company, N.A. **(Trustee)** since July 1, 2019. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Deposit Amount".

The Enabling Act and the 2009 Indenture established a framework for the issuance and sale of other evidences of general fund annual appropriation bonds, including the 2009 Bonds, 2016 Series B Bonds, 2017 Series A Bonds, 2017 Series B Bonds, 2017 Series C Bonds, and 2019 Series A Bonds, and any additional bonds delivered under the 2009 Indenture (collectively, the **2009 Indenture Bonds**).

**OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS BY ISSUE**
**(As of January 15, 2020)**

| Financing | Date of Financing | Maturity | Amount of Issuance | Amount Outstanding |
|---|---|---|---|---|
| *Fixed-Rate Bonds* | | | | |
| 2003- Series A (Taxable) **(2003 Series A Bonds)** | 12/18/03 | | | |
| Serial Bond | | 2013 | $ 250,000,000 | -0- |
| Term Bond | | 2018 | 100,000,000 | -0- |
| Term Bond | | 2026 | 500,000,000 | $ 460,210,000 |
| 2008- Series A (Taxable) **(2008 Series A Bonds)** | 04/01/08 | | | |
| Serial Bonds | | 2009-14 | 135,120,000 | -0- |
| Serial Bond | | 2018 | 150,000,000 | -0- |
| Serial Bond | | 2018 | 213,000,000 | -0- |
| 2009- Series A **(2009 Bonds)** | 04/08/09 | | | |
| Serial Bonds | | 2010-29 | 586,575,000 | -0- [(a)] |
| Term Bond | | 2033 | 100,000,000 | -0- [(a)] |
| Term Bond | | 2033 | 304,550,000 | -0- [(a)] |
| Term Bond | | 2036 | 395,345,000 | - 0- [(a)] |
| Serial Bond | | 2037 | 142,595,000 | -0- [(a)] |
| 2012- Series A (Taxable) **(2012 Bonds)** | 11/29/12 | | | |
| Serial Bonds | | 2015-18 | 137,940,000 | -0- |
| Serial Bonds | | 2027-31 | 113,615,000 | 113,615,000 |
| 2016 - Series A (Taxable) **(2016 Series A Bonds)** | 08/16/16 | 2020-27 | 400,145,000 | 400,145,000 |
| Series B (Taxable) **(2016 Series B Bonds)** | 08/16/16 | | | |
| Serial Bonds | | 2020-29 | 28,700,000 | 28,700,000 |
| Term Bond | | 2033 | 13,680,000 | 13,680,000 |
| Term Bond | | 2037 | 158,135,000 | 158,135,000 |
| 2017 - Series A (Taxable) **(2017 Series A Bonds)** | 01/26/17 | | | |
| Serial Bonds | | 2020-33 | 59,935,000 | 59,935,000 |
| Term Bond | | 2036 | 367,835,000 | 367,835,000 |
| Series B **(2017 Series B Bonds)** | 01/26/17 | 2020-36 | 102,105,000 | 102,105,000 |
| Series C (Taxable) **(2017 Series C Bonds)** | 05/16/17 | 2018-27 | 402,140,000 | 396,570,000 |
| 2019- Series A **(2019 Series A Bonds)** | 01/31/19 | 2021-29 | 359,950,000 | 359,950,000 |
| *Total Fixed-Rate Bonds* | | | | $2,460,880,000 |
| *Variable-Rate Obligations*[(b)] | | | | |
| 2003- Series B (Taxable) **(2003 Series B Bonds)** | 12/18/03 | 2009-32 | $ 944,850,000 | -0- |
| 2008- Series B (Taxable) **(2008 Series B Bonds)** | 04/01/08 | 2026-32 | 300,000,000 | $ 300,000,000 |
| Series C (Taxable) **(2008 Series C Bonds)** | 06/10/08 | 2009-32 | 209,000,000 | 183,770,000 |
| *Total Variable-Rate Obligations* | | | | $ 483,770,000 |
| *Total Outstanding General Fund Annual Appropriation Bonds* | | | | $2,944,650,000 |

(a) Pursuant to a refunding escrow agreement, the principal of, and interest on, all or a portion of the bonds will be paid as it comes due or will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

(b) The State has hedged nearly all its variable rate exposure from the 2008 Series B Bonds and 2008 Series C Bonds through interest rate exchange agreements with multiple counterparties. It is contemplated that those agreements will be terminated in whole in connection with the refunding of 2008 Series B Bonds and 2008 Series C Bonds. See "Interest Rate Exchange Agreements" below.

Separate appropriations exist for payment of debt service on obligations issued under the 2003 Indenture and the 2009 Indenture. An appropriation for payment of debt service on obligations issued under one trust indenture may not be available for payment of debt service on obligations issued under the other trust indenture.

## Interest Rate Exchange Agreements

To hedge its variable rate exposure in connection with the 2003 Series B Bonds, the State entered into interest rate exchange agreements in calendar years 2003 and 2005. The State terminated some, and portions of other, interest rate exchange agreements in conjunction with the issuance of the 2008 Series B Bonds and 2008 Series C Bonds. The remaining interest rate exchange agreements **(Existing Swap Agreements)** hedge substantially all the State's variable rate exposure with respect to the 2008 Series B Bonds and the 2008 Series C Bonds. The Existing Swap Agreements provide for notional amounts declining over time in amounts that approximate the expected aggregate amortization of the 2008 Series B Bonds and the 2008 Series C Bonds.

The counterparties on the Existing Swap Agreements and the current notional amounts and interest rates as of January 15, 2020 under such agreements are:

| Counterparty | Current Notional Amount | Fixed Interest Rate Paid by State | Variable Interest Rate Received by State |
|---|---|---|---|
| Citibank, N.A., New York | $140,648,750 | 5.47% | One-Month LIBOR |
| UBS AG | 166,221,250 | 5.47% | One-Month LIBOR |
| JPMorgan Chase Bank, N.A. | 169,030,000 | 4.66%, 5.47% | One-Month LIBOR |

Because the State's variable rate exposure is being eliminated through the refunding of the Refunded Bonds, the State will terminate the Existing Swap Agreements. It is expected that any termination payments due from the State will be paid from proceeds of the 2020 Series A Bonds.

The State may from time to time enter into (and thereafter may terminate) other interest rate exchange agreements, indexing agreements, or similar agreements relating to any 2003 Indenture Bonds or 2009 Indenture Bonds (**Swap Agreements**). The State's obligation to make payments under the Swap Agreements will be payable from money held in separate accounts established in the Debt Service Fund under the respective Indenture for that purpose. Payments under a Swap Agreement may include net payments based on the interest rates exchanged. Should a Swap Agreement be terminated, under certain circumstances the State may be required to pay a termination payment. The Enabling Act provides authority for the State to issue bonds to make this payment. Money held in the Debt Service Fund may be applied to a termination payment under a Swap Agreement only if the termination payment was due on September 1 of the year before the first fiscal year in a biennium and a budget bill has been enacted for the biennium. Correspondingly, the budget request for the first fiscal year in any biennium is expected to include an amount to provide for any termination payment that was due on September 1 of the prior year. Termination payments, however, may be payable from money held in (or permitted to be transferred to) the Subordinated Payment Obligations Fund.

### Plan of Refunding

As provided for in the Enabling Act, the 2020 Series A Bonds are being issued for the current refunding of all of the 2008 Series B Bonds and 2008 Series C Bonds **(Refunded Bonds)** and to terminate the Existing Swap Agreements. The principal amount of the Refunded Bonds is $483,770,000. The current refunding of the Refunded Bonds is for debt service savings and to reduce certain risks associated with the Existing Swap Agreements. APPENDIX D identifies, and provides more information on, the Refunded Bonds.

Upon delivery of the 2020 Series A Bonds, a portion of the proceeds of the 2020 Series A Bonds will be deposited into the Debt Service Fund with the Trustee. The proceeds in the Debt Service Fund may be invested in Qualified Investments and will be used to pay on February 13, 2020 the principal of and interest on the Refunded Bonds. While outstanding, interest on the Refunded Bonds will be paid with funds on deposit with the Trustee since July 1, 2019. Another portion of the proceeds of the 2020 Series A Bonds will be deposited with the Trustee and immediately used to make termination payments on the Existing Swap Agreements.

### Sources and Uses of Funds

The proceeds from the sale of the 2020 Series A Bonds are expected to be used as follows:

| | |
|---|---|
| Sources | |
| Principal Amount | $ 623,320,000.00 |
| State Contribution/Funds on Deposit With Trustee | 13,531,327.31 |
| TOTAL SOURCES | $ 636,851,327.31 |
| Uses | |
| Deposit to Debt Service Fund/Payment of Refunded Bonds | $ 483,770,000.00 |
| Existing Swap Agreement Termination Payments | 149,728,498.00 |
| Underwriters' Discount | 2,914,994.99 |
| Costs of Issuance/Deposit to Operating Expense Fund | 437,834.32 |
| TOTAL USES | $ 636,851,327.31 |

### Additional Bonds

Subject to certain conditions, the issuance by the State of Additional 2003 Indenture Bonds under the 2003 Indenture for the following purposes is permitted:

- To refund any 2003 Indenture Bonds; and
- To pay any cost of issuing 2003 Indenture Bonds (which includes accrued or funded interest, issuance expenses, deposits to reserve funds, administrative expenses, and credit enhancement facilities), or to make payments under any Swap Agreement or credit facility.

## THE 2020 SERIES A BONDS

### General

The 2020 Series A Bonds will be dated the date of their issuance. The 2020 Series A Bonds will be issued as fully registered bonds, in principal denominations of $5,000 or multiples thereof. The 2020 Series A Bonds are initially being issued in book-entry-only form, so the registered owner will be a securities depository or its nominee. The Department has appointed, as the securities depository for the 2020 Series A Bonds, The Depository Trust Company (**DTC**).

The 2020 Series A Bonds will bear interest from that date, payable on May 1, 2020 and semiannually thereafter on each May 1 and November 1 until their respective maturity dates. The 2020 Series A Bonds will bear interest at the rates shown on the front cover, computed on the basis of a 30-day month and a 360-day year.

### Optional Redemption With Make-Whole Premium

The 2020 Series A Bonds are subject to optional redemption in whole or in part on any Business Day, in such principal amounts and from such maturities as the State shall determine, at a redemption price **(Make-Whole Redemption Price)** equal to the greater of (A) 100% of the principal amount of the 2020 Series A Bonds to be redeemed or (B) the sum of the present values of the applicable remaining payments of principal and interest on such 2020 Series A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2020 Series A Bonds are to be redeemed, discounted to the date of redemption of such 2020 Series A Bonds on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points (0.15%), plus, in each case, accrued interest on the 2020 Series A Bonds to be redeemed to the date fixed for redemption.

For purposes of determining the Make-Whole Redemption Price:

(i) "Treasury Rate" means, with respect to any redemption date for a particular 2020 Series A Bond, the yield to maturity of United States Treasury securities (excluding inflation indexed securities) with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available not less than the tenth Business Day immediately preceding such redemption date, but not more than 45 calendar days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)), most nearly equal to the period from the redemption date to the maturity date of the 2020 Series A Bond to be redeemed, as determined by the Designated Consultant.

(ii) "Designated Consultant" means an independent accounting firm, investment banking firm, or financial adviser retained by the State at the State's expense.

(iii) "Business Day" means a day which is not (1) a Saturday, Sunday, or legal holiday, (2) a day on which commercial banks are required or authorized by law to be closed in the State or in the city of the Designated Trust Office, or (3) a day on which The New York Stock Exchange is closed for the entire day or federal reserve banks are closed.

**Selection of 2020 Series A Bonds for Redemption**

If some but less than all the 2020 Series A Bonds are to be redeemed on any date, the State shall select the aggregate principal amounts of each stated maturity to be redeemed.

Redemption payments on the 2020 Series A Bonds of any particular stated maturity being redeemed in part will be made on a pro rata basis (based on aggregate principal amount) to each registered owner in whose name such 2020 Series A Bonds of such stated maturity are registered at the close of business on the fifteenth day of the calendar month immediately preceding the redemption date (the securities depository so long as the book-entry-only system is in effect).

While the 2020 Series A Bonds are in the book-entry-only system and so long as DTC is the sole registered owner of the 2020 Series A Bonds, if some but less than all the 2020 Series A Bonds of a particular maturity are to be redeemed on any date, the State shall instruct DTC to provide for the pro rata redemption following its procedures as a pro rata pass-through distribution of principal, or if DTC procedures do not allow for pro rata pass-through distribution of principal, the 2020 Series A Bonds to be redeemed shall be selected on a pro rata basis; provided that, so long as such 2020 Series A Bonds are registered in the book-entry-only system, the selection for redemption of the 2020 Series A Bonds will be made in accordance with the operational arrangements of DTC then in effect.

It is the State's intent that redemption allocations of 2020 Series A Bonds made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, the State cannot provide any assurance that DTC, DTC Participants (as defined below), or any other intermediary will allocate the redemption of the 2020 Series A Bonds on such basis, nor will the State be responsible for any failure of DTC, DTC Participants, or any other intermediary to do so. If DTC operational arrangements do not allow for the redemption of the 2020 Series A Bonds on a pro rata pass-through distribution of principal basis, then the 2020 Series A Bonds to be redeemed will be selected for redemption on a pro rata basis. So long as the 2020 Series A Bonds are in the book-entry-only system, there will be only one registered owner, and neither the State nor the Trustee will have responsibility for prorating partial redemptions among beneficial owners of the 2020 Series A Bonds. See "THE 2020 SERIES A BONDS; Book-Entry-System".

**Notice of Redemption of 2020 Series A Bonds**

The Trustee shall send a notice of any redemption of 2020 Series A Bonds, by first class, registered, or certified mail or, for so long as the 2020 Series A Bonds are in the book-entry-only system, as otherwise agreed by the State and the securities depository, to the registered owner of each 2020 Series A Bond which will be redeemed in whole or in part, at the address for the registered owner shown in the registration books. Such notice will include the information as provided under the 2003 Indenture and will be provided at least 30 days but not more than 60 days prior to the date fixed for the redemption. Failure to give a notice of redemption or any defect in any such notice does not affect the validity of the proceedings for the redemption of any 2020 Series A Bonds for which proper notice was given.

Any notice of optional redemption of 2020 Series A Bonds may state that it is contingent upon the availability of appropriated funds to pay the full redemption price of the 2020 Series A Bonds to be redeemed, or upon the satisfaction of such other conditions as an authorized Department representative may direct. At such time as the Department determines that any condition to such a redemption will not be met, it shall so notify the Trustee. Upon receipt of such notice, the Trustee shall send notice to the owners of the 2020 Series A Bonds to which redemption notices were sent, in the same manner in which the redemption notices were sent, stating that the redemption will not occur and that the 2020 Series A Bonds identified in the redemption notice will remain outstanding.

Interest on any 2020 Series A Bonds or portions of such 2020 Series A Bonds called for redemption stops accruing on the redemption date if notice of their redemption has been given as provided in the 2003 Indenture, any conditions to the redemption set forth in the notice as described in the preceding paragraph have been satisfied, and money sufficient for their payment is on deposit with the Trustee as required by the 2003 Indenture.

If any such notice states that it is contingent, then the failure to pay the redemption price of the 2020 Series A Bonds otherwise to be redeemed due to the failure of the conditions identified therein shall not constitute an event of default or event of nonappropriation or give rise to any remedy of the owners of the 2020 Series A Bonds.

**Registration and Payment of 2020 Series A Bonds**

How the 2020 Series A Bonds are paid depends on whether or not they are in book-entry-only form. While the 2020 Series A Bonds are in book-entry-only form (as they are initially), payment of principal of and premium, if any, will be made by wire transfer to the securities depository or its nominee. Payment of interest will be made by wire transfer to the securities depository or its nominee on the payment date.

The record date of the 2020 Series A Bonds is the 15th day (whether or not a Business Day) of the calendar month before the interest payment date. The Trustee serves as the registrar and paying agent for the 2020 Series A Bonds. The following is contact information for the Trustee:

| | |
|---|---|
| *Contact:* | The Bank of New York Mellon Trust Company, N.A.<br>Attention: Rhonda Butler Jackson, Vice President |
| *Phone:* | (312) 827-8640 |
| *E-Mail:* | Rhonda.jackson@bnymellon.com |
| *Mail:* | 2 North LaSalle Street, FLR 7<br>Chicago, IL 60602 |

**Ratings**

The following ratings have been assigned to 2020 Series A Bonds:

| Rating | Rating Agency |
|---|---|
| AA | Fitch Ratings |
| Aa2 | Moody’s Investors Service, Inc. |

Any explanation of what a rating means may only be obtained from the rating organization giving the rating. No one can offer any assurance that a rating given to the 2020 Series A Bonds will be maintained for any period of time; a rating organization may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the 2020 Series A Bonds. The State may elect not to continue requesting ratings on the 2003 Indenture Bonds from any particular rating organization, or may elect to request ratings on the 2003 Indenture Bonds from a different rating organization.

**Book-Entry System**

The 2020 Series A Bonds will initially be issued in book-entry-only form. Purchasers of the 2020 Series A Bonds will not receive bond certificates but instead will have their ownership in the 2020 Series A Bonds recorded in the book-entry system.

Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the 2020 Series A Bonds. Ownership of the 2020 Series A Bonds by the purchasers is shown in the records of brokers and other organizations participating in the DTC book-entry system (**DTC Participants**). All transfers of ownership in the 2020 Series A Bonds must be made, directly or indirectly, through DTC Participants.

*Payment*

The Trustee will make all payments of principal of, and interest and any redemption premium on, the 2020 Series A Bonds to DTC. Owners of the 2020 Series A Bonds will receive payments through the DTC Participants.

*Notices and Voting Rights*

The State or Trustee will provide notices and other communications about the 2020 Series A Bonds to DTC. Owners of the 2020 Series A Bonds will receive any notices or communications through the DTC Participants. In any situation involving rights, DTC will not vote but will rather give a proxy through the DTC Participants.

*Redemption*

If less than all of the 2020 Series A Bonds of a given maturity and interest rate are being redeemed, the State shall instruct DTC to provide for the pro rata redemption following its procedures as a pro rata pass-through distribution of principal, or if DTC procedures do not allow for pro rata pass-through distribution of principal, DTC will determine on a pro rata basis the amount of 2020 Series A Bonds to be redeemed from each DTC Participant. See "THE 2020 SERIES A BONDS; Selection of 2020 Series A Bonds for Redemption".

*Discontinued Service*

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

*Further Information*

Further information concerning DTC and DTC's book-entry system is available at www.dtcc.com. Neither the State nor the Trustee is responsible for any information available on DTC's web site. That information may be subject to change without notice. Neither the State nor the Trustee is responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the 2020 Series A Bonds or to follow the procedures established by DTC for its book-entry system.

**Possible Discontinuance of Book-Entry System**

In the event the 2020 Series A Bonds were not in book-entry-only form, how the 2020 Series A Bonds are paid and redeemed would differ.

