

**OFFICIAL STATEMENT**

New Issue

*This Official Statement provides information about the 2021 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.*

**\$118,745,000**  
**STATE OF WISCONSIN**  
**GENERAL FUND ANNUAL APPROPRIATION REFUNDING BONDS OF 2021, SERIES A**  
**(TAXABLE)**

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

|                               |   |
|-------------------------------|---|
| <b>Ratings</b>                | AA Fitch Ratings<br>Aa2 Moody's Investors Service, Inc.   |
| <b>Interest Payment Dates</b> | May 1 and November 1, commencing November 1, 2021.  |
| <b>Redemption</b>             | The 2021 Series A Bonds maturing on May 1, 2031 are subject to optional redemption at par on or after May 1, 2030— <i>See page 5.</i><br>The 2021 Series A Bonds are subject to optional redemption on any Business Day at the Make-Whole Redemption Price— <i>See pages 5-6.</i> |
| <b>Source of Payment</b>      | Debt service on the 2021 Series A Bonds is payable from the State's General Fund, subject to annual appropriation. The 2021 Series A Bonds are not general obligations of the State— <i>See pages 9-14.</i>   |
| <b>Tax Matters</b>            | Interest on the 2021 Series A Bonds is included in gross income for federal income tax purposes— <i>See page 19.</i><br>Interest on the 2021 Series A Bonds is not exempt from current State of Wisconsin income or franchise taxes— <i>See page 19.</i>                          |
| <b>Purpose</b>                | The 2021 Series A Bonds are being issued to advance refund the State's General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable)— <i>See pages 4-5.</i>   |
| <b>Settlement/Closing</b>     | On or about March 10, 2021.   |
| <b>Denominations</b>          | Multiples of \$5,000  |
| <b>Book-Entry System</b>      | The Depository Trust Company— <i>See pages 8-9.</i>   |
| <b>Bond Counsel</b>           | Quarles & Brady LLP— <i>See page 18.</i>  |
| <b>Trustee</b>                | The Bank of New York Mellon Trust Company, N.A. as successor to U.S. Bank National Association  |
| <b>Issuer Contact</b>         | Wisconsin Capital Finance Office; (608) 267-0374;<br>DOACapitalFinanceOffice@wisconsin.gov  |
| <b>2020 Annual Report</b>     | This Official Statement incorporates by reference Parts I, II, and VII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2020.  |

The prices and yields listed below were determined on February 10, 2021 at negotiated sale. The 2021 Series A Bonds were purchased at an aggregate purchase price of \$118,108,701.21.

| CUSIP      | Due (May 1) | Principal Amount | Interest Rate | Yield at Issuance | Price at Issuance | First Optional Par Call Date (May 1) <sup>(a)</sup> | Call Price |
|------------|-------------|------------------|---------------|-------------------|-------------------|---|------------|
| 977100 HF6 | 2022        | \$ 795,000       | 0.291%        | 0.291%            | 100.000           | Not Callable  | -          |
| 977100 HG4 | 2023        | 1,035,000        | 0.311         | 0.311             | 100.000           | Not Callable  | -          |
| 977100 HH2 | 2024        | 1,040,000        | 0.429         | 0.429             | 100.000           | Not Callable  | -          |
| 977100 HJ8 | 2025        | 1,040,000        | 0.656         | 0.656             | 100.000           | Not Callable  | -          |
| 977100 HK5 | 2026        | 1,050,000        | 0.856         | 0.856             | 100.000           | Not Callable  | -          |
| 977100 HL3 | 2027        | 19,170,000       | 1.151         | 1.151             | 100.000           | Not Callable  | -          |
| 977100 HM1 | 2028        | 24,350,000       | 1.251         | 1.251             | 100.000           | Not Callable  | -          |
| 977100 HN9 | 2029        | 21,345,000       | 1.486         | 1.486             | 100.000           | Not Callable  | -          |
| 977100 HP4 | 2030        | 23,355,000       | 1.586         | 1.586             | 100.000           | Not Callable  | -          |
| 977100 HQ2 | 2031        | 25,565,000       | 1.636         | 1.636             | 100.000           | 2030  | 100%       |

<sup>(a)</sup> All of the 2021 Series A Bonds are subject to optional redemption on any Business Day at the Make-Whole Redemption Price described under "THE 2021 SERIES A BONDS; Optional Redemption With Make—Whole Premium" herein.