*Payment*

Payment of principal of and premium, if any, will be made (i) by check issued upon the presentation and surrender of the 2020 Series A Bonds at the designated office of the Trustee or (ii) in such other fashion as is agreed upon between a registered owner and the Trustee, including without limitation, by wire transfer upon such prior notice as may be satisfactory to the Trustee. Interest on the 2020 Series A Bonds will be paid to the registered owner shown in the registration books on the record date, which is the 15th day of the month (whether or not a business day) of the month preceding the interest payment date (i) by check mailed by first class mail, (ii) by wire transfer to any bank in the continental United States, to any securities depository or a registered owner of $1,000,000 or more in aggregate principal amount of Bonds who, by written request delivered to the Trustee no later than the record date for the payment, has requested the Trustee to make any payments of interest due to it at a specified wire transfer address (which request needs to be given only once unless the registered owner wishes to change the wire transfer address), or (iii) in such other fashion as is agreed upon between a registered owner and the Trustee, including without limitation, by wire transfer upon such prior notice as may be satisfactory to the Trustee.

*Redemption*

If less than all of a particular maturity of the 2020 Series A Bonds is to be redeemed, the particular 2020 Series A Bonds or portions of the 2020 Series A Bonds to be redeemed will be selected on a pro rata basis among the registered owners of the outstanding 2020 Series A Bonds of such maturity by application of a fraction the numerator of which is the principal amount of 2020 Series A Bonds of such maturity held by the registered owner, and the denominator of which is the principal amount of all 2020 Series A Bonds of such maturity then outstanding; provided, however, that if for a registered owner of 2020 Series A Bonds of such maturity the pro rata redemption will not result in a denomination of $5,000 or multiple thereof **(Uneven Amount)**, then the amount to be redeemed allocable to such Uneven Amount will be determined by the Trustee in any commercially reasonable manner, which may include allocating such additional redemptions by rounding to the nearest denomination of $5,000 or by lot, or both.

Any notice of the redemption of any 2020 Series A Bonds would be mailed by first class, registered or certified mail, at least 30 days but not more than 60 days prior, to the date of redemption to the registered owners of any 2020 Series A Bonds to be redeemed. Interest on any 2020 Series A Bond called for redemption will cease to accrue on the redemption date so long as the 2020 Series A Bond was paid or money was on deposit with the Trustee for its payment.

# PAYMENT FROM ANNUAL APPROPRIATIONS

The 2020 Series A Bonds are not general obligations of the State, and the 2020 Series A Bonds do not constitute "public debt" of the State as that term is used in the Wisconsin Constitution and in the Wisconsin Statutes. The payment of the principal of, and premium, if any, and interest on the 2020 Series A Bonds is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the legislature of the State **(Legislature)** for that purpose. The State is not legally obligated to appropriate any amounts for payment of debt service on the 2020 Series A Bonds, and if it does not do so, it incurs no liability to the owners of the 2020 Series A Bonds. Thus, payment of the 2020 Series A Bonds is at the discretion of the Legislature.

## General Fund

The Wisconsin Statutes establish the General Fund, into which are deposited income tax, sales tax, and other general tax revenues and other revenues not dedicated to a specific purpose. Out of the General Fund the State pays its general operating expenses, shared revenues to local governmental units, aids to individuals and organizations, and many State program expenses. See APPENDIX A.

The State has chosen a name for the 2003 Indenture Bonds (including the 2020 Series A Bonds) that includes the words "General Fund" because the Enabling Act reflects an expectation that appropriations to pay debt service will be made from the General Fund. In the Enabling Act, the Legislature expressed its expectation and aspiration (but not a binding obligation) that it would make timely appropriations from money in the General Fund that are sufficient to pay the principal and interest due in any year with respect to obligations such as the 2003 Indenture Bonds. A budget adopted for a future year, however, may fail to make an appropriation or may change the source of the appropriation to a fund other than the General Fund (and thus a fund with substantially less annual revenues than the General Fund). See "RISK FACTORS; Dependence Upon Annual Appropriations" and "Nature of Moral Obligation."

## Budget Process

Annual appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change. See APPENDIX A, which incorporates by reference Part II of the 2019 Annual Report, and APPENDIX B, which incorporates by reference Part VIII of the 2019 Annual Report, for further information about the State's budget process.

**Annual Appropriations and Continuing Authority**

Although the Wisconsin Statutes provide for other types of appropriations, any appropriation made to pay debt service on the 2003 Indenture Bonds as anticipated by the Enabling Act would be an annual appropriation. That is, the amount appropriated would be separately stated for each of the two Fiscal Years that the biennium comprises, and any unused amount would lapse at the end of the applicable Fiscal Year.

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Thus, in the event a budget is not in effect at the start of a Fiscal Year, the prior year's budget serves as the budget until such time a new one is enacted. Once a newly enacted budget becomes effective, the continuing authority is superseded by the newly enacted appropriations.

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 2019-21 biennial budget of the State was enacted on July 3, 2019, which was only three 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 2017-19 and the 2015-17 biennial budget and each of the five biennial budgets prior to the 2009-11 biennium were enacted after the start of the respective biennium, with the latest date after the start of a biennium being October 27, 1999 (for the 1999-2001 biennium).

**General Fund Cash Flow and Priority of Payments**

The State has experienced, and expects to continue to experience, certain periods when the General Fund is in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund.

If needed, 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 that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of 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 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.

Under the 2003 Indenture, the State has covenanted that the Secretary of Administration will give payment of the appropriation obligations issued under the 2003 Indenture (including, but not limited to, the 2003 Indenture Bonds and the 2020 Series A Bonds) the highest possible priority permitted by law. Similar covenants have been made with respect to debt service payments on the 2009 Indenture Bonds, lease payments due under the State's existing master lease and 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 payments, the Secretary of Administration is required to notify the Legislature's Joint Committee on Finance.

### Enabling Act Provisions

The Enabling Act contains a statement to the effect that the Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on obligations such as the 2003 Indenture Bonds (including the 2020 Series A Bonds), expresses its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation. See "RISK FACTORS; Nature of Moral Obligation".

The Wisconsin Statutes include an appropriation of moneys received from any sale of refunding appropriation bonds for payment of the redemption price of refunded bonds and related obligations incurred under ancillary agreements (such as Swap Agreements). The Wisconsin Statutes also include, in the schedule of annual appropriations, an appropriation from the General Fund to pay debt service costs due in the current fiscal year on appropriation obligations (such as the 2003 Indenture Bonds) issued under the Enabling Act, to make payments under ancillary agreements, to make deposits into reserve funds, and to pay related issuance or administrative costs. See "PAYMENT FROM ANNUAL APPROPRIATIONS; 2019-21 Biennium".

### Determination of Annual Appropriation Amount

In the 2003 Indenture, the State directs officers of the Department of Administration to take actions to facilitate the appropriation for each Fiscal Year of a specified amount **(Annual Appropriation Amount)** for the purpose of paying debt service on the 2003 Indenture Bonds and for other purposes under the 2003 Indenture. The Annual Appropriation Amount equals the sum of specific amounts (except that, for the second Fiscal Year in a biennium, the Annual Appropriation Amount equals the sum of the below-described amounts determined for such second Fiscal Year or the immediately succeeding Fiscal Year, whichever is greater).

With respect to the 2003 Indenture Bonds, the Annual Appropriation Amount is determined by adding the following:

- *Bonds - Principal.* The amount of principal of 2003 Indenture Bonds coming due during the Fiscal Year.
- *Bonds - Redemption*. The amount of principal of 2003 Indenture Bonds to be redeemed during the Fiscal Year, including any scheduled amount to be redeemed pursuant to optional redemption.
- *Bonds - Fixed Rate Interest*. Interest to be paid during the Fiscal Year on 2003 Indenture Bonds bearing interest at a fixed rate.
- *Bonds - Variable Rate Interest (Maximum Rate)*. Interest that would be payable during the Fiscal Year on 2003 Indenture Bonds bearing interest at a variable rate, assuming they bear interest at the maximum permitted rate, which is 35% for the 2008 Series B Bonds and 2008 Series C Bonds.
- *Swap Agreements (Maximum Rate)*. The maximum amount of any payment obligations (other than termination payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the swap provider, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in such Swap Agreement were at 15% per annum.
- *Credit Facilities*. The maximum amount of payments due during the Fiscal Year with respect to credit facilities, to the extent not included in the amounts described above.
- *Administrative Expenses*. Estimated administrative expenses payable from the Operating Expense Fund during the Fiscal Year.

- *Swap Termination Payments*. The amount of all swap termination payments with respect to Swap Agreements that are unpaid as of the September 1st immediately preceding the commencement of the biennium that includes the Fiscal Year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

**2019-21 Biennium**

The following table summarizes the calculation of the Annual Appropriation Amount for the 2003 Indenture Bonds, as included in 2019 Wisconsin Act 9. The Annual Appropriation Amount has been calculated pursuant to the factors outlined above. The calculation for the 2019-21 biennium did not incorporate the issuance of the 2020 Series A Bonds, however, the annual debt service on the 2020 Series A Bonds is expected to be less than the annual debt service on the Refunded Bonds and Swap Agreements, even taking into consideration the payments already made in the 2019-20 fiscal year on such Refunded Bonds and Swap Agreements.

**DETERMINATION OF ANNUAL APPROPRIATION AMOUNT**
**2003 Indenture Bonds**

| Determination: 2019-21 Biennium | Fiscal Year 2019-20 | Fiscal Year 2020-21 (Equal to Greater Total of the Following) | |
|---|---|---|---|
| | | Fiscal Year 2020-21 | Fiscal Year 2021-22[(a)] |
| Bonds – Principal | $ 98,995,000 | $107,845,000 | $118,265,000 |
| Bonds – Redemption | 0 | 0 | 0 |
| Bonds – Fixed Rate Interest | 38,471,147 | 34,904,928 | 32,181,499 |
| Bonds– Var. Rate Interest (Max. Rate) | 169,319,500 | 168,904,750 | 165,810,750 |
| Swap Agreements (Maximum Rate) | 0 | 0 | 0 |
| Credit Facilities | 0 | 0 | 0 |
| Administrative Expenses | 1,004,000 | 1,004,000 | 1,004,000 |
| Swap Termination Payments | 0 | 0 | 0 |
| Totals | $307,789,647 | $312,658,678 | $317,261,249 |

[(a)] First Fiscal Year of the next biennium.

The following table includes the amount previously appropriated by the Legislature for the 2003 Indenture Bonds in the 2019-21 biennium and for each of the ten prior ten Fiscal Years.

**AMOUNTS APPROPRIATED BY LEGISLATURE**
**(Section 20.505 (1)(br), Wisconsin Statutes)**

| Fiscal Year | Annual Appropriation Amount | Amount Appropriated By Legislature |
|---|---|---|
| 2009-10 | $262,566,000 | $262,566,000 |
| 2010-11 | 274,749,000 | 274,749,000 |
| 2011-12 | 274,749,000 | 274,749,000 |
| 2012-13 | 533,473,500 | 533,473,500 |
| 2013-14 | 306,297,900 | 306,297,900 |
| 2014-15 | 279,865,100 | 279,865,100 |
| 2015-16 | 279,865,067 | 279,865,100 |
| 2016-17 | 662,929,976 | 662,930,000 |
| 2017-18 | 279,969,796 | 279,969,800 |
| 2018-19 | 307,789,647 | 307,789,700 |
| 2019-20 | 307,789,647 | 307,789,700 |
| 2020-21 | 317,261,249 | 317,261,300 |

**Deposit Amount**

The 2003 Indenture also provides that, on the first business day of each Fiscal Year, the State shall pay to the Trustee from appropriated funds, for deposit into the Appropriations Fund, an amount **(Deposit Amount)** certified by the Secretary as the net amount reasonably expected to be needed during that Fiscal Year to pay principal of the 2003 Indenture Bonds (including any scheduled amount to be redeemed by optional redemption), interest on the 2003 Indenture Bonds, and any payment obligations (other than Subordinated Swap Payment Obligations) with respect to Swap Agreements, and to pay administrative expenses.

Due to requirements for determining the Annual Appropriation Amount, the Deposit Amount is expected to be less than the Annual Appropriation Amount. The Deposit Amount in the 2019-20 fiscal year for the 2003 Indenture Bonds, was calculated and certified to be $170 million.

See "PLAN OF FINANCE; Interest Rate Exchange Agreements" for additional information on payments due under Swap Agreements.

**Event of Nonappropriation**

The 2003 Indenture defines **Event of Nonappropriation** to mean an insufficiency of appropriated funds in any Fiscal Year to pay when due all debt service on 2003 Indenture Bonds and Additional 2003 Indenture Bonds and payment obligations under Swap Agreements, other than termination payments under Swap Agreements that were not included in the determination for that Fiscal Year of the Annual Appropriation Amount **(Subordinated Swap Payment Obligations)**. Upon an Event of Nonappropriation, the Secretary of Administration will promptly provide a written notice to the Trustee.

The 2003 Indenture provides that, if an executive budget bill, as introduced, or a budget bill adopted by either house of the Legislature, fails to include the Annual Appropriation Amount, then the Secretary of Administration will provide a written notice to the Governor and the presiding officer of each house of the Legislature, requesting action to ensure the satisfaction of the State's moral obligation and will promptly provide a written notice to the Trustee and each rating agency rating the 2003 Indenture Bonds, stating the nature of the deficiency. Similarly, if a budget bill that fails to include the Annual Appropriation Amount is signed into law by the Governor, then the Secretary of Administration will send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing the appropriation that would be needed. As of the date of this Official Statement, the Secretary of Administration has not been required to provide any such notice or letter required under the 2003 Indenture.

**Stabilization Fund**

A Stabilization Fund was previously created and funded under the 2003 Indenture; however, the Sixth Supplemental Trust Indenture, dated as of January 29, 2019, amended the definition of the Stabilization Fund Amount and pursuant to that amended definition, an Authorized Department Representative, reduced the required Stabilization Fund amount to $0.00. As of the date of this Official Statement, the amount on deposit in the Stabilization Fund is $0.00. While the State does not currently expect to fund the Stabilization Fund under the 2003 Indenture, it may do so in connection with the issuance of Additional 2003 Indenture Bonds.

The 2009 Indenture authorized the creation of a Stabilization Fund, but to date, it has not been funded, and in any event is not available to the 2003 Indenture Bonds.

## RISK FACTORS

**Dependence Upon Annual Appropriations**

The State's obligation to make payments of the principal of and interest on the 2003 Indenture Bonds, including the 2020 Series A Bonds, is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments, and its obligation to make payments on any Swap Agreements, is subject to annual appropriation of the necessary funds by the Legislature. The amounts that are payable in any fiscal year from the annual appropriation are subject to change, for example, because of the termination of any Swap Agreements, the State's entering into additional Swap Agreements, the State's issuance of refunding bonds or Additional 2003 Indenture Bonds, or the State's issuance of other appropriation obligations. No assurance is given that sufficient funds will be appropriated or otherwise available to make those payments in the future.

The owners of 2003 Indenture Bonds (including the 2020 Series A Bonds) 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 Governor may include or exclude the annual appropriations in the executive budget bill, and similarly, the Legislature may include or exclude the annual appropriations in the budget the Legislature adopts. Moreover, even if the annual appropriations are included in the budget the Legislature adopts, the Governor has the power to veto the appropriations. See "PAYMENT FROM ANNUAL APPROPRIATIONS".

**No Collateral**

Other than granting a security interest in money held in funds under the 2003 Indenture, the State has not pledged any collateral or other security to support payment of the principal of or interest on the 2003 Indenture Bonds, including the 2020 Series A Bonds. If the State were to fail to appropriate sufficient funds for that payment, the owners of the 2003 Indenture Bonds, including the 2020 Series A Bonds, would not have any recourse against any other property or revenues of the State.

**Nature of Moral Obligation**

In the Enabling Act, the Legislature, recognizing its moral obligation to do so, expressed its expectation and aspiration to make timely appropriations from moneys in the General Fund that are sufficient to pay debt service on the 2003 Indenture Bonds in any year; however, the recognition of a moral obligation does not create a legally enforceable obligation. The Legislature's recognition of a moral obligation would provide strong but not conclusive evidence in support of a judicial determination that a payment made by the State serves a public purpose and thus should not be enjoined if a lawsuit challenged the payment as not legally required.

**Legislative Decision-Making**

Legislative decisions, such as making appropriations through the adoption of a budget, may be influenced by many factors. The Secretary of Administration believes that failure to make payments of the principal of, and premium, if any, and interest on, any of the 2003 Indenture Bonds might hinder the State's subsequent access to the capital markets; however, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for those payments. Future occurrences could adversely affect legislative support for appropriating the money needed for those payments.

Moreover, certain events could result in the need for an appropriation that is larger than originally expected. For example, the State could be required to pay a substantial termination payment upon the termination of a Swap Agreement, including a termination outside the State's control. In addition, the Legislature may authorize the State to issue other obligations that are payable from the same annual appropriations, and it may also consider and adopt legislation that changes the amounts of existing appropriations.

The State intends to refund the principal amount of the 2017 Series C Bonds maturing in 2027 ($378 million) so that the principal will be repaid in smaller annual amounts over years on or subsequent to 2027. It cannot be predicted what the State may do with respect to its debt structure in the future based on the circumstances existing at that time. If the State is unable to access the debt market when the 2017

Series C Bonds maturing in 2027 come due, a large payment would be required, which may affect the legislative decisions at that time regarding making appropriations in the budget.

**State Financial Difficulties**

The sole source of repayment of the 2020 Series A Bonds is appropriations made by the Legislature. The availability of State funds for such appropriations is a function of the condition of the State economy and such appropriations typically occur during a biennial budget process. The Legislature may base its decisions about appropriations on many factors, including the State's economic performance. Decreases in State revenues may adversely affect the appropriations made by the Legislature. No liability would accrue to the State in the event the Legislature does not make appropriations for repayment of the 2020 Series A Bonds, and the State would not be obligated or liable for any future payments or any damages.

**Existing Swap Agreements**

With respect to the Existing Swap Agreements while they are outstanding, or if other Swap Agreements are entered into, there are certain general financial risks the State is subject to as a result of the Existing Swap Agreements or Swap Agreements.

The State has hedged nearly all its variable-rate exposure on the 2008 Series B Bonds and 2008 Series C Bonds through the Existing Swap Agreements. As of December 31, 2019 the aggregate fair market value of the Existing Swap Agreements was negative $140 million. The fair market value may vary throughout the life of the Existing Swap Agreements due to changes in interest rates and swap market conditions.

*GASB 53 Disclosure*

All Existing Swap Agreements, as of June 30, 2019, continue to be classified as effective cash flow hedges for purposes of GASB Statement No. 53. As a result, changes to fair market value are not reported in the State's general purpose financial statements. The State contracts with a third party advisor to provide estimates of the fair market value of the Existing Swap Agreements.

*Interest Rate Risks*

Although the overall effective interest rate is synthetically fixed as a result of the Existing Swap Agreements, interest payments on the 2008 Series B Bonds and 2008 Series C Bonds and net swap payments will vary as interest rates vary.

*Credit Risks*

To the extent the fair market value of an Existing Swap Agreement were positive, the State would be subject to credit risk of the counterparty in the like amount. The ratings of counterparties to the Existing Swap Agreements also present the State with other credit risk factors. As of December 31, 2019, the lowest rating assigned to these counterparties was Aa3 by Moody's, A+ by S&P, and A+ by Fitch Ratings. Under each of the Existing Swap Agreements and to mitigate the potential for credit risk, if any counterparty's credit rating falls below A3 by Moody's Investors Service or A– by either S&P or Fitch Ratings, then the counterparty will be required to fully collateralize the fair market value of the Existing Swap Agreement. In addition, an event of termination occurs under an Existing Swap Agreement if the counterparty's credit rating falls below Baa2 by Moody's Investors Service or BBB by either S&P or Fitch Ratings.

*Termination Risks*

Any Existing Swap Agreement or Swap Agreement may be terminated by the State upon two business days written notice, designating to the counterparty the termination date. In addition, either the State or the counterparty may terminate any Existing Swap Agreement or Swap Agreement if the other party fails to perform under the terms of the Existing Swap Agreement, or if other various events occur. If any Swap Agreement were terminated, the State would be unhedged and exposed to additional interest rate risk on a like amount of any 2008 Series B Bonds and 2008 Series C Bonds which remain outstanding. If the terminated Existing Swap Agreement or Swap Agreement were to have a negative fair market value at the time of termination, the State would be required to make a settlement payment to the counterparty. Termination payments, if required to be made, can be made, from proceeds of 2003 Indenture Bonds, or at the State's discretion, from any funds in the Stabilization Fund of the 2003 Indenture, or delayed until funds are available in the Subordinated Payment Obligations Fund of the 2003 Indenture, or until the next biennium when appropriations can be made in the biennial budget for the termination payments.

*Market-Access and Rollover Risks*

Each of the Existing Swap Agreements has a term that is equal to the related maturities of the 2008 Series B Bonds and the 2008 Series C Bonds. In addition, since the notional amounts of the Existing Swap Agreements decline in a manner substantially related to the scheduled amortization of the 2008 Series B Bonds and the 2008 Series C Bonds, there is no material market-access risk or rollover risk relating to the Existing Swap Agreements.

**Investment Loss**

In the event a loss were incurred on appropriated funds held in funds or accounts under the 2003 Indenture, no assurance can be given that additional amounts could be withdrawn from the General Fund pursuant to the appropriation to replenish the loss. See APPENDIX B for a description of Qualified Investments.

**Defeasance**

A defeasance of the 2020 Series A Bonds may cause the recognition of a gain or loss, for federal tax purposes, at the time of the defeasance. Owners of the 2020 Series A Bonds should consult their tax advisors regarding the tax consequences of any defeasance of the 2020 Series A Bonds.

**Additional Bonds**

The 2003 Indenture does not preclude the issuance of Additional Bonds under circumstances in which the resulting debt service might exceed the amount appropriated for the biennium during which the Additional Bonds are issued.

## OTHER INFORMATION

**Planned Borrowings**

The following summary addresses planned borrowings in calendar year 2020.

*General Fund Annual Appropriation Bonds*

The 2020 Series A Bonds are the first series of general fund annual appropriation bonds to be issued in this calendar year.

The State has very limited authority (approximately $12 million) to issue general fund annual appropriation bonds for authorized new money purposes. The State has unlimited authority for the issuance of general fund annual appropriation refunding bonds, such as the 2020 Series A Bonds. The amount and timing of any additional authorization and issuance of general fund annual appropriation refunding bonds depend, among other factors, on market conditions.

*General Obligations*

The State priced two series of general obligations on January 22, 2020, with closing and delivery expected on February 11, 2020, in the aggregate principal amount of $327 million.

In addition, the State of Wisconsin Building Commission **(Commission)** has authorized the issuance of the following general obligations:

- Up to $168 million of general obligations for the refunding of general obligation bonds previously issued for general governmental purposes. The amount and timing of any sale and issuance of additional general obligations for refunding purposes depend, among other factors, on market conditions.

- General obligations for the funding of the State's outstanding general obligation commercial paper notes, extendible municipal commercial paper notes, and variable rate demand obligation notes, which were outstanding in the amount of $374 million as of January 15, 2020. The amount and timing of any issuance of general obligations for this purpose depend on a decision to fund outstanding obligations bearing variable interest rates either with a different form of variable-rate obligations or with bonds bearing fixed interest rates.

Finally, the Commission may be asked to authorize the issuance of other general obligations before the end of the calendar year for both general governmental and refunding purposes. The amount and timing of any issuance in this calendar year of general obligations for general governmental purposes depend on disbursements from the State Capital Improvement Fund for authorized purposes, and most likely the issuance will occur in the second and fourth quarters of calendar year 2020.

*Other Obligations*

The Commission has authorized up to $300 million of transportation revenue obligations to refund outstanding transportation revenue bonds. The amount and timing of any issuance of transportation revenue refunding bonds depend, among other factors, on market conditions.

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

The Commission has authorized up to $80 million of environmental improvement fund revenue bonds for making loans under the State's Clean Water Fund Program and Safe Drinking Water Loan Program. A sale and issuance of these revenue bonds is expected in the second quarter of calendar year 2020.

The State does not currently intend to issue operating notes for the 2019-20 fiscal year.

**Underwriting**

The 2020 Series A Bonds are being purchased by the **Underwriters**, for which Citigroup Global Markets Inc. is serving as representative. The Underwriters have agreed, subject to certain conditions, to purchase from the State the 2020 Series A Bonds at an aggregate purchase price of $620,405,005.01 (reflecting an underwriters' discount of $ 2,914,994.99). The Underwriters have agreed to reoffer the 2020 Series A Bonds at the public offering prices set forth on the front cover of this Official Statement. The 2020 Series A Bonds may be offered and sold to certain dealers (including dealers depositing the 2020 Series A Bonds into investment trusts) at prices lower than such public offering prices, and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions, and they will be obligated to purchase all the 2020 Series A Bonds if they purchase any of the 2020 Series A Bonds.

In connection with the offering of the 2020 Series A Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the 2020 Series A Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain of the Underwriters may have entered into distribution agreements with third party broker-dealers, under which the Underwriters may distribute municipal securities to investors through the respective financial advisors or electronic trading platforms of such third party broker-dealers. As part of these arrangements, the Underwriters may share a portion of their underwriting compensation with such third party broker-dealers.

The Underwriters and their affiliates include full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the course of their various business activities, the Underwriters and their affiliates, officers, directors, and employees may purchase, sell, or hold investments or other financial instruments for their own accounts and for the accounts of their customers. Such investment and trading activities may involve assets, securities, or other instruments of the State (directly, as collateral securing other obligations, or otherwise) or of others that have relationships with the State. The Underwriters and their affiliates may also communicate independent investment recommendations, market color, or trading ideas and may publish or express independent research views in respect of any such assets, securities, or instruments and may at any time hold, or recommend to clients that they should acquire, long or short positions in such assets, securities, or instruments.

Certain legal matters will be passed upon for the Underwriters by their counsel, Burke, Warren, MacKay & Serritella.

**Reference Information About the 2020 Series A Bonds**

The table on the front cover provides information about the 2020 Series A Bonds. The identification numbers for each maturity (such as the CUSIP number) have been obtained from sources the State believes to be reliable, but the State is not responsible for the correctness of those numbers or other identifying numbers assigned to the 2020 Series A Bonds. The Underwriters have provided the reoffering prices.

**Financial Advisor**

Acacia Financial Group, Inc. has been employed by the State to perform professional services in the capacity of financial advisor. The financial advisor has provided advice on the plan of finance and the structure of the 2020 Series A Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed the pricing of the 2020 Series A Bonds by the Underwriters.

**Legal Opinion**

Legal matters incident to the authorization, issuance, and sale of the 2020 Series A Bonds are subject to the approval of Quarles & Brady LLP **(Bond Counsel)**, whose approving opinion, substantially in the form shown in APPENDIX C, will be delivered on the date of issue of the 2020 Series A Bonds. In the event certificated 2020 Series A Bonds are issued, the opinion will be printed on the reverse side of each 2020 Series A Bond.

Quarles & Brady LLP has also been retained by the State to serve as Disclosure Counsel to the State with respect to the 2020 Series A Bonds. Although, as counsel to the State, Quarles & Brady LLP has assisted the State with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the 2020 Series A Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the 2020 Series A Bonds for any investor.

**Litigation**

There is no action, suit, or proceeding, either pending or threatened in writing, known to the State Attorney General, restraining or enjoining the issuance, sale, execution, or delivery of the 2020 Series A Bonds or in any way contesting or affecting (i) the titles to their respective offices of any of the State officers involved in the issuance of the 2020 Series A Bonds, (ii) the validity of the 2020 Series A Bonds or any proceedings of the State taken with respect to the issuance, sale, execution, or delivery of the 2020 Series A Bonds, or (iii) the pledge or application of any moneys or security provided for payment of the 2020 Series A Bonds. The State Attorney General will render an opinion to this effect when the 2020 Series A Bonds are delivered.

## DISCLAIMER REGARDING FEDERAL TAX DISCUSSIONS

Any discussion of U.S. federal tax issues included in this Official Statement is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding federal tax penalties that may be imposed on the taxpayer. Such discussions were written in connection with the promotion or marketing of the 2020 Series A Bonds. Each taxpayer should seek advice from an independent tax advisor based on the taxpayer's particular circumstances.

# TAX MATTERS

### Federal Tax Considerations

The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of 2020 Series A Bonds by certain persons. This summary does not consider all the possible federal income tax consequences of the purchase, ownership, or disposition of the 2020 Series A Bonds and is not intended to reflect the individual tax position of any beneficial owner.

In the opinion of Bond Counsel, under existing law interest on the 2020 Series A Bonds is included in gross income for federal income tax purposes. Bond Counsel will deliver a legal opinion with respect to the 2020 Series A Bonds substantially in the form as set forth in APPENDIX C.

### State Tax Considerations

The interest on the 2020 Series A Bonds is not exempt from current Wisconsin income or franchise taxes.

# CONTINUING DISCLOSURE

The State has made an undertaking to enable brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the 2020 Series A Bonds, to comply with Rule 15c2-12(b)(5) adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934 **(Rule 15c2-12)**. In the undertaking, the State has agreed, for the benefit of the beneficial owners of the 2020 Series A Bonds, to provide an annual report presenting certain financial information and operating data about the State **(Annual Reports)**. By December 27 of each year, the State has agreed to file the Annual Report with the Municipal Securities Rulemaking Board **(MSRB)** through its Electronic Municipal Market Access **(EMMA)** system. The State has also agreed to provide to the MSRB notices of the occurrence of certain events specified in the undertaking.

Part I of the 2019 Annual Report, which contains information on the undertaking including the State's Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019) and the Addendum Describing Annual Report for General Fund Annual Appropriation Bonds, 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
wisconsinbonds.com

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: January 28, 2020

**STATE OF WISCONSIN**

/S/ TONY EVERS
Tony Evers
Governor

/S/ JOEL T. BRENNAN
Joel T. Brennan
Secretary of Administration

# APPENDIX A
# 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 27, 2019 **(2019 Annual Report)**, which can be obtained as described below. This Appendix also makes updates and additions to the information presented in Part II of the 2019 Annual Report, including, but not limited to:

- Estimated General Fund condition statement for the 2019-21 biennium and General Fund tax revenue estimates for the 2019-20 and 2020-21 fiscal years, as included in a report provided by the Legislative Fiscal Bureau **(LFB)** on January 23, 2020 (**January 2020 LFB Report**).
- General Fund information for the 2019-20 fiscal year through November 30, 2019 and projected General Fund information for the remainder of the 2019-20 fiscal year, which are presented on a budgetary basis and cash basis.

Part II of the 2019 Annual Report contains general information about the State. More specifically, that part presents information about the following matters:

- State's revenue and expenditures
- State's operations, financial procedures, accounting, and financial reporting
- Organization of, and services provided by, the State
- Budget process and fiscal controls
- State budget (including results of the 2018-19 fiscal year and summary of the 2019-21 biennial budget)
- Potential effects of litigation
- State obligations
- Employee pension funds and other post-employment benefits
- State Investment Board
- Statistical information about the State's population, income, and employment

The State's audited General Purpose External Financial Statements and independent auditor's report provided by the State Auditor for the fiscal year ended June 30, 2019, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Governmental Accounting Standards Board, are included as Appendix A to Part II of the 2019 Annual Report.

The 2019 Annual Report and the Comprehensive Annual Financial Report **(CAFR)** for the fiscal year ended June 30, 2019 were both filed with the Municipal Securities Rulemaking Board **(MSRB)** through its Electronic Municipal Market Access **(EMMA)** system. The 2019 Annual Report and the CAFR are 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" and the State investor relations web site. The Capital Finance Office web site and the State investor relations web site are located at the following addresses:

doa.wi.gov/capitalfinance
wisconsinbonds.com

Copies of the 2019 Annual Report may also be obtained from:

State of Wisconsin Department of Administration
Capital Finance Office
101 E. Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 267-0374
DOACapitalFinanceOffice@wisconsin.gov

The State has independently provided periodic reports on general fund financial information. These reports are not required by any of the State's undertakings to provide information concerning the State's securities. These reports are available on the State's Capital Finance Office web site that is listed above and were also filed as additional voluntary information with the MSRB through its EMMA system; however, the reports are not incorporated by reference into this Official Statement or Part II of the 2019 Annual Report. The State is not obligated to provide such reports at any time in the future.

After publication and filing of the 2019 Annual Report, certain changes or events have occurred that affect items discussed in the 2019 Annual Report. Listed below, by reference to particular sections of Part II of the 2019 Annual Report, are changes or additions to the information 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.

**State Budget; Budgets for 2019-20 and 2020-21 Fiscal Years** (Part II, Pages 36-37). Update with the following information:

*January 2020 LFB Report – General Fund Condition Statement*

The January 2020 LFB Report includes an updated General Fund condition statement and estimated General Fund tax revenues for each fiscal year of the 2019-21 biennium. The net General Fund balance for the end of the biennium (June 30, 2021) is projected to be $620 million. This is $452 million higher than the balance that was projected at the time of the enactment of the 2019-21 biennial budget **(2019 Wisconsin Act 9)**, as modified to incorporate the fiscal year 2018-19 ending balance as shown in the Annual Fiscal Report for fiscal year 2018-19.

The following table provides the estimated General Fund condition statement for each fiscal year of the 2019-21 biennium. The table also includes, for comparison, the estimated General Fund condition statement for each year of the 2019-21 biennium, as included in 2019 Wisconsin Act 9.

Based on the General Fund tax revenue estimates in the January 2020 LFB Report, the above estimated General Fund condition statement includes estimated 2019-20 and 2020-21 fiscal year deposits of $189 million and $220 million, respectively, from the General Fund to the Budget Stabilization Fund. These deposits reflect General Fund tax revenue estimates for those fiscal years being higher than estimated in 2019 Wisconsin Act 9.

A complete copy of the January 2020 LFB Report, which includes a national economic forecast and its application to the State's General Fund tax revenue estimates, is included at the end of this Appendix A. In addition, the State has filed the January 2020 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on pages A-1 and A-2.

**ESTIMATED GENERAL FUND CONDITION STATEMENTS**
**2019-2020 AND 2020-2021 FISCAL YEARS**
**(in Millions)**

| | 2019-20 Fiscal Year | | 2020-2021 Fiscal Year | |
|---|---|---|---|---|
| | 2019 Wisconsin Act 9* | January 2020 LFB Report | 2019 Wisconsin Act 9* | January 2020 LFB Report |
| Revenues | | | | |
| Opening Balance | $ 947.7 | $1,086.8 | $ 792.3 | $1,147.7 |
| Taxes | 17,303.6 | 17,699.1 | 17,654.8 | 18,077.5 |
| Department Revenues | | | | |
| Tribal Gaming | 23.8 | 24.6 | 24.9 | 25.8 |
| Other | 540.5 | 535.9 | 530.8 | 533.7 |
| Total Available | $18,815.6 | $19,346.5 | $ 19,002.7 | $19,804.6 |
| Appropriations | | | | |
| Gross Appropriations | $18,386.9 | $18,386.9 | $19,201.8 | $19,201.8 |
| Less: Sum Sufficient Reestimates | | (13.7) | | (11.7) |
| Compensation Reserves | 13.4 | 13.4 | 94.5 | 94.5 |
| Transfers | 43.3 | 232.6 | 44.1 | 263.8 |
| Less: Lapses | (420.2) | (420.4) | (451.8) | (449.1) |
| Net Appropriations | $18,023.4 | $18,198.8 | $18,888.6 | $19,099.4 |
| Balances | | | | |
| Gross Balance | $ 792.3 | $1,147.6 | $ 114.2 | $ 705.2 |
| Less: Req. Statutory Balance | (80.0) | (80.0) | (85.0) | (85.0) |
| Net Balance, June 30 | $ 712.3 | $1,067.6 | $ 29.2 | $ 620.2 |

***** Reflects 2019 Wisconsin Act 7 and 2019 Wisconsin Act 10, which reduced individual income tax revenue, but increased sales/use tax and corporate/franchise tax revenues. Does not reflect the ending General Fund balance of the 2018-19 fiscal year, which was $1,007 million, per the Annual Fiscal Report (budgetary basis) released on October 15, 2019.

**State Budget; Estimated General Fund Tax Collections for 2019-21 Biennium** (Part II; Pages 36-39).

*January 2020 LFB Report – General Fund Tax Collections*

The January 2020 LFB Report includes an updated General Fund condition statement and estimated General Fund tax revenues for each fiscal year of the 2019-21 biennium. The estimated General Fund tax revenues for each fiscal year of the 2019-21 biennium are $17.699 billion in the 2019-20 fiscal year and $18.078 billion in the 2020-21 fiscal year. These amounts are $395 million and $423 million, respectively, greater than the estimated General Fund tax revenues as included in the 2019-21 biennial budget. The estimated General Fund tax revenues for the 2019-20 fiscal year is $358 million (or 2.1%) greater than General Fund tax revenues in the 2018-19 fiscal year.

The following table provides the estimated General Fund tax revenues for each fiscal year of the 2019-21 biennium. The table also includes, for comparison, the estimated General Fund tax revenues for each year of the 2019-21 biennium, as included in 2019 Wisconsin Act 9, and the actual General Fund tax revenues from the 2018-2019 fiscal year.

**ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS**
**2019-2020 AND 2020-2021 FISCAL YEARS**
**(in Millions)**

| | 2018-2019 Annual Fiscal Report | 2019-20 Fiscal Year 2019 Wisconsin Act 9* | 2019-20 Fiscal Year January 2020 LFB Report | 2020-2021 Fiscal Year 2019 Wisconsin Act 9* | 2020-2021 Fiscal Year January 2020 LFB Report |
|---|---|---|---|---|---|
| Individual Income | $ 8,994.0 | $ 8,923.1 | $8,950.0 | $ 9,142.0 | $9,235.0 |
| Sales and Use | 5,695.5 | 5,877.3 | 5,930.0 | 5,960.5 | 6,010.0 |
| Corp. Income & Franchise | 1,338.1 | 1,165.5 | 1,495.0 | 1,205.4 | 1,505.0 |
| Public Utility | 364.4 | 366.0 | 358.0 | 364.0 | 362.0 |
| Excise | | | | | |
| Cigarettes | 514.3 | 515.0 | 512.0 | 507.0 | 497.0 |
| Tobacco Products | 85.5 | 90.0 | 90.0 | 94.0 | 92.0 |
| Liquor & Wine | 53.6 | 55.0 | 55.0 | 56.0 | 56.0 |
| Vapor Products | | 2.3 | 2.3 | 3.2 | 3.2 |
| Beer | 8.5 | 8.9 | 8.3 | 8.9 | 8.3 |
| Insurance Company | 194.4 | 203.0 | 201.0 | 211.0 | 209.0 |
| Miscellaneous Taxes | 92.5 | 97.5 | 97.5 | 102.7 | 100.0 |
| TOTAL | $17,341.4 | $17,303.6 | $17,699.1 | $17,654.8 | $18,077.5 |

* Reflects 2019 Wisconsin Act 7 and 2019 Wisconsin Act 10, which reduced individual income tax revenue, but increased sales/use tax and corporate/franchise tax revenues.

A complete copy of the January 2020 LFB Report, which includes a national economic forecast and its application to the State's General Fund tax revenue estimates, is included at the end of this Appendix A. In addition, the State has filed the January 2020 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on pages A-1 and A-2.

**General Fund Information; General Fund Cash Flow** (Part II; Pages 44-57). The following tables provide updates and additions to various tables containing General Fund information for the 2019-20 fiscal year through November 30, 2019 and projections for the remainder of the 2019-20 fiscal year, which are presented primarily on a cash basis. The projections and estimates for the remainder of the 2019-20 fiscal year reflect the 2019-21 biennial budget **(2019 Wisconsin Act 9)** and a report released by the Legislative Fiscal Bureau LFB on May 15, 2019 **(May 2019 LFB Report)**.

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

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

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

**Table II-11; General Fund Cash Flow** (Part II; Page 48). Replace with the following updated table.

## ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2019 TO NOVEMBER 30, 2019
## PROJECTED GENERAL FUND CASH FLOW; DECEMBER 1, 2019 TO JUNE 30, 2020[(a)]
### (Cash Basis)
### (Amounts in Thousands)

| | July 2019 | August 2019 | September 2019 | October 2019 | November 2019 | December 2019 | January 2020 | February 2020 | March 2020 | April 2020 | May 2020 | June 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCES**[(a)(b)] | | | | | | | | | | | | |
| **Beginning Balance** | $ 2,509,532 | $ 1,696,340 | $ 1,631,925 | $ 3,110,416 | $ 3,878,045 | $ 3,076,744 | $2,546,371 | $3,685,804 | $3,342,245 | $2,020,473 | $2,845,966 | $3,192,403 |
| **Ending Balance**[(c)] | 1,696,340 | 1,631,925 | 3,110,416 | 3,878,045 | 3,076,744 | 2,546,371 | 3,685,804 | 3,342,245 | 2,020,473 | 2,845,966 | 3,192,403 | 2,561,743 |
| **Lowest Daily Balance** [(c)] | 1,423,684 | 1,149,561 | 1,631,925 | 2,768,821 | 2,991,765 | 1,739,532 | 2,234,752 | 3,331,899 | 1,825,755 | 1,607,080 | 2,239,021 | 1,735,699 |
| **RECEIPTS** | | | | | | | | | | | | |
| **TAX RECEIPTS** | | | | | | | | | | | | |
| Individual Income | $ 977,646 | $ 450,182 | $ 1,151,013 | $ 856,978 | $ 502,663 | $ 829,115 | $ 1,323,854 | $ 552,062 | $ 975,297 | $ 1,832,202 | $ 457,636 | $ 1,165,817 |
| Sales & Use | 578,086 | 557,654 | 572,319 | 555,892 | 515,980 | 506,756 | 609,009 | 450,482 | 429,850 | 528,631 | 505,868 | 574,806 |
| Corporate Income | 50,934 | 33,646 | 313,638 | 62,031 | 54,209 | 216,520 | 53,031 | 26,858 | 135,465 | 181,743 | 54,325 | 244,062 |
| Public Utility | 39 | 2 | 556 | 22,910 | 193,659 | 202 | 38 | 27 | 23 | 5,577 | 197,468 | 334 |
| Excise | 50,830 | 66,273 | 62,536 | 55,848 | 59,107 | 54,174 | 53,120 | 52,422 | 47,877 | 49,303 | 54,200 | 64,405 |
| Insurance | 416 | 3,843 | 41,448 | 320 | 1,572 | 44,560 | 1,953 | 20,567 | 17,305 | 44,394 | 5,085 | 43,292 |
| **Subtotal Tax Receipts** | $ 1,657,951 | $ 1,111,600 | $ 2,141,510 | $ 1,553,979 | $ 1,327,190 | $ 1,651,327 | $ 2,041,005 | $ 1,102,418 | $ 1,605,817 | $ 2,641,850 | $ 1,274,582 | $ 2,092,716 |
| **NON-TAX RECEIPTS** | | | | | | | | | | | | |
| Federal | $ 959,908 | $ 681,496 | $ 1,214,847 | $ 649,556 | $ 900,685 | $ 767,508 | $ 864,688 | $ 1,004,350 | $ 1,003,989 | $ 668,436 | $ 906,442 | $ 753,992 |
| Other & Transfers | 504,975 | 386,006 | 747,389 | 660,743 | 296,665 | 451,875 | 477,961 | 695,373 | 417,551 | 622,428 | 405,244 | 533,724 |
| Note Proceeds | - | - | - | - | - | - | - | - | - | - | - | - |
| **Subtotal Non-Tax Receipts** | $ 1,464,883 | $ 1,067,502 | $ 1,962,236 | $ 1,310,299 | $ 1,197,350 | $ 1,219,383 | $ 1,342,649 | $ 1,699,723 | $ 1,421,540 | $ 1,290,864 | $ 1,311,686 | $ 1,287,716 |
| **TOTAL RECEIPTS** | $ 3,122,834 | $ 2,179,102 | $ 4,103,746 | $ 2,864,278 | $ 2,524,540 | $ 2,870,710 | $ 3,383,654 | $ 2,802,141 | $ 3,027,357 | $ 3,932,714 | $ 2,586,268 | $ 3,380,432 |
| **DISBURSEMENTS** | | | | | | | | | | | | |
| Local Aids | $ 1,609,156 | $ 133,860 | $ 894,453 | $ 79,732 | $ 920,253 | $ 1,351,076 | $ 155,919 | $ 625,156 | $ 1,832,040 | $ 66,405 | $ 189,033 | $ 2,138,311 |
| Income Maintenance | 1,093,492 | 862,355 | 781,888 | 831,436 | 787,037 | 935,685 | 835,840 | 848,745 | 968,482 | 828,082 | 763,466 | 619,587 |
| Payroll and Related | 427,817 | 543,757 | 348,625 | 383,392 | 632,085 | 354,992 | 660,657 | 470,030 | 352,074 | 467,112 | 464,194 | 470,024 |
| Tax Refunds | 98,807 | 110,417 | 102,278 | 153,084 | 133,919 | 202,336 | 115,082 | 605,004 | 630,750 | 603,342 | 219,126 | 160,980 |
| Debt Service | 201,441 | - | - | 143,234 | 1,334 | - | - | 3,578 | - | 536,932 | 85,015 | - |
| Miscellaneous | 505,313 | 593,128 | 498,011 | 505,771 | 851,213 | 556,994 | 476,723 | 593,187 | 565,782 | 605,348 | 518,997 | 622,190 |
| **TOTAL DISBURSEMENTS** | $ 3,936,026 | $ 2,243,517 | $ 2,625,255 | $ 2,096,649 | $ 3,325,841 | $ 3,401,083 | $ 2,244,221 | $ 3,145,700 | $ 4,349,128 | $ 3,107,221 | $ 2,239,831 | $ 4,011,092 |

(a) The results, projections, or estimates for the 2019-20 fiscal year in the following tables reflect 2019 Wisconsin Act 9, and the estimated General Fund tax revenues included in the May 2019 LFB Report. They also reflect 2019 Wisconsin Act 7 and 2019 Wisconsin Act 10, which reduced individual income tax revenue but increased sales/use tax and corporate/franchise tax revenues, but do not reflect the January 2020 LFB Report. 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 are anticipated to range from $1.2 billion to $1.9 billion for the 2019-20 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 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 for the 2019-20 fiscal year, based on 2019 Wisconsin Act 9, are approximately $1.655 billion and $552 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 49). Replace with the following updated table.

## HISTORICAL GENERAL FUND CASH FLOW
## ACTUAL FISCAL YEARS 2015-16 TO 2018-19[a]
## ACTUAL AND PROJECTED FISCAL YEAR 2019-20[a] [b]

| | Actual 2015-16 Fiscal Year | Actual 2016-17 Fiscal Year | Actual 2017-18 Fiscal Year | Actual 2018-19 Fiscal Year | Actual 07/1/2019-11/30/2019 Estimated 12/1/2019 - 06/30/2020 |
|---|---|---|---|---|---|
| RECEIPTS | | | | | |
| Tax Receipts | | | | | |
| Individual Income | $ 9,058,349 | $ 9,487,657 | $ 9,837,742 | $ 10,557,272 | $ 11,074,465 |
| Sales | 5,425,943 | 5,549,486 | 5,867,099 | 6,132,089 | 6,385,333 |
| Corporate Income | 1,173,106 | 1,151,868 | 1,070,879 | 1,519,561 | 1,426,462 |
| Public Utility | 404,820 | 415,784 | 416,406 | 415,047 | 420,835 |
| Excise | 710,742 | 708,762 | 689,653 | 681,262 | 670,095 |
| Insurance | 62,730 | 204,510 | 207,953 | 218,304 | 224,755 |
| Total Tax Receipts | $ 16,835,690 | $ 17,518,067 | $ 18,089,732 | $ 19,523,535 | $ 20,201,945 |
| Non-Tax Receipts | | | | | |
| Federal | $ 9,375,674 | $ 9,396,361 | $ 9,214,957 | $ 10,093,533 | $ 10,375,897 |
| Other and Transfers | 4,790,882 | 5,673,340 | 6,113,708 | 6,241,726 | 6,199,934 |
| Total Non-Tax Receipts | $ 14,166,556 | $ 15,069,701 | $ 15,328,665 | $ 16,335,259 | $ 16,575,831 |
| TOTAL RECEIPTS | $ 31,002,246 | $ 32,587,768 | $ 33,418,397 | $ 35,858,794 | $ 36,777,776 |
| DISBURSEMENTS | | | | | |
| Local Aids | $ 8,575,297 | $ 9,223,782 | $ 9,202,809 | $ 9,698,906 | $ 9,998,897 |
| Income Maintenance | 8,848,420 | 9,186,111 | 9,370,303 | 9,747,283 | 10,235,973 |
| Payroll & Related | 5,126,869 | 5,000,390 | 5,174,225 | 5,333,395 | 5,521,908 |
| Tax Refunds | 2,508,923 | 2,550,017 | 2,703,269 | 2,785,514 | 3,158,680 |
| Debt Service | 952,280 | 891,234 | 908,172 | 914,688 | 973,778 |
| Miscellaneous | 5,300,700 | 5,427,066 | 5,902,369 | 6,396,205 | 6,516,475 |
| TOTAL DISBURSEMENTS | $ 31,312,489 | $ 32,278,600 | $ 33,261,147 | $ 34,875,991 | $ 36,405,711 |
| NET CASH FLOW | $ (310,243) | $ 309,168 | $ 157,250 | $ 982,803 | $ 372,065 |

(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 projections and estimates for the 2019-20 fiscal year reflect the May 2019 LFB Report and 2019 Wisconsin Act 9. They also reflect 2019 Wisconsin Act 7 and 2019 Wisconsin Act 10, which reduced individual income tax revenue but increased sales/use tax and corporate/franchise tax revenues, but do not reflect the January 2020 LFB Report.

**Source: Wisconsin Department of Administration.**

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**Table II-13; General Fund Cash Receipts and Disbursements Year-to-Date Compared to Estimates and Previous Fiscal Year** (Part II; Page 51). 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 November 30, 2019**
**(Amounts in Thousands)**

| | 2018-19 Fiscal Year through November 30, 2018 | 2019-20 Fiscal Year through November 30, 2019 | | | | |
|---|---|---|---|---|---|---|
| | Actual | Actual | Estimate[(b)] | Variance | Adjusted Variance[(c)] | Difference FY19 Actual to FY20 Actual |
| RECEIPTS | | | | | | |
| Tax Receipts | | | | | | |
| Individual Income | $ 3,957,622 | $ 3,938,482 | $ 3,649,326 | $ 289,156 | $ 289,156 | $ (19,140) |
| Sales | 2,687,321 | 2,779,931 | 2,791,615 | (11,684) | (11,684) | 92,610 |
| Corporate Income | 368,935 | 514,458 | 395,043 | 119,415 | 119,415 | 145,523 |
| Public Utility | 219,686 | 217,166 | 226,663 | (9,497) | (9,497) | (2,520) |
| Excise | 303,899 | 294,594 | 305,051 | (10,457) | (10,457) | (9,305) |
| Insurance | 47,155 | 47,599 | 50,104 | (2,505) | (2,505) | 444 |
| Total Tax Receipts | $ 7,584,618 | $ 7,792,230 | $ 7,417,802 | $ 374,428 | $ 374,428 | $ 207,612 |
| Non-Tax Receipts | | | | | | |
| Federal | $ 4,511,174 | $ 4,406,492 | $ 4,479,995 | $ (73,503) | $ (73,503) | $ (104,682) |
| Other and Transfers | 2,472,795 | 2,595,777 | 2,691,834 | (96,057) | (96,057) | 122,982 |
| Total Non-Tax Receipts | $ 6,983,969 | $ 7,002,269 | $ 7,171,829 | $ (169,560) | $ (169,560) | $ 18,300 |
| TOTAL RECEIPTS | $ 14,568,587 | $ 14,794,499 | $ 14,589,631 | $ 204,868 | $ 204,868 | $ 225,912 |
| DISBURSEMENTS | | | | | | |
| Local Aids | $ 3,520,683 | $ 3,637,454 | $ 3,509,531 | $ (127,923) | $ (127,923) | $ 116,771 |
| Income Maintenance | 4,189,258 | 4,356,208 | 4,429,614 | 73,406 | 73,406 | 166,950 |
| Payroll & Related | 2,196,450 | 2,335,676 | 2,387,090 | 51,414 | 51,414 | 139,226 |
| Tax Refunds | 585,590 | 598,505 | 649,457 | 50,952 | 50,952 | 12,915 |
| Debt Service | 313,194 | 346,009 | 378,174 | 32,165 | 32,165 | 32,815 |
| Miscellaneous | 2,620,294 | 2,953,436 | 2,875,763 | (77,673) | (77,673) | 333,142 |
| TOTAL DISBURSEMENTS | $ 13,425,469 | $ 14,227,288 | $ 14,229,629 | $ 2,341 | $ 2,341 | $ 801,819 |
| 2019-20 FISCAL YEAR VARIANCE YEAR-TO-DATE | | | | $ 207,209 | $ 207,209 | |

(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 projections and estimates for the 2019-20 fiscal year reflect the May 2019 LFB Report and 2019 Wisconsin Act 9. They also reflect 2019 Wisconsin Act 7 and 2019 Wisconsin Act 10, which reduced individual income tax revenue but increased sales/use tax and corporate/franchise tax revenues, but do not reflect the January 2020 LFB Report.

(c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed and the result is a large variance. This column includes adjustments, if any, to the variances to more accurately reflect the variance between the estimated and actual amounts.

**Source: Wisconsin Department of Administration.**

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**Table II-14; General Fund Monthly Cash Position** (Part II; Page 52). Replace with the following updated table.

**GENERAL FUND MONTHLY CASH POSITION [(a)]**
**July 1, 2017 through November 30, 2019 – Actual**
**December 1, 2019 through June 30, 2020 – Estimated[(b)]**
**(Amounts in Thousands)**

| | Starting Date | Starting Balance | Receipts | Disbursements |
|---|---|---|---|---|
| 2017 | July.................. | $ 1,369,479 | $ 2,817,598 | $ 3,503,499 |
| | August................ | 683,578 [(c)] | 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.................... | 1,782,589 | 2,751,853 | 1,927,755 |
| | June.................... | 2,606,687 | 2,517,607 | 3,597,565 |
| | July.................. | 1,526,729 | 3,008,353 | 3,784,639 |
| | August................ | 750,443 | 2,543,464 | 2,223,489 |
| | September.......... | 1,070,418 | 3,391,628 | 2,607,829 |
| | October.............. | 1,854,217 | 3,022,826 | 1,944,350 |
| | November........... | 2,932,693 | 2,602,316 | 2,865,162 |
| | December........... | 2,669,847 | 2,567,700 | 3,189,593 |
| 2019 | January................ | 2,047,954 | 3,316,179 | 2,091,074 |
| | February............ | 3,273,059 | 2,743,358 | 2,909,387 |
| | March................. | 3,107,030 | 2,714,410 | 4,122,640 |
| | April.................. | 1,698,800 | 4,416,156 | 3,243,107 |
| | May.................... | 2,871,849 | 2,677,757 | 2,405,885 |
| | June.................... | 3,143,721 | 2,854,647 | 3,488,836 |
| | July.................. | 2,509,532 | 3,122,834 | 3,936,026 |
| | August................ | 1,696,340 | 2,179,102 | 2,243,517 |
| | September.......... | 1,631,925 | 4,103,746 | 2,625,255 |
| | October.............. | 3,110,416 | 2,864,278 | 2,096,649 |
| | November........... | 3,878,045 | 2,524,540 | 3,325,841 |
| | December........... | 3,076,744 | 2,870,710 | 3,401,083 |
| 2020 | January................ | 2,546,371 | 3,383,654 | 2,244,221 |
| | February............ | 3,685,804 | 2,802,141 | 3,145,700 |
| | March................. | 3,342,245 | 3,027,357 | 4,349,128 |
| | April.................. | 2,020,473 | 3,932,714 | 3,107,221 |
| | May.................... | 2,845,966 | 2,586,268 | 2,239,831 |
| | June.................... | 3,192,403 | 3,380,432 | 4,011,092 |

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

(b) The results, projections, and estimates for the 2019-20 fiscal year reflect 2019 Wisconsin Act 9 and the May 2019 LFB Report, but do not reflect the January 2020 LFB Report.

(c) 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 $1.655 billion in the 2019-20 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 $552 million in the 2019-20 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.**

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**Table II-15; Cash Balances in Funds Available for Temporary Reallocation** (Part II; Page 53). Replace with the following updated table.

**CASH BALANCES IN FUNDS AVAILABLE FOR TEMPORARY REALLOCATION [(a)] [(b)]**
**July 31, 2017 to November 30, 2019 — Actual**
**December 31, 2019 to June 30, 2020 — 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 $2.4 billion during November 2015 to a high of $4.3 billion in April 2019. The Secretary of Administration may not exercise the authority to use temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which a temporary reallocation would be made.