|                                     |                                     |                  |
|-------------------------------------|-------------------------------------|------------------|
| <b>Barclays</b>                     | <b>Loop Capital Markets</b>         |                  |
| <b>American Veterans Group, PBC</b> | <b>Cabrera Capital Markets, LLC</b> | <b>Citigroup</b> |
| <b>J.P. Morgan</b>                  | <b>Jefferies</b>                    |                  |

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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 2021 Series A Bonds. This document is not an offer or solicitation for the 2021 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 2021 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 2021 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 2021 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 2021 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

|  | Page |  | Page |
|--|------|--|------|
| <b>STATE OFFICIALS PARTICIPATING IN THE SALE AND ISSUANCE OF THE 2021 SERIES A BONDS</b> ..... | ii   | <b>RISK FACTORS</b> .....                                      | 14   |
| <b>SUMMARY DESCRIPTION OF 2021 SERIES A BONDS</b> .....  | iii  | Dependence Upon Annual Appropriations .....                    | 14   |
| <b>INTRODUCTION</b> .....  | 1    | No Collateral .....  | 14   |
| <b>THE STATE</b> .....   | 1    | COVID-19 Pandemic .....  | 15   |
| <b>PLAN OF FINANCE</b> .....   | 2    | Nature of Moral Obligation .....                               | 15   |
| Statutory Authority for Issuance .....   | 2    | Legislative Decision-Making.....                               | 15   |
| Outstanding Obligations .....  | 2    | State Financial Difficulties .....                             | 15   |
| Interest Rate Exchange Agreements .....  | 3    | Investment Loss .....  | 16   |
| Plan of Refunding .....  | 4    | Defeasance .....   | 16   |
| Sources and Uses of Funds .....  | 5    | Additional Bonds .....   | 16   |
| Additional Bonds .....   | 5    | <b>OTHER INFORMATION</b> .....                                 | 16   |
| <b>THE 2021 SERIES A BONDS</b> .....   | 5    | Planned Borrowings.....  | 16   |
| General .....  | 5    | Underwriting .....   | 17   |
| Optional Redemption At Par .....   | 5    | Reference Information About the 2021 Series A Bonds.....       | 18   |
| Optional Redemption With Make-Whole Premium .....  | 5    | Financial Advisor.....   | 18   |
| Selection of 2021 Series A Bonds for Redemption.....   | 6    | Verification of Mathematical Computations .....                | 18   |
| Notice of Redemption of 2021 Series A Bonds.....   | 7    | Legal Opinion .....  | 18   |
| Registration and Payment of 2021 Series A Bonds.....   | 7    | Litigation.....  | 19   |
| Ratings.....   | 8    | <b>DISCLAIMER REGARDING FEDERAL TAX DISCUSSIONS</b> .....      | 19   |
| Book-Entry System .....  | 8    | <b>TAX MATTERS</b> .....                                       | 19   |
| Possible Discontinuance of Book-Entry System .....   | 9    | Federal Tax Considerations .....                               | 19   |
| <b>PAYMENT FROM ANNUAL APPROPRIATIONS</b> .....  | 9    | State Tax Considerations .....                                 | 19   |
| General Fund .....   | 10   | <b>CONTINUING DISCLOSURE</b> .....                             | 19   |
| Budget Process .....   | 10   | <b>APPENDIX A—INFORMATION ABOUT THE STATE</b> .....            | A-1  |
| Annual Appropriations and Continuing Authority .....   | 10   | <b>APPENDIX B—SUMMARY OF 2003 INDENTURE;</b>                   |      |
| General Fund Cash Flow and Priority of Payments .....  | 10   | <b>GLOSSARY</b> .....  | B-1  |
| Enabling Act Provisions.....   | 11   | <b>APPENDIX C— EXPECTED FORM OF BOND COUNSEL OPINION</b> ..... | C-1  |
| Determination of Annual Appropriation Amount .....   | 11   | <b>APPENDIX D – SUMMARY OF REFUNDED BONDS</b> .....            | D-1  |
| 2021-23 Biennium.....  | 12   |  |      |
| Deposit Amount .....   | 13   |  |      |
| Event of Nonappropriation.....   | 13   |  |      |
| Stabilization Fund .....   | 14   |  |      |

**STATE OFFICIALS PARTICIPATING IN THE SALE AND  
ISSUANCE OF THE 2021 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](mailto:DOACapitalFinanceOffice@wisconsin.gov)

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

Mr. Aaron Heintz  
Deputy 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 2021 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: | \$118,745,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2021, Series A (Taxable)   |
| Denominations:                    | Multiples of \$5,000   |
| Date of Issue:                    | Date of delivery (on or about March 10, 2021)  |
| Record Date:                      | April 15 and October 15  |
| Interest Payments:                | May 1 and November 1, beginning November 1, 2021   |
| Maturities:                       | May 1, 2022-31— <i>See front cover</i>   |
| Redemption:                       | <i>Optional Par Call</i> —The 2021 Series A Bonds maturing on May 1, 2031 are subject to optional redemption at par on or after May 1, 2030— <i>See page 5</i><br><i>Optional Make Whole Call</i> —The 2021 Series A Bonds are subject to optional redemption on any Business Day at the Make-Whole Redemption Price— <i>See pages 5-6</i> |
| Form:                             | Book-entry-only— <i>See pages 8-9</i>  |
| Paying Agent:                     | All payments of principal of, and interest on, the 2021 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 2021 Series A Bonds is payable from the State’s General Fund, subject to annual appropriations. The 2021 Series A Bonds are not general obligations of the State of Wisconsin— <i>See pages 9-14</i>   |
| Additional Bonds:                 | The State may issue additional general fund annual appropriation bonds— <i>See page 5</i>  |
| Authority for Issuance:           | The 2021 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— <i>See page 2</i>   |
| Purpose:                          | The 2021 Series A Bonds are being issued to advance refund the State’s General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable)— <i>See pages 4-5</i>   |
| Tax Matters:                      | Interest on the 2021 Series A Bonds is included in gross income for federal income tax purposes— <i>See page 19</i><br><br>Interest on the 2021 Series A Bonds is not exempt from current State of Wisconsin income or franchise taxes— <i>See page 19</i>   |
| Legal Opinion:                    | Validity opinion to be provided by Quarles & Brady LLP— <i>See APPENDIX C</i>  |

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**OFFICIAL STATEMENT**  
**\$118,745,000**  
**STATE OF WISCONSIN**  
**GENERAL FUND ANNUAL APPROPRIATION REFUNDING BONDS OF 2021, SERIES A**  
**(TAXABLE)**  
**INTRODUCTION**

This Official Statement sets forth information concerning the \$118,745,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2021, Series A (Taxable) (**2021 Series A Bonds**). The State of Wisconsin (**State**) Department of Administration (**Department or DOA**) is empowered by law to issue and sell the 2021 Series A Bonds on the State's behalf. This Official Statement includes by reference Parts I, II and VII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2020 (**2020 Annual Report**). See **APPENDIX A** and **APPENDIX B**.

The 2021 Series A Bonds are being issued to advance refund the State's General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable).

The 2021 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 2021 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, a Seventh Supplemental Trust Indenture, dated as of February 1, 2020, and an Eighth Supplemental Trust Indenture, dated as of March 1, 2021 (**Eighth 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 2021 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 and its financial condition is included as **APPENDIX A**, which incorporates by reference Part II of the 2020 Annual Report. **APPENDIX A** also makes any updates and additions to Part II of the 2020 Annual Report, including:

- Estimated General Fund condition statement for the 2020-21 fiscal year and estimated General Fund tax collections for the 2020-21, 2021-22, and 2022-23 fiscal years, as included in a report provided by the Legislative Fiscal Bureau (**LFB**) on January 26, 2021 (**January 2021 LFB Report**).
- General Fund information for the 2020-21 fiscal year through December 31, 2020, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the remainder of the 2020-21 fiscal year, which is presented on a cash basis.

- Additional information about the State’s response to the COVID-19 pandemic.
- Estimated timeframe for introduction of the executive budget for the 2021-23 biennium.

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

*Contact:* State of Wisconsin Capital Finance Office  
 Department of Administration  
 Attn: Capital Finance Director  
*Mail:* 101 East Wilson Street, FLR 10  
 P.O. Box 7864  
 Madison, WI 53707-7864  
*Phone:* (608) 267-0374  
*E-mail:* [DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.gov)  
*Web sites:* [doa.wi.gov/capitalfinance](http://doa.wi.gov/capitalfinance)  
[wisconsinbonds.com](http://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, 2016, and 2020 were issued, and the 2021 Series A Bonds are being issued, for these purposes.

### Outstanding Obligations

As of January 1, 2021, the general fund annual appropriation bonds included in the table on the following page were outstanding.