**Available Balances; Does Not Include Balances in the LGIP**

| Month (Last Day) | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| January ........... | | $1,548 | $1,622 | $ 1,622 |
| February .......... | | 1,620 | 1,742 | 1,742 |
| March ............. | | 1,633 | 1,795 | 1,795 |
| April ............... | | 1,681 | 1,795 | 1,795 |
| May ................ | | 1,403 | 1,684 | 1,685 |
| June ................. | | 1,507 | 1,879 | 1,879 |
| July................. | $1,388 | 1,383 | 1,783 | |
| August............. | 1,464 | 1,429 | 1,776 | |
| September ........ | 1,625 | 1,524 | 2,025 | |
| October............ | 1,532 | 1,304 | 1,907 | |
| November......... | 1,444 | 1,448 | 1,801 | |
| December ......... | 1,592 | 1,667 | 1,667 | |

**Available Balances; Includes Balances in the LGIP**

| Month (Last Day) | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| January ............ | | $5,205 | $5,641 | $ 5,641 |
| February ........... | | 5,457 | 5,991 | 5,991 |
| March .............. | | 5,699 | 6,317 | 6,317 |
| April ................ | | 5,462 | 5,982 | 5,982 |
| May ................. | | 4,906 | 5,554 | 5,554 |
| June ................. | | 5,028 | 5,853 | 5,853 |
| July ................... | $5,461 | 5,781 | 6,804 | |
| August ............. | 4,762 | 5,058 | 5,839 | |
| September......... | 4,865 | 4,670 | 5,600 | |
| October............ | 4,624 | 4,103 | 5,474 | |
| November......... | 4,256 | 4,527 | 5,213 | |
| December ......... | 4,761 | 5,141 | 5,141 | |

(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 projections and estimates for the 2019-20 fiscal year reflect 2019 Wisconsin Act 9 and the May 2019 LFB Report. They also reflect 2019 Wisconsin Act 7 and 2019 Wisconsin Act 10, which reduced individual income tax revenue but increased sales/use tax and corporate/franchise tax revenues, but do not reflect the January 2020 LFB Report.

**Source: Wisconsin Department of Administration.**

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**Table II-16; General Fund Recorded Revenues** (Part II; Page 55). Replace with the following updated table.

**GENERAL FUND RECORDED REVENUES[(a)]**
**(Agency-Recorded Basis)**
**July 1, 2019 to November 30, 2019 Compared With Previous Year**

| | Annual Fiscal Report Revenues 2018-19 Fiscal Year[(b)] | Projected Revenues 2019-20 Fiscal Year[(c)] | Recorded Revenues July 1, 2018 to November 30, 2018[(d)] | Recorded Revenues July 1, 2019 to November 30, 2019[(e)] |
|---|---|---|---|---|
| Individual Income Tax ………… | $ 8,994,096,000 | $ 8,923,100,000 | $ 3,133,005,052 | $ 3,047,341,572 |
| General Sales and Use Tax …….. | 5,695,548,000 | 5,877,300,000 | 1,940,093,146 | 2,024,489,380 |
| Corporate Franchise and Income Tax ...........……… | 1,338,063,000 | 1,165,500,000 | 265,652,150 | 420,931,240 |
| Public Utility Taxes ..........……. | 364,941,000 | 366,000,000 | 219,848,091 | 214,138,961 |
| Excise Taxes ....................……. | 661,918,000 | 671,200,000 | 244,229,086 | 250,173,728 |
| Inheritance Taxes ..........………. | 6,000 | - | 2,471 | 25,542 |
| Insurance Company Taxes …….. | 194,356,000 | 203,000,000 | 47,193,220 | 47,679,579 |
| Miscellaneous Taxes ....………… | 92,459,000 | 97,538,500 | 82,457,880 | 81,810,874 |
| SUBTOTAL...........………… | $ 17,341,387,000 | $ 17,303,638,500 | $ 5,932,481,096 | $ 6,086,590,877 |
| Federal and Other Inter-Governmental Revenues[(f)] ……. | 10,843,638,000 | 11,414,533,600 | 4,617,409,956 | 4,476,183,722 |
| Dedicated and Other Revenues[(g)] ……………. | 6,849,882,000 | 7,417,977,800 | 2,820,593,271 | 2,932,228,759 |
| TOTAL...................………… | $ 35,034,907,000 | $ 36,136,149,900 | $ 13,370,484,323 | $ 13,495,003,358 |

(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 2018-19 fiscal year dated October 15, 2019.

(c) The estimates in this table for the 2019-20 fiscal year reflect the 2019-21 biennial budget (2019 Wisconsin Act 9) and the May 2019 LFB Report, but do not reflect 2019 Wisconsin Act 7, 2019 Wisconsin Act 10, or the January 2020 LFB Report.

(d) The amounts shown are the 2018-19 fiscal year general purpose revenues and program revenues taxes as recorded by State agencies. There may be differences between the tax revenues shown in this report and those that may be reported by DOR from time to time in their monthly general purpose revenue collections report; the DOR report (i) only includes general purpose revenues or taxes that are actually collected by DOR (and not by other State agencies), and (ii) may include accruals or other adjustments that may not be recorded by State agencies until a subsequent month.

(e) The amounts shown are the 2019-20 fiscal year general purpose revenues and program revenue taxes as recorded by State agencies. There may be differences between the tax revenues shown in this report and those that may be reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report (i) only includes general purpose revenues or taxes that are actually collected by DOR (and not by other State agencies), and (ii) may include accruals or other adjustments that may not be recorded by State agencies until a subsequent month.

(f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore, this category may not be comparable on a historical basis.

(g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

**Source: Wisconsin Department of Administration.**

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**Table II-17; General Fund Recorded Expenditures by Function** (Part II; Page 57). Replace with the following updated table.

**GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]**
**(Agency-Recorded Basis)**
**July 1, 2019 to November 30, 2019 Compared With Previous Year[(b)]**

| | Annual Fiscal Report Expenditures 2018-19 Fiscal Year[(b)] | Appropriations 2019-20 Fiscal Year[(c)] | Recorded Expenditures July 1, 2018 to November 30, 2018 [(d)] | Recorded Expenditures July 1, 2019 to November 30, 2019 [(e)] |
|---|---|---|---|---|
| Commerce.............................................. | $ 225,791,000 | $ 486,963,800 | $ 76,123,748 | $ 84,796,382 |
| Education............................................... | 14,167,655,000 | 14,759,411,200 | 5,204,079,422 | 5,353,874,897 |
| Environmental Resources....................... | 349,019,000 | 327,711,400 | 60,400,704 | 66,367,443 |
| Human Relations & Resources ................ | 15,483,501,000 | 16,283,939,500 | 6,623,579,990 | 6,756,260,390 |
| General Executive.................................. | 1,057,458,000 | 1,352,667,300 | 532,076,419 | 564,575,969 |
| Judicial.................................................. | 143,227,000 | 148,435,600 | 60,465,485 | 60,922,614 |
| Legislative.............................................. | 73,210,000 | 79,301,700 | 24,638,565 | 27,414,713 |
| General Appropriations.......................... | 2,674,076,000 | 3,051,907,900 | 2,087,590,095 | 2,097,531,927 |
| TOTAL.................................................. | $ 34,173,937,000 | $ 36,490,338,400 | $ 14,668,954,428 | $ 15,011,744,335 |

(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 2018-19 fiscal year dated October 15, 2019.
(c) The appropriations included in this table reflect the 2019-21 biennial budget (2019 Wisconsin Act 9), but do not reflect 2019 Wisconsin Act 7, 2019 Wisconsin Act 10, or the January 2020 LFB Report.
(d) The amounts shown are 2018-19 fiscal year expenditures as recorded by all State agencies.
(e) The amounts shown are 2019-20 fiscal year expenditures as recorded by all State agencies.

**Source: Wisconsin Department of Administration.**

**Legislative Fiscal Bureau** Robert Wm. Lang, Director

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*State of Wisconsin*

January 23, 2020

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, 2021) to be $620.2 million. This is $451.9 million above the balance that was projected at the time of enactment of the 2019-21 biennial budget, as modified to incorporate the 2018-19 ending balance (2019-20 opening balance) as shown in the Annual Fiscal Report for 2018-19.

The $451.9 million is the net result of: (1) an increase of $818.2 million in estimated tax collections; (2) an increase of $20.0 million in departmental revenues (non-tax receipts deposited into the general fund); (3) a decrease of $22.8 million in net appropriations; and (4) a transfer of $409.1 million to the budget stabilization fund.

Of the $20.0 million of increased departmental revenues, $14.0 million is due to higher interest earnings because of larger general fund balances. The majority ($15.4 million) of the $22.8 million net appropriation reduction is due to estimates of the amounts necessary to fund general fund debt service.

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 2019 Act 9 estimate by $378.6 million in 2019-20 and $439.5 million in 2020-21. Thus, one-half of those amounts, $189.3 million in 2019-20 and $219.8 million in 2020-21 would transfer to the budget stabilization fund.

With the transfers identified above, it is estimated that the amounts in the budget stabilization fund will total $845 million at the end of 2019-20 and $1,080 million at the end of 2020-21.

The following table reflects the 2019-21 general fund condition statement, which incorporates our revenue and expenditure projections.

**TABLE 1**

**2019-21 General Fund Condition Statement**

| | 2019-20 | 2020-21 |
|---|---|---|
| **Revenues** | | |
| Opening Balance, July 1 | $1,086,869,000 | $1,147,651,800 |
| Taxes | 17,699,100,000 | 18,077,500,000 |
| Departmental Revenues | | |
| Tribal Gaming Revenues | 24,605,300 | 25,787,300 |
| Other | 535,923,000 | 553,706,200 |
| Total Available | $19,346,497,300 | $19,804,645,300 |
| **Appropriations and Reserves** | | |
| Gross Appropriations | $18,386,956,800 | $19,201,818,000 |
| Sum Sufficient Reestimates | -13,717,000 | -11,667,600 |
| Transfers to: | | |
| Transportation Fund | 43,301,100 | 44,095,000 |
| Budget Stabilization Fund | 189,330,800 | 219,756,000 |
| Compensation Reserves | 13,351,800 | 94,545,400 |
| Less Lapses | -420,378,000 | -449,147,600 |
| Net Appropriations | $18,198,845,500 | $19,099,399,200 |
| **Balances** | | |
| Gross Balance | $1,147,651,800 | $705,246,100 |
| Less Required Statutory Balance | -80,000,000 | -85,000,000 |
| Net Balance, June 30 | $1,067,651,800 | $620,246,100 |

Table 1 incorporates the fiscal effect of all bills enacted to date in the current legislative session (through 2019 Act 75). It does not reflect the impact of any enrolled bills that have not yet been enacted or bills that are pending before the Legislature.

There are two items that are not reflected in Table 1 which should be noted. First, the status of the budget for the medical assistance program could ultimately have a bearing on the biennium-ending general fund balance. In its most recent quarterly estimate of the MA budget (December 30, 2019), the Department of Health Services estimates that benefit expenditures will exceed available GPR appropriations for the program by $39.8 million. While the Department has some ability to delay or reduce expenditures in the program to stay within the budget, an MA budget deficit may also require the Legislature to take action to address the shortfall, including by increasing GPR appropriations. The Department's estimate, however, should be considered preliminary, since it is based on enrollment and expenditure data from just the first few months of the fiscal biennium. The amount of the projected GPR deficit is equal to 0.6% of the biennial total funding for the program, and deviations from expenditure estimates of this magnitude, either above or below, are not uncommon.

The second item regards state expenditures related to the electronics and information technology manufacturing (EITM) zone refundable credits for the Hon Hai Precision Industry Co., Ltd (Foxconn) development. 2019 Act 9 estimated the refundable credits at $0 in 2019-20 and $212.0 million in 2020-21. Under the EITM zone tax credit program, the Wisconsin Economic Development Corporation (WEDC) certified three Wisconsin corporations that are affiliated with Foxconn as eligible to claim a payroll tax credit over 15 years for up to an aggregate amount of $1.50 billion and a capital expenditure credit over seven years for up to an aggregate amount of $1.35 billion. The Act 9 estimate assumed that Foxconn would have sufficient payroll and capital expenditures by the end of the 2019 calendar year to receive the $212 million of refundable credits that would be paid in the 2020-21 fiscal year. Based upon reports of the project's progress to date, and assumptions regarding payroll and capital expenditures, preliminary estimates suggest that it is likely that the credits paid to Foxconn in 2020-21 will be in the range of $50 million to $75 million, rather than the amounts contained in Act 9.

Before claiming EITM zone tax credits from the Department of Revenue, the Foxconn entities must receive a verification letter from WEDC. Before issuing such a letter, WEDC must first review Foxconn's annual report and a verification report from a nationally recognized certified public accountant. Pursuant to the contract, the Foxconn entities' next scheduled report is due on April 1, 2020, after which the accountant would have up to 45 days to complete its review before WEDC begins the verification process to calculate the amount of credits the Foxconn entities are eligible to claim. Further, upon receiving a verification letter from WEDC, the Foxconn entities would have up to 14 days to object to the calculation of tax credits. Given these steps, the amount of the credit to be paid in 2020-21 will likely not be known until after the end of this fiscal year.

**Review of the National Economy in 2019**

This office prepared revenue estimates for the 2019-21 biennium in January, 2019, based on the January, 2019, IHS Markit forecast for the U.S. economy. The forecast predicted real gross domestic product (GDP) growth of 2.5% in 2019 and 2.0% in 2020. IHS Markit forecast that consumer spending would continue to propel economic growth, supported by wage growth resulting from a strong labor market and modest productivity growth. The trade deficit, on the other hand, was expected to be a drag on economic growth due to an appreciating U.S. dollar and trade policy uncertainty.

The January, 2019, IHS Markit forecast was based on the following assumptions. First, the forecast assumed that the level of tariffs in 2018 would be maintained in 2019 and 2020 for solar panels, washing machines, steel, aluminum, and Chinese goods (10% tariff on $200 billion of Chinese imports). Second, IHS Markit expected that the Federal Reserve would raise the target range for the federal funds rate by 25 basis points in both May and October, 2019, and in June 2020, to bring the upper end of the range to 3.25%. Third, the real, broad, trade-weighted growth of foreign GDP was assumed to slow from 3.1% in 2017 to 2.7% in 2018, then average 2.4% through 2022. Fourth, the price of Brent crude oil was projected to fall from $71 per barrel in 2018 to $65 in 2019, before rising to $73 in 2022. Finally, the impact of the federal government shutdown was not reflected in the forecast, which assumed that a shutdown would be avoided, or be brief in duration, and thus have a modest impact on the overall economy.

The optimistic forecast scenario was that faster productivity growth coupled with a lower than previously expected natural rate of unemployment (that is, the rate of unemployment consistent with stable inflation) would allow for continued economic growth and gains in employment and wages without triggering inflation or increases in the federal funds rate by the Federal Reserve. The downside risk was that a broad loss in confidence due to falling real estate and financial markets, combined with a growing aversion to risk, would lead to drops in a wide range of investment and consumer spending categories, cumulating in a recession in 2020.

In May, this office reviewed additional tax collection data and IHS Markit's May economic forecast and revised our revenue estimates upward, primarily based on stronger than expected individual income tax and corporate income/franchise tax collections through April, 2019. Tax planning following the federal Tax Cuts and Jobs Act of 2017 (TCJA) likely caused a one-time acceleration of deductible expenses and added volatility to collections patterns. Individual income taxpayers who, in prior years, made estimated payments in December in order to increase their deduction for state and local taxes (SALT), delayed those payments to April in response to the federal limit for the SALT deduction. In addition, corporate income/franchise tax collections in 2019 grew by 70% compared to the same period through April in the prior year. This was caused in part by tax planning following TCJA, but also state implementation of the entity-level tax authorized under 2017 Act 368. The new entity-level tax resulted in increased tax payments from S corporations, partnerships, and limited liability companies, which had been previously recorded under the individual income tax, to be reflected under the corporate income/franchise tax as a retroactive payment for 2018 taxes. The entity-level tax enables individuals to pay state income taxes through their business, rather than via their individual returns, thereby avoiding the federal SALT deduction limit for individuals.

Finally, the May revisions also incorporated IHS Markit's May, 2019, forecast for the U.S. economy. Real GDP growth had been slightly increased from the January estimates to 2.7% in 2019, 2.1% in 2020, and 1.8% in 2021. Growth in labor productivity was revised upwards in 2019, as output per hour in the nonfarm business sector grew by 3.6% in the first quarter. On the other hand, growth in business fixed investment in nonresidential structures was revised downward to reflect anticipated increases in the long-term interest rates. Otherwise, the key assumptions were largely the same as in IHS Markit's January, 2019, forecast, except that: (a) the Brent crude oil price was forecast to remain higher at $72 per barrel in 2019 and then decrease to $67 in 2020 and 2021; (b) the federal funds rate was forecast to rise to 2.75% in December (rather than 3.25%) and remain at that level; and (c) the federal government shutdown persisted for 35 days, the longest in U.S. history. The primary upside and downside risks to the forecast remained the same as the January, 2019, forecast.

Many of the assumptions used in the May, 2019, forecast turned out to be inaccurate. First, trade policy diverged substantially, with the level of tariffs increasing as the trade war with China intensified. In May, the previous 10% tariff on $200 billion worth of Chinese imports increased to 25%. In September, additional tariffs of 15% were levied on another $112 billion worth of Chinese imports. As a result, more than two-thirds of consumer goods imported from China were subject to tariffs. In retaliation, in September, China imposed 5% to 10% tariffs on one-third of goods imported from America. A temporary trade truce in December allowed for negotiations regarding a "Phase 1" trade deal which requires the U.S. to suspend the 15% tariff, previously scheduled to be levied on $160 billion of Chinese goods on December 15, and to reduce the 15% tariff that was imposed in September to 7.5%. Under the deal, China would reduce its retaliatory tariffs, increase purchases of U.S. goods by $200 billion over the next two years, and potentially address other issues, such as requiring American companies to share technology with Chinese joint ventures in exchange for market access and enforcement of intellectual property protections.

Second, IHS Markit had anticipated that the Federal Reserve would increase the federal funds rate. However, the Open Market Committee actually voted to cut the rate target three times in 2019 to a stated range of 1.50% to 1.75%. Third, real, broad, trade-weighted foreign GDP grew slowly in 2019, as anticipated, but slower than previously forecast (1.5% compared to the 2.0% forecast). Fourth, according to the U.S. Energy Information Administration (EIA), after dropping from $81 per barrel in October, 2018, to $57 per barrel in December, 2018, the Brent crude oil price was expected to recover to $71 per barrel by May, 2019, before again falling to $60 per barrel by October and increasing to $67 per barrel in December.

Overall, the national economy grew slightly less than forecast in May, 2019. IHS Markit estimates real growth in U.S. GDP in 2019 at 2.3%, which is 0.4 percentage points lower than previously estimated. National real GDP has now grown in 23 consecutive quarters, and in 39 of the 42 quarters since the 2008-2009 recession. The current economic expansion has lasted more than 10 years, which is the longest period of economic expansion in U.S. history.