The scheduled principal payments due on May 1, 2021 for all series of general fund annual appropriation bonds is approximately \$144 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 and principal due on May 1, 2021 have been on deposit with The Bank of New York Mellon Trust Company, N.A. (**Trustee**) since July 1, 2020. 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 1, 2021)

| <u>Financing</u>                                     | <u>Date of<br/>Financing</u> | <u>Maturity</u> | <u>Amount of<br/>Issuance</u> | <u>Amount<br/>Outstanding</u> |
|--|------------------------------|-----------------|-------------------------------|-------------------------------|
| <i>Fixed-Rate Bonds</i>                              |                              |                 |                               |                               |
| 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                   | \$ 409,625,000                |
| 2008- Series A (Taxable) (2008 Series A Bonds) ....  | 4/1/08                       |                 |                               |                               |
| 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) .....                    | 4/8/09                       |                 |                               |                               |
| Serial Bonds .....                                   |                              | 2010-29         | 586,575,000                   | -0-                           |
| Term Bond .....                                      |                              | 2033            | 100,000,000                   | -0-                           |
| Term Bond .....                                      |                              | 2033            | 304,550,000                   | -0-                           |
| Term Bond .....                                      |                              | 2036            | 395,345,000                   | -0-                           |
| Serial Bond .....                                    |                              | 2037            | 142,595,000                   | -0-                           |
| 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) ...  | 8/16/16                      | 2020-27         | 400,145,000                   | 352,920,000                   |
| Series B (Taxable) (2016 Series B Bonds) ....        | 8/16/16                      |                 |                               |                               |
| Serial Bonds .....                                   |                              | 2020-29         | 28,700,000                    | 26,070,000                    |
| 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) .... | 1/26/17                      |                 |                               |                               |
| Serial Bonds .....                                   |                              | 2020-33         | 59,935,000                    | 56,370,000                    |
| Term Bond .....                                      |                              | 2036            | 367,835,000                   | 367,835,000                   |
| Series B (2017 Series B Bonds) .....                 | 1/26/17                      | 2020-36         | 102,105,000                   | 102,030,000                   |
| Series C (Taxable) (2017 Series C Bonds) ..          | 5/16/17                      | 2018-27         | 402,140,000                   | 394,025,000                   |
| 2019- Series A (2019 Bonds) .....                    | 1/31/19                      | 2021-29         | 359,950,000                   | 359,950,000                   |
| 2020- Series A (Taxable) (2020 Bonds) .....          | 2/13/20                      | 2021-32         | 623,320,000                   | <u>623,320,000</u>            |
| <i>Total Fixed-Rate Bonds</i>                        |                              |                 |                               | <u>\$2,977,575,000</u>        |
| <i>Variable-Rate Obligations</i>                     |                              |                 |                               |                               |
| 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) ..... | 4/01/08                      | 2026-32         | 300,000,000                   | -0-                           |
| Series C (Taxable) (2008 Series C Bonds) ....        | 6/10/08                      | 2009-32         | 209,000,000                   | -0-                           |
| <i>Total Variable-Rate Obligations</i>               |                              |                 |                               | <u>\$ -0-</u>                 |
|  |                              |                 |                               | <u>\$2,977,575,000</u>        |

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**

No interest rate exchange agreements related to the 2003 Indenture or the 2009 Indenture are outstanding as of January 1, 2021, and all risks associated with prior interest rate exchange agreements related to the 2003 Indenture Bonds have been eliminated.

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 2021 Series A Bonds are being issued for the advance refunding of the 2012 Bonds (**Refunded Bonds**). The principal amount of the Refunded Bonds is \$113,615,000. The advance refunding of the Refunded Bonds is for debt service savings.

**APPENDIX D** identifies, and provides more information on, the Refunded Bonds.

Upon delivery of the 2021 Series A Bonds, a portion of the proceeds of the 2021 Series A Bonds will be used to purchase non-callable direct obligations of the United States of America or obligations issued by one of the agencies of the United States of America (**Government Obligations**). These Government Obligations, with the interest to be earned thereon and a beginning cash deposit, will be sufficient:

- to pay when due the interest (other than the interest due May 1, 2021) on the Refunded Bonds to and including their redemption date, and
- to pay the redemption price of the Refunded Bonds when due on their redemption date.

The Government Obligations and the interest earnings thereon will be held in an escrow fund held by The Bank of New York Mellon Trust Company, N.A., as escrow agent (**Escrow Agent**) solely for the benefit of the owners of the Refunded Bonds (**Escrow Fund**), pursuant to the Eighth Supplemental Trust Indenture and an escrow agreement between the State and Escrow Agent. The Escrow Fund will be held by the Escrow Agent in trust to make the principal and interest payments due on the Refunded Bonds (other than the interest due May 1, 2021). The arithmetical accuracy of the computations of the sufficiency of the amounts deposited into the Escrow Fund for this purpose will be independently verified by Robert Thomas CPA, LLC (**Verification Agent**). No fees or other charges of the Escrow Agent may be paid from moneys in the Escrow Fund; instead, the State will pay all such fees and charges from other proceeds of the 2021 Series A Bonds.

Interest due on May 1, 2021 on the Refunded Bonds will not be paid with proceeds from the 2021 Series A Bonds, but, in accordance with the requirements of the 2003 Indenture, such interest amounts have been previously deposited with the Trustee. As of the date of this Official Statement, such interest payment due on May 1, 2021 for the Refunded Bonds has been fully funded and is on deposit in the Debt Service Account for the Refunded Bonds.

In the opinion of Bond Counsel, (i) with the deposits as required by the 2003 Indenture into the Debt Service Account for the Refunded Bonds for the May 1, 2021 interest payment due on the Refunded Bonds, as described above, and (ii) upon the State making the deposits into the Escrow Fund, and with such funds being invested as required by the 2003 Indenture, and satisfaction of such other conditions as set forth in the 2003 Indenture, the Refunded Bonds will be deemed to be paid for purposes of the 2003 Indenture and will no longer be considered outstanding under the 2003 Indenture.

## Sources and Uses of Funds

The proceeds from the sale of the 2021 Series A Bonds are expected to be used as follows:

|  |                          |
|--|--------------------------|
| Sources  |                          |
| Principal Amount .....                                   | \$ 118,745,000.00        |
| <b>TOTAL SOURCES .....</b>                               | <b>\$ 118,745,000.00</b> |
| Uses   |                          |
| Deposit to Escrow Fund .....                             | \$ 117,894,584.48        |
| Underwriters' Discount .....                             | 636,298.79               |
| Costs of Issuance/Deposit to Operating Expense Fund..... | 214,116.73               |
| <b>TOTAL USES .....</b>                                  | <b>\$ 118,745,000.00</b> |

## 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 2021 SERIES A BONDS

### General

The 2021 Series A Bonds will be dated the date of their issuance. The 2021 Series A Bonds will be issued as fully registered bonds, in principal denominations of \$5,000 or multiples thereof. The 2021 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 2021 Series A Bonds, The Depository Trust Company (DTC).

The 2021 Series A Bonds will bear interest from that date, payable on November 1, 2021 and semiannually thereafter on each May 1 and November 1 until their respective maturity dates. The 2021 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 At Par

The 2021 Series A Bonds maturing on May 1, 2031 are subject to optional redemption, at the option of the Department, on May 1, 2030 or any date thereafter, in such principal amounts and from such maturities (and interest rates, for maturities with more than one interest rate) as the State shall determine, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the date of redemption. In the event of partial redemption, the State shall direct the amounts and maturity or maturities (and interest rates, for maturities with more than one interest rate) of the 2021 Series A Bonds to be redeemed.

### Optional Redemption With Make-Whole Premium

The 2021 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 (and interest rates, for maturities with more than one interest rate) 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 2021 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 2021 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 2021 Series A Bonds are to be redeemed, discounted to the date of

redemption of such 2021 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 5 basis points (.05%) for the 2021 Series A Bonds maturing May 1, 2022 through and including May 1, 2025, and 10 basis points (.10%) for the 2021 Series A Bonds maturing May 1, 2026 through and including May 1, 2031, plus, in each case, accrued interest on the 2021 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 2021 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 2021 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 2021 Series A Bonds for Redemption**

If some but less than all the 2021 Series A Bonds are to be redeemed on any date, the State shall select the aggregate principal amounts of each stated maturity (and interest rate, for maturities with more than one interest rate) to be redeemed.