As anticipated, consumer spending was the primary driver of the economy, contributing 1.8 percentage points to real GDP growth. Consumer spending was supported by three main factors in 2019. First, as forecast, equities and financial assets held by households rebounded strongly in 2019 (growing 23.1% and 12.0%, respectively) after declining significantly in the fourth quarter of 2018 (-47.5% and -21.0%, respectively). Second, similar to the May forecast, the unemployment rate for the year averaged only 3.7% as employers added an estimated 2.3 million jobs. Since October, 2010, there have now been 111 consecutive months of seasonally-adjusted job gains. Third, due to the strong employment market and modest nonfarm productivity growth in 2019 (1.6%), growth in wages and salaries (4.9%) and personal income (4.6%) exceeded the May forecast.

Nominal residential fixed investment grew in 2019 by more than forecast in May (1.2% rather than 0.5%). After growing by 0.4% in the first quarter of 2019, nominal residential fixed investment contracted by 0.3% in the second quarter, but growth recovered in the second half of the year to 1.1% in the third quarter and 2.7% in the fourth quarter. In particular, single family construction in 2019 rebounded after April, as permits for construction increased by 135,000 annualized units. IHS Markit estimates that growth in housing starts (1.9%) and sales of new homes (11.7%) in 2019 led to the most annual new housing starts and sales of new homes since 2007.

Growth in real GDP was also supported by government spending (0.4 percentage points). Federal, state, and local government purchases grew by 2.2% in 2019, slightly more than forecast in May. Notably, the federal budget deficit grew by less than the May forecast to $984 billion for the federal fiscal year through the end of September. In the current forecast, it is anticipated that the federal budget deficit for the fiscal year through September, 2020, will exceed $1.1 trillion.

As described above, the employment market, low inflation, low interest rates, and productivity growth suggests that GDP growth would increase above the baseline forecast. Nevertheless, growth is estimated to have been lower in 2019 compared to the May forecast. This is due to several factors. First, real net exports detracted from real GDP growth (-0.2 percentage points) by more than forecast in May, 2019. Real net exports improved in the first quarter by 4.0%, likely due to importers shifting their purchases into the fourth quarter of 2018 in order to avoid the imposition of new tariffs and trade barriers in 2019. However, dollar appreciation, tariff and nontariff retaliation by trade partners, and slower economic growth by trading partners in the remainder of the year contributed to a decrease in real net exports of 5.7% overall in 2019, rather than an increase of 0.2% under the May forecast.

Second, real nonresidential fixed investment grew by less than anticipated (2.3%) compared to the May forecast (3.6%) and contributed only 0.3 percentage points to real GDP growth (rather than 0.5 percentage points). Trade policy likely disrupted investment plans, and IHS Markit estimates that trade policy uncertainty reduced business fixed investment by $100 billion in 2019. Further, oil and natural gas prices declined significantly by the end of the year, causing a slowdown in mining and petroleum related investment (-8.1%) compared to growth expected in the May forecast (6.6%). Various other factors also temporarily contributed to lower industrial output and investment in equipment than anticipated in 2019, including the six-week strike at General Motors in September and October and a reduction in aircraft investment (-32.4%) after Boeing's 737 MAX was grounded by the Federal Aviation Administration and overseas regulators beginning in March after two deadly crashes.

**National Economic Forecast**

Under the January, 2020, forecast, IHS Markit predicts moderate GDP growth, gains in wages and productivity, low unemployment, and low inflation. Real GDP growth is forecast to slow, but to continue growing at 2.1% in 2020 and 2021. In the short term, IHS Markit expects consumer spending and nonresidential fixed investment, bolstered by strong labor markets, increased spending for hiring on the 2020 decennial census, increased automobile production following the end of the GM strike, and the expectation that 737 MAX shipments will resume next year, to drive moderate growth. Afterwards, below-trend growth is expected for several years as the tight labor market moderates, and the stimulative effects of TCJA, increased expenditures under federal budget bills (Bipartisan Budget Act of 2019 (BBA19) and two federal appropriation acts passed in 2020), and low interest rates fade.

The new forecast is based on the following key assumptions. First, trade policy remains the same going forward as under the Phase 1 trade deal with China, except that the promised $200 billion increase in purchases of U.S. goods by China is unrealistic and will not occur in the short term. Second, the Federal Reserve will maintain the current federal funds rate until June, 2021, when the rate increases a quarter point to a range of 1.75% to 2.0%, with an additional quarter point rate increase in the latter half of 2021. Third, the growth of real, broad, trade-weighted foreign GDP, which slowed from 3.2% (year over year) in 2017 to 1.6% in 2019, gradually rises to 2.4% by 2025. Fourth, the average price of Brent crude oil is projected to fall from $64 per barrel in 2019 to $58 in 2020 and $52 in 2021. Finally, IHS Markit expects federal discretionary spending to maintain the expenditure limits set by BBA19 and the federal appropriation acts. The personal income tax provisions of TCJA are expected to be extended after 2025.

The forecast is summarized in Table 2, which reflects IHS Markit's January, 2020, 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, 2020**
**($ in Billions)**

| | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Nominal Gross Domestic Product | $20,580.2 | $21,429.9 | $22,308.9 | $23,306.7 |
| Percent Change | 5.4% | 4.1% | 4.1% | 4.5% |
| Real Gross Domestic Product | $18,638.2 | $19,069.5 | $19,461.0 | $19,866.3 |
| Percent Change | 2.9% | 2.3% | 2.1% | 2.1% |
| Consumer Prices (Percent Change) | 2.4% | 1.8% | 1.8% | 1.7% |
| Personal Income | $17,819.2 | $18,630.0 | $19,350.2 | $20,209.0 |
| Percent Change | 5.6% | 4.6% | 3.9% | 4.4% |
| Nominal Personal Consumption Expenditures | $13,998.7 | $14,570.3 | $15,231.0 | $15,917.9 |
| Percent Change | 5.2% | 4.1% | 4.5% | 4.5% |
| Economic Profits | $2,074.6 | $2,070.4 | $2,136.6 | $2,247.4 |
| Percent Change | 3.4% | -0.2% | 3.2% | 5.2% |
| Unemployment Rate | 3.9% | 3.7% | 3.5% | 3.5% |
| Total Nonfarm Payrolls (Millions) | 149.1 | 151.4 | 153.3 | 154.4 |
| Percent Change | 1.7% | 1.6% | 1.2% | 0.8% |
| Light Vehicle Sales (Millions of Units) | 17.21 | 16.95 | 16.68 | 16.53 |
| Percent Change | 0.5% | -1.5% | -1.6% | -0.9% |
| Sales of New and Existing Homes (Millions of Units) | 5.956 | 6.021 | 6.253 | 6.183 |
| Percent Change | -3.1% | 1.1% | 3.9% | -1.1% |
| Housing Starts (Millions of Units) | 1.250 | 1.273 | 1.312 | 1.286 |
| Percent Change | 3.4% | 1.9% | 3.0% | -1.9% |

*Employment*. According to the Department of Workforce Development, the unemployment rate in Wisconsin fell to an all-time low of 2.8% in April, 2019, before increasing to 3.3% by November. Nationally, unemployment fell to a 50-year low of 3.5% by November of 2019. Further, the U-6 unemployment rate, which includes underemployed and marginally attached workers, fell to 6.7% in December, the lowest rate on record since the Bureau of Labor Statistics began tracking in 1994. IHS Markit forecasts that the employment market will remain strong, while growing at a slower rate, with total nonfarm payrolls expanding 1.2% in 2020 and 0.8% in 2021. The national unemployment rate is expected to fall slightly further than expected in May, from an average of 3.7% in 2019 to 3.5% in 2020 and 2021, before increasing to an average of 3.8% in 2022. For comparison, the U.S. Congressional Budget Office estimates that the long-term natural rate of unemployment is 4.5%. The labor force participation rate for adults under 65 is projected to continue increasing from 72.6% in 2019 to 73.2% in 2021.

According to the federal Bureau of Labor Statistics, in September, 2019, there were 7.0 million job openings compared to 5.8 million unemployed persons. Thus, available workers are likely to remain scarcer than job openings in 2020. This may be especially true in the short term due to a temporary boost from hiring for the 2020 Spring census canvas.

*Personal Income.* Personal income grew more than expected at 4.6% in 2019, but is forecast to grow at 3.9% in 2020 and 4.4% in 2021, a slower rate than forecast in May. Growth in personal income reflects the strong employment market and growth in wages and salary disbursements (4.3% in 2020 and 2021). Growth in 2020 is estimated lower in part due to farm proprietor income, which grew 16.7% in 2019, but is forecast to decline by 42.3% in 2020 before rebounding to 92.0% growth in 2021. IHS Markit estimates that real disposable income, which grew by 3.0% in 2019, will grow by 2.2% in 2020 and 2.6% in 2021. IHS Markit expects growth in household financial assets to moderate from 12.0% in 2019 to 5.2% in 2020 and 3.8% in 2021, with growth in household holdings of equities decreasing from 23.1% in 2019 to 7.8% in 2020 and 3.2% in 2021. Partly as a result, growth in real household net worth improved compared to the May forecast, but is still expected to slow from 8.9% in 2019 to 2.5% in 2020 and 1.0% in 2021.

*Personal Consumption.* IHS Markit estimates that nominal personal consumption expenditures (PCE) grew in line with the May forecast at 4.1% in 2019 and are expected to grow by 4.5% in 2020 and 2021, at lower rates than the May forecast. Sales of consumer items generally subject to the state sales tax (such as most durable goods, clothing, restaurant meals, accommodations, and certain services) grew by an estimated 3.8% in 2019 and are forecast to grow by 4.3% in 2020 and by 3.6% in 2021. Spending on gasoline and other energy goods is estimated to have declined by 3.0% in 2019, after growing by 13.5% in 2018, and is forecast to further decline by 3.8% in 2020, and 5.4% in 2021.

Sales of light vehicles, the largest component of sales tax collections, declined 1.5% in 2019 and are forecast to continue to decline by 1.6% in 2020 and 0.9% in 2021, similar to the May forecast. Nevertheless, the nominal dollar value of sales of new vehicles and leased vehicles is forecast to increase by 1.6% in 2020 and 4.1% in 2021. This is because purchases of light trucks (including sport utility vehicles, vans, and pickup trucks), which comprised 72.2% of the number of light vehicle sales in 2019, are forecast to continue to grow (2.7% in 2019, 0.8% in 2020, and 0.3% in 2021) and thus comprise 74.0% of sales in 2020 and 74.8% in 2021. Because light trucks are generally more expensive than cars, the average price of a new vehicle is expected to increase from $34,000 in 2018 to $35,100 in 2019, $36,600 in 2020, and $38,400 in 2021. Thus, even though car sales are forecast to continue to decline at a steep rate (-11.0% in 2019, -8.0% in 2020, and -4.1% in 2021), the value of consumer and business purchases of new vehicles is forecast to grow.

*International Trade.* According to the Monthly Treasury Statements of Receipts and Outlays of the United States Government, custom duties on imports were $70.8 billion in federal fiscal year 2019. However, the effect of tariffs on import prices was blunted as the real trade-weighted value of the dollar appreciated 3.5% compared with major currency trading partners in 2019. The appreciating dollar, combined with slowing global growth as measured by a broad index of trading partners (1.5%) and the grounding of Boeing's 737 MAX aircraft, weighed on exports. Overall, IHS Markit estimates that net exports declined by 1.5% in 2019, as imports of goods and services decreased by 0.1% while exports of goods and services decreased by 0.4%.

After net exports declined 10.9% in both 2017 and 2018 and by 1.5% in 2019, IHS Markit forecasts that net exports will rebound and grow by 1.7% in 2020 and by 4.0% in 2021 for several reasons. First, recent developments suggest that trade policy may become less disruptive to investment than the previous year. Congress recently approved the United States-Mexico-Canada trade agreement, which will update the North American Free Trade Agreement in 2020 once ratified by Canada. Further, the Phase 1 trade deal may lead to improved trade relations with China. Second, deliveries of Boeing's MAX 737 are expected to resume next year, boosting exports. Finally, IHS Markit forecasts that annual net U.S. exports of petroleum will be positive in 2020 and continue to grow thereafter. Notably, the EIA estimates that in September exports of crude oil and petroleum products exceeded imports by 89,000 barrels per day, which is the first time the U.S. was a net exporter of crude oil and petroleum products since EIA began collecting monthly survey data in 1973. According to the EIA, the U.S. is now the world's largest producer of crude oil and petroleum products, although it remains a net importer of crude oil because refineries import crude oil and export petroleum products.

*Consumer Prices.* The consumer price index (CPI) has averaged 1.8% growth over the last decade. It had been expected that wage gains from record-low unemployment would begin to provide upward pressure on prices due to higher demand and employer costs. However, as forecasted in May, the CPI increased by only 1.8% in 2019, as low energy prices and dollar appreciation trimmed import costs. For comparison, core CPI (which excludes food and energy prices) increased 2.2%, while energy prices decreased 2.1%. IHS Markit forecasts that the CPI will continue to increase moderately, although at a lower rate than the May forecast, by 1.8% in 2020 and by 1.7% in 2021, as low oil prices and a strong dollar are expected to continue reducing growth in energy and import prices. Core inflation is expected to remain relatively flat at 1.9% in 2020 and 2.1% in 2021.

*Monetary Policy.* IHS Markit's baseline forecast assumes that the Federal Reserve will maintain the federal funds rate at a range of 1.50% to 1.75% until mid-2021, when GDP growth and the tight labor market are expected to pressure core inflation above the Federal Reserve's two percent target. IHS Markit anticipates that in June, 2021, the Federal Reserve will begin to raise the target range for the federal funds rate, eventually to a range of 2.50% to 2.75% by 2024. It is estimated that the average commitment rate for a 30-year, conventional, fixed mortgage will continue to increase from 3.94% in 2019 to 4.00% in 2020 and 4.29% in 2021. For comparison, the average annual yield on the 10-year U.S. treasury note is expected to increase from an estimated 2.14% in 2019 to 2.21% in 2020 and 2.68% in 2021.

*Housing.* IHS Markit does not expect residential investment to meaningfully contribute to GDP growth over the next few years and has revised its housing indicators lower, compared to the May forecast. Based in part on a shift to building smaller, more affordable homes, IHS Markit estimates that the average price for new single-family homes declined by 0.5% in 2019 and will moderately grow by 0.6% in 2020 and 2021. Similarly, the median price of new single-family homes declined by 1.1% in 2019, and is estimated to grow by 2.3% in 2020 and by 0.6% in 2021. For comparison, as a result from low mortgage prices and low inventories, the price for the average existing single-family home is estimated to have grown by 3.3% in 2019, and is forecast to grow by 3.5% in 2020 and by 1.6% in 2021. As prices for new homes are expected to remain flat, and hence reduce profit margins for home builders, it is estimated that real (inflation adjusted) residential investment declined by 1.7% in 2019, and will grow by 1.6% in 2020, and will decline again by 1.2% in 2021.

Despite low mortgage costs, sales of new and existing homes are not forecast to recover to their pre-recession levels in the near term (8.4 million sales in 2005 compared to only 6.0 million in 2019, 6.3 million in 2020, and 6.2 million in 2021).

*Business Investment.* IHS Markit estimates that growth in nominal nonresidential fixed investment peaked in 2018 at 7.8%, partly as a result of the stimulative effect of TCJA, and slowed in 2019 by more than forecast in May, to 3.5%. IHS Markit forecasts that growth in nominal nonresidential fixed investment will continue to slow to 2.5% in 2020, lower than the May forecast, before growth increases to 4.0% in 2021. Growth in 2019 was led by investment in intellectual property products (8.8%), particularly in research and development (9.0%) and software (9.5%). However, IHS Markit forecasts that growth in investment in intellectual property products will decline to 6.3% in 2020 and to 5.2% in 2021, as investment in software (6.3% in 2020 and 1.5% in 2021) slows. Growth in nominal investment in equipment slowed to 1.9% in 2019, and is forecast to increase to 2.0% in 2020 and 3.0% in 2021. The resumption of Boeing deliveries after April is expected to boost investment in aircraft equipment in 2020 (44.2%) after declining steeply in 2019 (-32.4%). However, the boost to investment is expected to dissipate after aircraft deliveries catch up and the stimulative effects of federal fiscal policy wane throughout 2020. Nominal investment in nonresidential structures is expected to decline by 1.3% in 2019 and 2.4% in 2020, and then grow by 3.9% in 2021. In particular, investment in structures for mining and petroleum (-14.7% in 2020 and -7.8% in 2021) and power and communications (-3.9% in 2020 and 0.2% in 2021) are expected to decline over the forecast period as oil and energy prices remain low.

*Corporate Profits.* Corporate before-tax book profits grew by just 0.2% in 2019, which is much less than the 7.1% growth forecast in May, 2019. IHS Markit now forecasts growth of 3.8% in 2020, and 5.7% in 2021. Economic profits, which are adjusted for inventory valuation and capital consumption at current cost (and thus are not affected by federal tax laws), declined by 0.2% in 2019, and are forecast to increase by 3.2% in 2020 and by 5.2% in 2021. Both measures for corporate profits now show lower growth rates in 2019, but higher growth rates in 2020 and

2021, compared to the May forecast.

The forecast reflects that TCJA reduced the federal statutory corporate tax rate from 35% to 21%, extended 100% bonus depreciation through 2022 (followed by a three-year phase-out period), and provided additional tax deductions for certain pass-through business income through 2025. The 2020 forecast assumes that the effective federal corporate tax rate for all industries dropped from 21.5% in 2015 to 10.3% in 2019 and is expected to continue to decline to 10.0% in 2020 and 9.6% in 2021.

*Fiscal Policy.* The federal budget deficit is expected to grow from $984.4 billion in federal fiscal year 2019 to $1,145.2 billion in 2020 and $1,177.4 billion in 2021, primarily caused by tax reductions enacted under TCJA and spending increases under BBA19 and the federal appropriation acts. Overall, federal, state, and local government fiscal policies are estimated to have contributed 0.38 percentage points to real GDP growth in 2019. This is expected to decrease to 0.32 percentage points in 2020 and 0.14 percentage points in 2021 as the stimulative effects from TCJA and BBA19 dissipate, although these policies are expected to remain higher contributors to real GDP growth than anticipated in May.

*Alternative Scenarios.* IHS Markit's 2020 forecast also includes an optimistic scenario and a pessimistic scenario. Under the optimistic scenario, IHS Markit assigns a 10% probability that strong productivity growth and less inflation will yield GDP growth 0.9 percentage points higher in each year than predicted in the baseline forecast. The key assumptions are that a lower than estimated long-run natural rate of unemployment (4.0%) keeps core PCE inflation below its baseline level while faster productivity growth at 2.8% (one percentage point above the baseline forecast) from 2020 to 2030 allows wages to grow more quickly without triggering inflation. Growth in the rest of the world increases due to faster productivity gains, although more slowly than in the U.S. In response to better income and job prospects, consumers increase their spending. The Federal Reserve accelerates its first rate increase to early 2021, after which it gradually increases the federal funds rate up to a target range of 3.25% to 3.50% by 2024. Household formation accelerates due to improved employment and household finances, spurring a rise in housing starts.

Under the pessimistic scenario, to which IHS Markit assigns a 25% probability, a broad-based loss of confidence and risk aversion cause a three-quarter recession starting in the fourth quarter of 2020. In this scenario, rising real-estate prices and mortgage rates slow housing demand and construction. Declining consumer confidence sets off a deep drop in asset values and broad-based declines in business fixed investment. The declining stock and housing markets cause negative wealth effects which, along with employment declines, cause households to curtail their spending. Unemployment spikes to 5.8% in the fourth quarter of 2021, and GDP declines 2.0% over the three-quarter recession on an annualized basis. The recovery after the recession is expected to be weak, in part, due to lack of capacity by the federal government or the Federal Reserve to use fiscal or monetary policy to offset the effects of the recession.

**General Fund Taxes**

Table 3 shows general fund tax revenue estimates for 2019-20 and 2020-21. In total, these amounts are $818.2 million greater than the previous estimates. The percentage difference is 2.3%. The majority of the excess revenue is from increased projections for corporate income/franchise tax revenues, which are $329.5 million higher in 2019-20 and $299.6 million higher in 2020-21 (77% of the total increase). Estimated collections for individual income taxes and sales and use taxes have also been increased, offset partly by downward adjustments in most of the other taxes.

**TABLE 3**

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

| | 2018-19 | Previous Estimates | | Revised Estimates January, 2020 | |
|---|---|---|---|---|---|
| | Actual | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| Individual Income | $8,994.1 | $8,923.1 | $9,142.0 | $8,950.0 | $9,235.0 |
| General Sales and Use | 5,695.5 | 5,877.3 | 5,960.5 | 5,930.0 | 6,010.0 |
| Corporate Income/Franchise | 1,338.1 | 1,165.5 | 1,205.4 | 1,495.0 | 1,505.0 |
| Public Utility | 364.9 | 366.0 | 364.0 | 358.0 | 362.0 |
| Excise | | | | | |
| Cigarette | 514.3 | 515.0 | 507.0 | 512.0 | 497.0 |
| Tobacco Products | 85.5 | 90.0 | 94.0 | 90.0 | 92.0 |
| Vapor Products | N/A | 2.3 | 3.2 | 2.3 | 3.2 |
| Liquor and Wine | 53.6 | 55.0 | 56.0 | 55.0 | 56.0 |
| Beer | 8.5 | 8.9 | 8.9 | 8.3 | 8.3 |
| Insurance Company | 194.4 | 203.0 | 211.0 | 201.0 | 209.0 |
| Miscellaneous Taxes | 92.5 | 97.5 | 102.7 | 97.5 | 100.0 |
| Total | $17,341.4 | $17,303.6 | $17,654.8 | $17,699.1 | $18,077.5 |
| Change from Prior Year | | -$37.8 | $351.1 | $357.7 | $378.4 |
| Percent Change | | -0.2% | 2.0% | 2.1% | 2.1% |

The new estimates are based on the most recent national economic forecast and tax collections data through December. They reflect all state and federal law changes enacted, to-date, that impacted state tax collections.

**Individual Income Tax.** After totaling $8,994.1 million in 2018-19, state individual income tax collections are estimated at $8,950.0 million in 2019-20 and $9,235.0 million in 2020-21. On a year-to-year basis, these estimates represent a decrease of 0.5% in 2019-20 and an increase of 3.2% in 2020-21. Relative to the previous figures, the current estimates are $26.9 million higher in the first year and $93.0 million higher in the second year.

Based on preliminary collection information through December, 2019, individual income tax revenues for the current fiscal year are 3.4% higher than such revenues through the same period in 2018-19. However, revenues are expected to decrease at a rate of 3.5% over the next six months largely due to law changes enacted in the two preceding years. These law changes affect collections in both years and are discussed below.

Provisions in 2017 Wisconsin Act 368, enacted in the December, 2018, extraordinary legislative session, permit pass-through entities to elect to be taxed at the entity level, thereby shifting state tax revenues from the individual income tax to the corporate income/franchise tax. Subchapter S corporations could make the election beginning in tax year 2018, and partnerships, including limited liability corporations filing as partnerships, could make the election beginning in tax year 2019. Such elections are expected to reduce estimated payments and final payments and increase tax refunds in both years. The entity-level tax is described in further detail under the corporate income/franchise tax section.

Provisions in 2019 Wisconsin Acts 9 and 10, enacted in July, 2019, reduce marginal tax rates for the individual income tax beginning in tax year 2019. Currently, the state individual income tax has four tax brackets with unique marginal tax rates specified for each bracket. Act 9 lowered the marginal tax rate for the second tax bracket from 5.84% to 5.21% for tax year 2019 and thereafter. Act 10 modified an existing statutory provision requiring an income tax reduction conditioned on certain sales and use tax changes. As modified, the statute now requires the tax rates for the two bottom individual income tax brackets to be reduced for tax year 2019 based on the amount of additional sales and use tax attributable to remote sellers for the 12-month period from October 1, 2018, to September 30, 2019, as determined by DOR. For tax years 2020 and thereafter, reductions to the same two rates will be based on the amount of additional sales and use tax attributable to remote sellers and marketplace providers during the 12-month period from October 1, 2019, to September 30, 2020, as determined by DOR. For tax year 2019, the marginal tax rates for the two bottom tax brackets have been reduced from 4.00% to 3.86% and from 5.21% to 5.04%, based on DOR's estimate of sales and use tax collections for the initial 12-month period. For tax years 2020 and thereafter, the two rates are estimated at 3.79% and 4.96%, respectively, but these amounts will likely change after DOR estimates the additional sales and use tax collections during the second 12-month period ending in 2020. The DOR determinations are subject to legislative oversight. The provisions of Acts 9 and 10 are estimated to reduce individual income tax collections by $246.2 million in 2019-20 and $271.9 million in 2020-21, largely in the form of increased tax refunds.

**General Sales and Use Tax.** State sales and use tax revenues totaled $5,695.5 million in 2018-19, $45.5 million above the estimated amount, representing growth of 4.5% relative to the prior year. Sales tax collections through December, 2019, are 4.1% higher than the same period in the prior year. Sales tax revenues are estimated at $5,930.0 million in 2019-20 and $6,010.0 million in 2020-21, constituting annual growth of 4.1% in 2019-20 and 1.3% in 2020-21. The lower estimated annual growth in 2020-21 reflects the repeal, effective July 1, 2020, of the state's imposition of sales tax on internet access services (estimated at $166 million), pursuant to 2017 Act 59. This reduction is partly offset by additional revenues estimated from the 2019 Act 10 provision that requires marketplace providers to collect and remit sales tax. These estimates represent revenue increases relative to the prior estimates of $52.7 million in 2019-20 and $49.5 million in 2020-21. The increased estimates are primarily based on higher sales tax growth in 2018-19 than previously estimated, and on slightly stronger year-to-date sales tax collections growth than previously anticipated.

**Corporate Income/Franchise Tax.** Corporate income/franchise taxes were $1,338.1 million in 2018-19, which grew 49.7% above the previous year. Corporate tax revenues are projected to be $1,495.0 million in 2019-20 and $1,505.0 million in 2020-21, reflecting growth of 11.7% in 2019-20 and 0.7% in 2020-21. The new estimates are higher than the previous estimates for 2019-20 and 2020-21 by 28.3% and 24.9%, respectively. The new estimates reflect year-to-date corporate tax collections, which have grown by over 65% compared to the same period through December of last year.

Several factors contributed to unprecedented growth in corporate income/franchise tax collections in 2018-2019 and the first half of 2019-20, which are anticipated to moderate in 2020. First, the pass-through election to file under the entity-level tax caused an estimated $193.8 million increase in collections in 2018-19, accounting for 21.7 percentage points of growth in collections compared to 2017-18. As discussed above, pursuant to 2017 Act 368, S corporations, partnerships, and limited liability companies may elect to be taxed at the entity level beginning in tax year 2019, (except that S corporations can make the election beginning in tax year 2018). DOR records these payments under the corporate tax, rather than the individual income tax. As such, these payments reduce individual income tax collections and contribute to substantially higher growth in corporate income/franchise tax collections because the payments would otherwise be made by individual shareholders, partners, and members for tax owed on the income passed through by the entity on their individual returns. If such an election is made, it is likely that the election to pay at the entity level will actually increase the amount of state taxes owed by the taxpayer because: (a) the corporate income/franchise tax rate of 7.9% is higher than the graduated rates for individual income tax brackets in 2019 of 3.86%, 5.04%, 6.27%, or 7.65%; (b) tax credits cannot be claimed by the entity (except for the credit for taxes paid to another state); and (c) the entity cannot claim a net operating loss from another year. Nevertheless, it may be advantageous to make the election because income taxed at the entity level for state tax purposes may be a deductible business expense for federal tax purposes (where under TCJA, beginning in tax year 2018, the federal income tax itemized deduction for state and local taxes is limited to no more than $10,000 per year for individuals).

Overall, the May forecast expected payments from pass-through entities under the corporate tax to decrease in 2019-20. Because Act 368 was enacted in December, 2018, S corporations remitted entity level tax payments for tax year 2018 in March, 2019 (the last month to do so without incurring interest charges). Thus, in addition to receiving estimated payments from pass-through entities for the first half of 2019, collections for 2018-19 were enhanced by a one-time payment of $124.4 million owed by S corporations for tax year 2018. Due to the short amount of time to file and the safe harbor from interest charges, it was expected that pass-through entities would overpay the 2018 entity-level tax owed and later normalize their payments by either seeking refunds or remitting lower estimated payments throughout 2019-20. However, based on collections data, it now appears that in 2019-20 refunds are lower than previously estimated and that entity-level estimated tax payments are higher than previously estimated.

Second, corporate audit payments in 2019-20 increased by $74.4 million compared with the same period through December in 2018-19. This accounts for 5.3 percentage points of growth in estimated 2019-20 collections compared to actual collections in 2018-19. According to DOR, the sharp increase in corporate audit payments reflects activity from prior years and is unlikely to repeat.

Third, collections increased significantly in 2018-19 following the federal adoption of TCJA and the state enactment of 2017 Act 231, which updated state law to account for some, but not all, of the changes in federal law. As discussed above, TCJA lowered the federal tax rate paid by corporations from 35% to 21%, providing an incentive to organize and file as a corporation. Although the estimated fiscal impact of Act 231 was accounted for in the May estimates, the ancillary effects on increased state collections following TCJA have continued. For comparison, according to IHS Markit, overall state and local taxes on corporate income increased by 11.3% in 2018-19 and will increase again by 9.6% in 2019-20, with growth moderating to 4.8% in 2020-21. It is likely growth in collections will similarly moderate in Wisconsin as the impact fades from the one-time and ongoing effects of these law changes.

**Public Utility Taxes.** Revenues from public utility taxes totaled $364.9 million in 2018-19 and are estimated at $358.0 million in 2019-20 and $362.0 million in 2020-21. These amounts represent a decrease of 1.9% in 2019-20 and an increase of 1.1% in 2020-21. Compared to the previous estimates, these amounts are lower by $8.0 million in 2019-20 and $2.0 million in 2020-21. Private light, heat, and power companies are the largest taxpayer group, comprising 63% of estimated public utility tax revenues for the 2019-21 biennium. Collections from these companies totaled $231.5 million in 2018-19 and are estimated to decrease to $226.7 million in 2019-20 (-2.1%) and increase to $228.7 million in 2020-21 (0.9%). The decrease in 2019-20 reflects, in part, fewer kilowatt hours of electricity consumed in 2019 than in 2018. Revenues from 2019 comprise the basis for these companies' license fees due in May, 2020. Electricity and natural gas sales are influenced by economic conditions for commercial and industrial customers and by weather for residential customers.

**Excise Taxes.** General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), other tobacco products, vapor products, and beer. Total excise tax revenues in 2018-19 were $661.9 million, of which $514.3 million (77.7%) was attributable to the excise tax on cigarettes. Total excise tax collections in 2018-19 represented a decrease of 2.7% from the prior fiscal year, largely due to a decrease in cigarette tax collections of 4.6% from the prior year. Total excise tax revenues are estimated at $667.6 million in 2019-20 and $656.5 million in 2020-21. Compared to the previous estimates, these amounts are $3.6 million lower in 2019-20 and $12.6 million lower in 2020-21. These estimates account for the recent federal provision to prohibit sales of cigarettes and tobacco products to individuals under the age of 21, which is expected to decrease state excise tax revenues beginning in 2020-21. Estimated excise tax revenues in 2019-20 are 0.9% higher than actual collections in 2018-19, partially because of the tax on vapor products that took effect on October 1, 2019.

Cigarette tax revenues are estimated at $512.0 million in 2019-20, and $497.0 million in 2020-21, and are lower than the previous estimates by $3.0 million in 2019-20 and $10.0 million in 2020-21. The reduction is primarily due to an ongoing trend of declining cigarette consumption, evidenced by annual cigarette revenue declines of 4.5% in 2017-18 and 4.6% in 2018-19. The reestimate for cigarette tax revenues in 2019-20 represents an approximate annual decline of 0.4%, which is a smaller reduction than the annual average decline of 2.5% over the last four fiscal years. Illinois implemented a cigarette tax increase of $1 per pack, effective July 1, 2019, which brought its tax rate to $2.98 per pack (higher than Wisconsin's rate of $2.52 per pack). It is assumed that this tax increase has contributed to higher year-to-date tax collections than previously expected because consumers living near the state border likely shifted their purchases of cigarettes to Wisconsin in response to the Illinois tax rate increase.

**Insurance Premiums Taxes.** Insurance premiums taxes were $194.4 million in 2018-19, which is $0.6 million less than estimated. Revenues are projected to increase to $201.0 million in 2019-20, and $209.0 million in 2020-21. These estimate reflect projected year-over-year growth of 3.4%, and 4.0%, respectively, and are $2.0 million lower than previous estimates for each year. The estimates are based on growth of 3.1% in year-to-date insurance premiums tax collections, historic collections growth trends, and projected growth in consumer spending on insurance.

**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 $92.5 million in 2018-19, of which 83.7% was generated from the real estate transfer fee. These revenues are estimated at $97.5 million in 2019-20 and $100.0 million in 2020-21, which is $2.7 million lower than the previous estimate in 2020-21. The decrease in 2020-21 reflects lowered growth for the housing sector, relative to the May forecast.

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

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/lb
cc: Members, Wisconsin Legislature

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# APPENDIX B
# SUMMARY OF 2003 INDENTURE; GLOSSARY

This Appendix includes by reference information concerning the State of Wisconsin General Fund Annual Appropriation Obligations, including but not limited to the summary of the 2003 Indenture, contained in Part VIII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 27, 2019 **(2019 Annual Report)**, which can be obtained as described below.

The 2019 Annual Report was filed with the Municipal Securities Rulemaking Board **(MSRB)** through its Electronic Municipal Market Access **(EMMA)** system, and also is available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin." The Capital Finance Office web site and the State investor relations web site are located at the following addresses:

doa.wi.gov/capitalfinance
wisconsinbonds.com

Copies of the 2019 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 2019 Annual Report, certain changes or events have occurred that affect items discussed in Part VIII of the 2019 Annual Report, specifically,

(i) the Seventh Supplemental Trust Indenture to be executed in connection with the issuance of the 2020 Series A Bonds will provide that, by their acceptance of the 2020 Series A Bonds, the owners of the 2020 Series A Bonds shall be deemed to have consented to any future Supplemental Indenture that provides that the consent of owners of a Series of Bonds is not needed to authorize a Supplemental Indenture that does not affect the owners of such Series, and the section entitled "Supplemental Indentures – *Supplemental Indentures Requiring the Consent of Bondowners and Swap Providers*" contained in Part VIII of the 2019 Annual Report is updated accordingly to include this text.

This Appendix also includes the following definitions that apply to certain capitalized terms used in this Official Statement.

**2003 Indenture** means the Trust Indenture, dated as of December 1, 2003, between the State, acting by and through the Department of Administration, under the authority of the Act, and the Trustee, as trustee, as supplemented and amended from time to time.

**2003 Indenture Bonds** means the bonds of the State issued pursuant to the 2003 Indenture, including the 2003 Series A Bonds, the 2008 Series B Bonds, the 2008 Series C Bonds, the 2012 Bonds, the 2016 Series A Bonds, the 2020 Series A Bonds, and any Additional Bonds issued pursuant to the 2003 Indenture.

**2003 Indenture Bonds Outstanding** means Outstanding Bonds issued pursuant to the 2003 Indenture.

**2003 Series A Bonds** means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate).

**2008 Series B Bonds** means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2008, Series B (Taxable Floating Rate Notes).

**2008 Series C Bonds** means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2008, Series C (Taxable Floating Rate Notes).

**2012 Bonds** means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable).

**2016 Series A Bonds** means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2016, Series A (Taxable).

**2020 Series A Bonds** means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2020, Series A (Taxable).

**Additional 2003 Indenture Bonds** means additional bonds issued under the 2003 Indenture.

**Act** or **Enabling Act** means Section 16.527 of the Wisconsin Statutes, as from time to time amended.

**Annual Appropriation Amount** means for any Fiscal Year which is the first Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year, plus the amount in the following clause (h), and for any Fiscal Year which is the second Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (h):

(a) the amount of principal of 2003 Indenture Bonds Outstanding coming due during the Fiscal Year;

(b) the amount of principal of 2003 Indenture Bonds Outstanding to be redeemed (whether pursuant to mandatory or optional redemption provisions) during the Fiscal Year, with the amount to be redeemed pursuant to optional redemption determined based on the schedule or formula, if any, set forth in the Supplemental Indenture pursuant to which the Additional 2003 Indenture Bonds are issued, for the Fiscal Year;

(c) interest to be paid during the Fiscal Year with respect to Fixed Rate 2003 Indenture Bonds Outstanding;

(d) interest that would be payable during the Fiscal Year with respect to Variable Rate 2003 Indenture Bonds Outstanding, determined at the maximum rate specified with respect thereto;

(e) the maximum amount of any Swap Payment Obligations (other than Swap Termination Payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the Swap Provider; provided, that any payment that is determined without limit as to amount shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum;

(f) the maximum amount of Credit Facility Payment Obligations due during the Fiscal Year except to the extent included in (a) through (e) above;

(g) estimated administrative expenses, if they will be payable from the Operating Expense Fund during the Fiscal Year; and

(h) the amount of all Swap Termination Payments which are unpaid and owing as of the September 1 immediately preceding the commencement of the Biennium which includes the Fiscal Year with respect to which the Annual Appropriation Amount is being determined, plus interest to accrue on such Swap Termination Payments to the date on which they are reasonably expected to be made, provided that for interest determined based on a variable rate, interest shall be calculated at the maximum rate permitted in the Swap Agreement and if no maximum rate is specified, a rate of 15% per annum.

**Appropriated Funds** means all amounts appropriated by law pursuant to Sections 20.505(1)(br), 20.505(1)(iq), and 20.505(1)(it) of the Wisconsin Statutes, or any successor provisions, from year to year with respect to the 2003 Indenture Bonds, Swap Payment Obligations and Credit Facility Obligations.