Redemption payments on the 2021 Series A Bonds of any particular stated maturity (and interest rate, for maturities with more than one interest rate) 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 2021 Series A Bonds of such stated maturity (and interest rate, for maturities with more than one interest rate) 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 2021 Series A Bonds are in the book-entry-only system and so long as DTC is the sole registered owner of the 2021 Series A Bonds, if some but less than all the 2021 Series A Bonds of a particular maturity (and interest rate, for maturities with more than one interest rate) 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 2021 Series A Bonds to be redeemed shall be selected on a pro rata basis; provided that, so long as such 2021 Series A Bonds are registered in the book-entry-only system, the selection for redemption of the 2021 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 2021 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 2021 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 2021 Series A Bonds on a pro rata pass-through distribution of principal basis, then the 2021 Series A Bonds to be redeemed will be selected for redemption on a pro rata basis. So long

as the 2021 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 2021 Series A Bonds. See “**THE 2021 SERIES A BONDS; Book-Entry System**”.

### **Notice of Redemption of 2021 Series A Bonds**

The Trustee shall send a notice of any redemption of 2021 Series A Bonds, by first class, registered, or certified mail or, for so long as the 2021 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 2021 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 2021 Series A Bonds for which proper notice was given.

Any notice of optional redemption of 2021 Series A Bonds may state that it is contingent upon the availability of appropriated funds to pay the full redemption price of the 2021 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 2021 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 2021 Series A Bonds identified in the redemption notice will remain outstanding.

Interest on any 2021 Series A Bonds or portions of such 2021 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 2021 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 2021 Series A Bonds.

### **Registration and Payment of 2021 Series A Bonds**

How the 2021 Series A Bonds are paid depends on whether or not they are in book-entry-only form. While the 2021 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 2021 Series A Bonds is the 15<sup>th</sup> 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 2021 Series A Bonds. The following is contact information for the Trustee:

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

## Ratings

The following ratings have been assigned to 2021 Series A Bonds:

| <u>Rating</u> | <u>Rating Agency</u>            |
|---------------|---------------------------------|
| 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 2021 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 2021 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 2021 Series A Bonds will initially be issued in book-entry-only form. Purchasers of the 2021 Series A Bonds will not receive bond certificates but instead will have their ownership in the 2021 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 2021 Series A Bonds. Ownership of the 2021 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 2021 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 2021 Series A Bonds to DTC. Owners of the 2021 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 2021 Series A Bonds to DTC. Owners of the 2021 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 2021 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 2021 Series A Bonds to be redeemed from each DTC Participant. See **“THE 2021 SERIES A BONDS; Selection of 2021 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](http://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 2021 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 2021 Series A Bonds were not in book-entry-only form, how the 2021 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 2021 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 2021 Series A Bonds will be paid to the registered owner shown in the registration books on the record date, which is the 15<sup>th</sup> 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 (and interest rate, for maturities with more than one interest rate) of the 2021 Series A Bonds is to be redeemed, the particular 2021 Series A Bonds or portions of the 2021 Series A Bonds to be redeemed will be selected on a pro rata basis among the registered owners of the outstanding 2021 Series A Bonds of such maturity by application of a fraction the numerator of which is the principal amount of 2021 Series A Bonds of such maturity (and interest rate, for maturities with more than one interest rate) held by the registered owner, and the denominator of which is the principal amount of all 2021 Series A Bonds of such maturity (and interest rate, for maturities with more than one interest rate) then outstanding; provided, however, that if for a registered owner of 2021 Series A Bonds of such maturity (and interest rate, for maturities with more than one interest rate) 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 2021 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 2021 Series A Bonds to be redeemed. Interest on any 2021 Series A Bond called for redemption will cease to accrue on the redemption date so long as the 2021 Series A Bond was paid or money was on deposit with the Trustee for its payment.

### **PAYMENT FROM ANNUAL APPROPRIATIONS**

The 2021 Series A Bonds are not general obligations of the State, and the 2021 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 2021 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 2021 Series A Bonds, and if it does not do so, it incurs no liability to the owners of the 2021 Series A Bonds. Thus, payment of the 2021 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 2021 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 2020 Annual Report, and [APPENDIX B](#), which incorporates by reference Part VII of the 2020 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 2021 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 2021 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; 2021-23 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 1<sup>st</sup> 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.

### **2021-23 Biennium**

The first table in this section summarizes the calculation of the Annual Appropriation Amount for the 2003 Indenture Bonds that will be required for the 2021-23 biennium. The Annual Appropriation Amount has been calculated pursuant to the factors outlined above. The calculation for the 2021-23 biennium does not currently incorporate the issuance of the 2021 Series A Bonds, however, the annual debt service on the 2021 Series A Bonds is expected to be less than the annual debt service on the Refunded Bonds, even taking into consideration the payments already made in the 2020-21 fiscal year on such Refunded Bonds.