**Appropriations Fund** means the fund by that name established pursuant to the 2003 Indenture.

**Authorized Department Representative** means the person identified in a written certificate which is signed by the Secretary of Administration, which contains a specimen of the Authorized Department Representative's signature. An Authorized Department Representative or alternate may be an employee of the Department.

**Authorizing Certification** means a written certification of the Department of Administration pursuant to section (5)(a) of the Act, as it may be amended in accordance with the terms of the 2003 Indenture, executed by the Secretary of Administration or his or her designee and delivered to the Governor, authorizing the execution and delivery of the 2003 Indenture and the 2003 Indenture Bonds, or authorizing the execution and delivery of a Supplemental Indenture or one or more Series of Bonds.

**Biennium** means the two-Fiscal Year period beginning July 1$^{st}$ of each odd-numbered year.

**Bond Counsel** means legal counsel whose legal opinions on municipal bond issues are nationally recognized.

**Bondowner** means the Registered Owner of a Bond.

**Bond Insurance Policies** means, collectively, all policies of municipal bond insurance issued by the Bond Insurers insuring the 2003 Indenture Bonds.

**Bond Insurers** means, (a) with respect to the 2003 Series A Bonds, the 2008 Series C Bonds, and certain 2008 Series B Bonds, Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp), and (b) with respect to any Series of Additional Bonds, any Person that issues a Bond Insurance Policy insuring such Series of Bonds, as identified in the applicable Supplemental Indenture.

**Book Entry Form** or **Book Entry System** means a form or system, as applicable, under which (1) the ownership of beneficial interests in the 2003 Indenture Bonds may be transferred only through a book entry system and (2) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Registered Owner, with the physical bond certificates immobilized in the custody of the Depository.

**Budget Bill** means, for any Biennium, (1) the executive budget bill or bills described under Section 16.47 of the Wisconsin Statutes, or any successor provision thereto, introduced into either house of the legislature of the State, as introduced, (2) the budget bill as adopted by either house of the legislature of the State, and (3) the budget bill as approved in whole or in part by the Governor and enacted into law.

**Business Day** means a day which is not (1) a Saturday, Sunday, or legal holiday, (2) a day on which commercial banks are required or authorized by law to be closed in the State or in the city of the Designated Trust Office, or (3) a day on which The New York Stock Exchange is closed for the entire day or federal reserve banks are closed. A Supplemental Indenture authorizing a Series of Additional Bonds may provide for a different definition when used with respect to such Additional Bonds.

**Closing Statement** means the certificate signed by an Authorized Department Representative in connection with the issuance of Bonds, containing instructions regarding the disposition of proceeds of the 2003 Indenture Bonds, as required by the 2003 Indenture.

**Credit Facility** means any standby or direct pay letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy (including any Bond Insurance Policy), or other insurance commitment or other agreement or ancillary arrangement (other than a Swap Agreement), satisfactory to the State, that is provided by a commercial bank, insurance company, or other entity to pay or further secure payment of debt service on Bonds or the purchase of Bonds upon tender.

**Credit Facility Payment Obligations** means all payment and reimbursement obligations of the State to a Credit Issuer in connection with any Credit Facility securing all or a portion of any Bonds.

**Credit Issuer** means the issuer of a Credit Facility, including a Bond Insurer.

**DTC** means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York.

**Debt Service Account** means each Debt Service Account of the Debt Service Fund established pursuant to the 2003 Indenture.

**Debt Service Fund** means the fund by that name established pursuant to the 2003 Indenture.

**Default** means the occurrence of an event which, with the lapse of time or the giving of notice or both, is an Event of Default.

**Defeasance Obligations** means noncallable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America, not redeemable at the option of the State or anyone acting on its behalf prior to maturity. The 2003 Indenture provides further restrictions on Defeasance Obligations in connection with the defeasance of the 2003 Series A Bonds, the 2008 Series C Bonds, and certain of the 2008 Series B Bonds and provides that a Supplemental Indenture authorizing a Series of Additional Bonds may include further restrictions on Defeasance Obligations in connection with the defeasance of such Series of Additional Bonds.

**Department** or **Department of Administration** or **DOA** means the Department of Administration of the State.

**Deposit Amount** means the amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during the applicable Fiscal Year to pay principal of Bonds (whether at maturity or by redemption prior to maturity and including any amount set forth in a schedule or formula, if any, set forth in a Supplemental Indenture pursuant to which Additional Bonds are issued), interest on Bonds, and any Swap Payment Obligations (other than Swap Termination Payments), and to pay administrative expenses. The amount certified shall take into account amounts held by the Trustee in the Proceeds Account, but shall not take into account any amounts held by the Trustee in the Stabilization Fund, that may be applied to such payments. The amount certified shall also take into account the effect of any reasonably expected refunding of Bonds.

**Depository** means any securities depository that is a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its Participants or otherwise, a Book Entry System to record ownership of beneficial interests in the 2003 Indenture Bonds and to effect transfers of the beneficial ownership in the 2003 Indenture Bonds in Book Entry Form.

**Designated Trust Office** means the corporate trust office designated by the Trustee.

**Event of Default** has the respective meaning set forth in the 2003 Indenture.

**Event of Nonappropriation** means the insufficiency of Appropriated Funds in any Fiscal Year to pay when due all principal, redemption premium, and interest on the 2003 Indenture Bonds and all Parity Swap Payment Obligations.

**Fiscal Year** means the 12-month fiscal period commencing on July 1st of each year and ending on June 30th of the succeeding year.

**Fitch** shall mean Fitch Ratings and its successors and assigns.

**Fixed Rate Bonds** (or **Fixed Rate** when used with respect to Bonds) means any Bonds, the interest rate on which is established (with no right to vary) at a single numerical rate for the remaining term of such Bonds.

**Funded Interest** means proceeds of the 2003 Indenture Bonds deposited with the Trustee to pay interest on Bonds or any Parity Swap Payment Obligations.

**Governor** means the governor of the State.

**Indenture Funds** means the funds created under the 2003 Indenture.

**Interest Payment Date** means any date specified in the 2003 Indenture or a Supplemental Indenture for the payment of interest on Bonds.

**Issuance Expenses** means fees and expenses incurred or to be incurred by or on behalf of the State, the Trustee, or Bond Counsel for the 2003 Indenture Bonds in connection with the issuance and sale of the 2003 Indenture Bonds including, but not limited to, underwriting costs (whether in the form of discount in the purchase of the 2003 Indenture Bonds or otherwise), fees and expenses of legal counsel (including Bond Counsel, counsel to the Trustee, and counsel to the Purchaser), fees and expenses of financial advisors, feasibility consultants, and accountants, rating agency fees, fees of the Trustee, printing costs, recording expenses, fees and expenses related to any Credit Facility or Swap Agreement in connection with the 2003 Indenture Bonds, fees and costs related to exchange listings, and costs associated with the acquisition of securities for any defeasance escrow and for verifying the sufficiency of any defeasance escrow and any other fees, costs, or expenses in connection with the 2003 Indenture or the 2003 Indenture Bonds as determined by an Authorized Department Representative.

**Maximum Rate** means the lesser of (a) 15% per annum or such higher rate as the State may establish with a Rating Confirmation or (b) the maximum rate of interest permitted by the laws of the State. With respect to the 2008 Series B Bonds and 2008 Series C Bonds, the State established a maximum rate of 35%.

**Moody's** means Moody's Investors Service, Inc. and its successors and assigns.

**Operating Expense Fund** means the fund by that name established pursuant to the 2003 Indenture.

**Opinion of Bond Counsel** means an opinion in writing signed by legal counsel who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers.

**Opinion of Counsel** means an opinion in writing signed by legal counsel who may be an employee of or counsel to the State and who shall be satisfactory to the Trustee.

**Outstanding**, when used with reference to the 2003 Indenture, means all 2003 Indenture Bonds which have been delivered by the Trustee under the 2003 Indenture except:

- 2003 Indenture Bonds or portions of 2003 Indenture Bonds after (1) payment at maturity or redemption prior to maturity (unless the 2003 Indenture or a Supplemental Indenture otherwise provides in the case of Bonds that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed) or (2) delivery to the Trustee by the State for cancellation pursuant to the 2003 Indenture,

- 2003 Indenture Bonds for the payment or redemption of which there has been irrevocably deposited with the Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the 2003 Indenture and the Act.

- 2003 Indenture Bonds in lieu of which other 2003 Indenture Bonds have been authenticated upon transfer, exchange, or replacement as provided in the 2003 Indenture, and
- for purposes of any agreement, acceptance, approval, waiver, consent, request, or other action to be taken under the 2003 Indenture by the Registered Owners of a specified percentage of principal amount of 2003 Indenture Bonds, 2003 Indenture Bonds held by or for the account of the State.

**Owner** or **Registered Owner**, when used with reference to a Bond, means the person who is the registered owner of a Bond, except that the 2003 Indenture or a Supplemental Indenture may provide that, for certain purposes, a Credit Issuer is treated as the Owner of Bonds secured by its Credit Facility, as described in the 2003 Indenture.

**Parity Swap Payment Obligations** means Swap Payment Obligations exclusive of all Swap Termination Payments, except for Swap Termination Payments the amount of which was included in the calculation of Annual Appropriation Amount for a Fiscal Year for which a Budget Bill has been enacted (but not including appropriations continued from the prior Fiscal Year pursuant to Section 20.002(1), Wisconsin Statutes).

**Participant** means a broker-dealer, bank, or other financial institution for which DTC or a successor Depository holds Bonds from time to time as a securities depository.

**Payment Date** means a date on which payment of a Principal Installment or Redemption Price or interest with respect to any Bonds or payment of any Swap Payment Obligations or Credit Facility Payment Obligations shall be due and payable.

**Person** means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof.

**Principal Installment** means, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (1) the principal amount of Bonds of such Series due on a certain future date for which no sinking fund installments have been established, or (2) the unsatisfied balance of any sinking fund installments due on a certain future date for Bonds of such Series, or (3) if such future dates coincide as to different Series of Bonds, the sum of such principal amount of Bonds and of such unsatisfied balance of sinking fund installments due on such future date.

**Proceeds Account** means the Proceeds Account of the Debt Service Fund established pursuant to the 2003 Indenture.

**Qualified Investments** means any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act or under other applicable law (provided that as long as any 2003 Indenture Bonds are insured by a Credit Issuer, Qualified Investments may be further limited as required by the Credit Issuer):

- direct obligations maturing within ten years or less from the date of settlement, of the United States or its agencies, corporations wholly owned by the United States, the international bank for reconstruction and development, the international finance corporation, the inter-American development bank, the African development bank, the Asian development bank, the federal national mortgage association, or any corporation chartered by an act of Congress,
- securities maturing within ten years or less from the date of settlement, guaranteed by the United States or, where the full faith and credit of the United States is pledged or, where securities are collateralized by government-insured investments or, where the securities are issued by a corporation created by act of Congress and related by such act,

- unsecured notes of financial and industrial issuers maturing within five years or less from the date of settlement and having one of the two highest ratings given by a nationally recognized rating service, but if the corporation issuing such notes has any long-term senior debt issues outstanding which also have been rated, the rating must be one of the three highest ratings so given,
- certificates of deposit issued by banks located in the United States and by savings and loan associations, savings banks, and credit unions located in the State,
- banker's acceptances accepted by banks located in the United States,
- commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's or S&P, and
- any other obligation or security which constitutes a permitted investment for money of the State under the Act or other applicable law.

**Rating** means one of the rating categories of a Rating Agency maintaining a rating of the 2003 Indenture Bonds.

**Rating Confirmation** means a letter from each of at least two Rating Agencies then providing a Rating for the 2003 Indenture Bonds confirming that the action proposed to be taken by the State will not, in and of itself, have the effect of reducing the underlying Rating then applicable to the 2003 Indenture Bonds or of causing any such Rating Agency to suspend or withdraw the underlying Rating then applicable to the 2003 Indenture Bonds.

**Rating Agencies** or **Rating Agency** means Moody's, Fitch, S&P, or any other rating agency requested by the State to maintain a Rating on any of the 2003 Indenture Bonds.

**Redemption Price** means 100% of the principal amount thereof plus the applicable redemption premium, if any, payable upon redemption thereof.

**Registered Owner's Address** means the address, which a Registered Owner may change upon written request to the Trustee, of the Registered Owner of any Bond as it appears in the Registration Books.

**Registration Books** means books maintained by the Trustee on behalf of the State at the Designated Trust Office of the Trustee for the purpose of recording the registration, transfer, exchange, or replacement of any of the 2003 Indenture Bonds.

**S&P** means S&P Global Ratings, a division of S&P Global, and its successors and assigns.

**Secretary** or **Secretary of Administration** means the Secretary of the Department.

**Series** means all Bonds authenticated and delivered on original issuance in a simultaneous transaction and designated as a Series in an Authorizing Certification, and any Bonds thereafter authenticated and delivered in lieu of or in substitution of such Bonds.

**Stabilization Fund** means the reserve fund by that name established pursuant to the 2003 Indenture.

**Stabilization Fund Amount** means, for the 2003 Indenture, such amount as may be deemed reasonable and designated in writing by an Authorized Department Representative; provided that the Stabilization Fund Amount shall not be reduced unless the State obtains (i) a Rating Confirmation with respect to such reduction and (ii) the written consent to such reduction from each Swap Provider that is party to a Swap Agreement under which a transaction that was entered into prior to April 1, 2008 remains in effect. This definition reflects provisions of the amendment to the 2003 Indenture completed pursuant to the Sixth Supplemental Trust Indenture, dated as of January 29, 2019.

**State** means the State of Wisconsin.

**Subordinated Payment Obligations Fund** means the fund by that name established pursuant to the 2003 Indenture.

**Subordinated Swap Payment Obligations** means all Swap Payment Obligations payable by the State except Parity Swap Payment Obligations.

**Supplemental Indenture** means any trust indenture which has been duly executed and delivered by the State and the Trustee amendatory of the 2003 Indenture or supplemental to the 2003 Indenture, but only if and to the extent that such trust indenture is authorized under that Indenture.

**Swap Agreement** means any agreement or ancillary arrangement between the State and a Swap Provider relating to the 2003 Indenture Bonds and identified by the Department pursuant to the 2003 Indenture, including indexing agreements, interest exchange agreements, or any other similar transaction.

**Swap Payment Obligations** means, for any period of time, all net amounts payable by the State (including Swap Termination Payments payable by the State) under any Swap Agreement.

**Swap Provider** means the State's counterparty under a Swap Agreement meeting the requirements, if any, of the 2003 Indenture.

**Swap Termination Payment** means, with respect to any Swap Agreement, any settlement amount payable by the applicable Swap Provider or the State by reason or on account of the early termination of such Swap Agreement, together with any interest thereon. The term Swap Termination Payment shall not include net unpaid amounts up to the Swap Agreement termination date which would have been payable by the Swap Provider or the State, as the case may be, pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

**Trust Estate** means the property conveyed to the Trustee pursuant to the Granting Clauses of the 2003 Indenture.

**Trustee** means The Bank of New York Mellon Trust Company, N.A., as successor to Deutsche Bank Trust Company Americas and U.S. Bank National Association, and its successors as trustee under the 2003 Indenture.

**Trustee's Expenses** means the reasonable and necessary fees and expenses of the Trustee and those for any legal, accounting, financial, or other experts reasonably retained by the Trustee and includes the fees, charges, and expenses of any additional paying agent for the 2003 Indenture Bonds.

**U.S. Government Obligations** means obligations which are direct, full faith and credit obligations of the United States of America or are obligations with respect to which the United States of America has unconditionally guaranteed the timely payment of all principal or interest or both, but only to the extent of the principal or interest so guaranteed.

**Variable Rate Bonds** means any Bonds which bear a variable interest rate or rates that are not established at the time of calculation at a single numerical rate for the remaining term of such Bonds.

# APPENDIX C
# EXPECTED FORM OF BOND COUNSEL OPINION

*Upon delivery of the 2020 Series A Bonds, it is expected that Quarles & Brady LLP will deliver a legal opinion in substantially the following form:*

, 2020

Re: $623,320,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2020, Series A (Taxable) **(Bonds)**

We have acted as bond counsel to the State of Wisconsin **(State)** in connection with the issuance by the State of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. We have also examined the Bonds and find the same to be in proper form.

The Bonds are issued pursuant to Section 16.527 of the Wisconsin Statutes, as amended **(Act)**, an authorizing certification of the Department of Administration of the State **(Department)** executed and delivered by its Secretary and dated October 7, 2019 **(Authorizing Certification)** and a Trust Indenture, dated as of December 1, 2003 (as supplemented and amended, the **Indenture)**, between the State, acting by and through the Department, and The Bank of New York Mellon Trust Company, N.A., as successor to Deutsche Bank Trust Company Americas and U.S. Bank National Association, as trustee, as supplemented and amended by a First Supplemental Trust Indenture, dated as of March 1, 2008, a Second Supplemental Trust Indenture, dated as of April 1, 2008, a Third Supplemental Trust Indenture, dated as of June 1, 2008, a Fourth Supplemental Trust Indenture, dated as of November 1, 2012, a Fifth Supplemental Trust Indenture, dated as of August 1, 2016, a Sixth Supplemental Trust Indenture, dated as of January 29, 2019, and a Seventh Supplemental Trust Indenture, dated as of February 1, 2020 **(Seventh Supplemental Indenture)**, all between the same parties.

Regarding questions of fact material to our opinion, we have relied on the representations of the State contained in the Authorizing Certification, the Indenture and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The State has the valid right and lawful authority to enter into and perform its obligations under the Authorizing Certification and the Seventh Supplemental Indenture and to issue the Bonds.

2. The Authorizing Certification and the Seventh Supplemental Indenture have been duly authorized, executed and delivered by the State and are valid and binding obligations enforceable against the State.

3. The Bonds have been authorized, executed, issued and delivered in accordance with law, the Authorizing Certification and the Indenture. The Bonds are valid and binding limited obligations of the State payable as provided in the Indenture solely from amounts appropriated by law for such payment.

4. The Bonds do not constitute a debt of the State for constitutional purposes nor do they constitute the giving or lending of credit of the State, and the State shall not be generally liable on the Bonds. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

5. The interest on the Bonds is included for federal income tax purposes in the gross income of the owners of the Bonds. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Authorizing Certification and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement or other offering material relating to the Bonds or regarding the perfection or priority of the lien on the funds and accounts created by the Indenture.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

# APPENDIX D
# SUMMARY OF REFUNDED BONDS

| Series | Dated Date | Principal Amount | Interest Rate | Maturity | CUSIP[a] | Redemption Date | Redemption Price |
|---|---|---|---|---|---|---|---|
| 2008 Series B (Taxable Floating Rate Notes) | 4/1/2008 | $ 300,000,000 | VR | First Business Day of May 2032 | 977100 AW6 | 2/13/2020 | 100% |
| 2008 Series C (Taxable Floating Rate Notes) | 6/10/2008 | 183,770,000 | VR | First Business Day of May 2032 | 977100 AX4 | 2/13/2020 | 100 |
| | | $ 483,770,000 | | | | | |

[a] The CUSIP numbers assigned have been obtained from a source the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers.

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