The second table in this section 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.

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

| <b>Determination: 2021-23 Biennium</b> | <b>Fiscal Year<br/>2021-22</b> | <b>Fiscal Year 2022-23<br/>(Equal to Greater Total<br/>of the Following)</b> |  |
|--|--------------------------------|--|--|
|  |                                | <b>Fiscal Year<br/>2022-23</b>   | <b>Fiscal Year<br/>2023-24<sup>(a)</sup></b> |
|  |                                | Bonds – Principal  | \$135,015,000                                |
| Bonds – Redemption                     | 0                              | 0  | 0  |
| Bonds – Fixed Rate Interest            | 45,410,845                     | 41,657,955   | 37,031,867                                   |
| Bonds – Var. Rate Interest (Max. Rate) | 0                              | 0  | 0  |
| 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  |
| <b>Totals</b>                          | <b>\$181,429,845</b>           | <b>\$189,401,955</b>   | <b>\$199,760,867</b>                         |

<sup>(a)</sup> First Fiscal Year of the next biennium.

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

| <b>Fiscal Year</b> | <b>Annual Appropriation<br/>Amount</b> | <b>Amount Appropriated<br/>By Legislature</b> |
|--------------------|--|---|
| 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 likely to be less than the Annual Appropriation Amount. The Deposit Amount in the 2020-21 fiscal year for the 2003 Indenture Bonds, was calculated and certified to be \$173 million.

**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 2021 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 2021 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 2021 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 2021 Series A Bonds, would not have any recourse against any other property or revenues of the State.

### **COVID-19 Pandemic**

The COVID-19 pandemic and the emergency responses thereto resulted and continue to result in changes and expenditures that will likely have a financial impact on the State, and it is likely that the full financial impact of COVID-19 on the State, the State's economy, and the State's financial position will change as circumstances and events evolve. It is not possible at present to project with a reasonable degree of certainty the impact on State revenues, expenditures, reserves, budget, or financial position. See

[APPENDIX A.](#)

### **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 2021 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 2021 Series A Bonds, and the State would not be obligated or liable for any future payments or any damages.

## **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 2021 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 2021 Series A Bonds should consult their tax advisors regarding the tax consequences of any defeasance of the 2021 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 2021.

### *General Fund Annual Appropriation Bonds*

The 2021 Series A Bonds are the first series of general fund annual appropriation bonds to be issued in this calendar year 2021.

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 2021 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 has issued two series of general obligation refunding bonds in calendar year 2021, in the aggregate principal amount of \$370 million.

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

- Up to \$611 million of general obligations for the refunding of general obligation bonds previously issued for general governmental purposes. On February 9, 2021, the State released a Preliminary Official Statement for approximately \$302 million of general obligation refunding bonds. The amount and timing of any sale and issuance of additional general obligations for refunding purposes depend, among other factors, on market conditions, but the State currently intends to sell and issue general obligation refunding bonds in the first or second quarter of this calendar year. The Commission is also being asked on February 11, 2021 to authorize the issuance of up to \$300 million of additional general obligations for refunding purposes.
- 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 1, 2021. 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.

The Commission will likely be asked to authorize the issuance of other general obligations for general governmental purposes during calendar year 2021. The amount and timing of the issuances in this calendar year of general obligations for this purpose depends on disbursements from the State Capital Improvement Fund for authorized purposes.

#### *Other Obligations*

The State has not issued any transportation revenue obligations in this calendar year 2021. The Commission has authorized the issuance of up to \$182 million of transportation revenue obligations for the financing of transportation facilities and highway projects. The amount and timing of the issuance of transportation revenue obligations for this purpose depend on expenditures for such projects; an issue is expected in the first or second quarter of calendar year 2021. The Commission has also authorized up to \$209 million of transportation revenue obligations for refunding purposes. The amount and timing of any issuance of additional transportation revenue refunding bonds depend, among other factors, on market conditions.

The State has not issued any master lease certificates of participation in this calendar year 2021. The State intends to fund outstanding master lease certificates of participation in the principal amount of approximately \$39 million that have a maturity date of March 1, 2023 but are subject to optional redemption in 2021. On January 27, 2021, the State released a Preliminary Official Statement for approximately \$33 million of master lease certificates of participation for this purpose, and also to fund lease schedules previously financed with a revolving line of credit. The sale of these certificates of participation in the par amount of \$31 million was completed on February 9, 2021, and delivery is expected on or about February 25, 2021. The State may also sell and issue master lease certificates of participation in this calendar year to fund or refund additional outstanding master lease certificates of participation and/or to finance leased items. The amount and timing of any issuance of master lease certificates of participation depend, among other factors, on market conditions and originations in the State's Master Lease Program.

The State has not issued any environmental improvement fund revenue bonds in this calendar year 2021. The Commission is being asked on February 11, 2021 to authorize the issuance of up to \$100 million of environmental improvement fund revenue bonds. The amount and timing of any issuance of environmental improvement fund revenue bonds in calendar year 2021 depend on several factors.

The State does not currently intend to issue operating notes for the 2020-21 fiscal year.

#### **Underwriting**

The 2021 Series A Bonds are being purchased by the **Underwriters**, for which Barclays Capital Inc. is serving as representative. The Underwriters have agreed, subject to certain conditions, to purchase from the State the 2021 Series A Bonds at an aggregate purchase price of \$118,108,701.21 (reflecting an underwriters' discount of \$636,298.79). The Underwriters have agreed to reoffer the 2021 Series A Bonds at the public offering prices set forth on the **front cover of this Official Statement**. The 2021 Series A Bonds may be offered and sold to certain dealers (including dealers depositing the 2021 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 2021 Series A Bonds if they purchase any of the 2021 Series A Bonds.

In connection with the offering of the 2021 Series A Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the 2021 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, Ice Miller LLP.

### **Reference Information About the 2021 Series A Bonds**

The table on the front cover provides information about the 2021 Series A Bonds. The Underwriters have provided the reoffering yields and prices. CUSIP numbers have been assigned to this issue by CUSIP Global Services, as managed on behalf of the American Bankers Association by S&P Global Market Intelligence, a division of S&P Global, Inc. CUSIP numbers have been obtained from sources the State believes to be reliable, but the CUSIP numbers are subject to change after issuance of the 2021 Series A Bonds, and neither the State nor the Underwriters take responsibility for the correctness of the CUSIP numbers.

### **Financial Advisor**

Baker Tilly Municipal Advisors, LLC 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 2021 Series A Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed the pricing of the 2021 Series A Bonds by the Underwriters.

### **Verification of Mathematical Computations**

The arithmetical accuracy of certain computations was independently verified by the Verification Agent. These computations, which were provided by the Underwriters, indicate the sufficiency of the receipts from the Government Obligations to make all payments of the principal of and interest on the Refunded Bonds to become due on or before their redemption date (other than the interest due May 1, 2021).

The Verification Agent relied upon assumptions and information supplied by the Underwriters on behalf of the State and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

### **Legal Opinion**

Legal matters incident to the authorization, issuance, and sale of the 2021 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 2021 Series A Bonds. In the event certificated 2021 Series A Bonds are issued, the opinion will be printed on the reverse side of each 2021 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 2021 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 2021 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 2021 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 2021 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 2021 Series A Bonds, (ii) the validity of the 2021 Series A Bonds or any proceedings of the State taken with respect to the issuance, sale, execution, or delivery of the 2021 Series A Bonds, or (iii) the pledge or application of any moneys or security provided for payment of the 2021 Series A Bonds. The State Attorney General will render an opinion to this effect when the 2021 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 2021 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 2021 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 2021 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 2021 Series A Bonds is included in gross income for federal income tax purposes. Bond Counsel will deliver a legal opinion with respect to the 2021 Series A Bonds substantially in the form as set forth in [APPENDIX C](#).

### **State Tax Considerations**

The interest on the 2021 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 2021 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 2021 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 2020 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, and the form of Supplemental

Agreement that applies the Master Agreement and the Addendum, 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](mailto:DOACapitalFinanceOffice@wisconsin.gov)  
[doa.wi.gov/capitalfinance](http://doa.wi.gov/capitalfinance)  
[wisconsinbonds.com](http://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: February 10, 2021

**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 23, 2020 \(2020 Annual Report\)](#), which can be obtained as described below. This Appendix also makes updates and additions to the information presented in Part II of the 2020 Annual Report, including but not limited to:

- Estimated General Fund condition statement for the 2020-21 fiscal year and estimated General Fund tax collections for the 2020-21, 2021-22, and 2022-23 fiscal years, as included in a report provided by the Legislative Fiscal Bureau (**LFB**) on January 26, 2021 (**January 2021 LFB Report**).
- General Fund information for the 2020-21 fiscal year through December 31, 2020, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the remainder of the 2020-21 fiscal year, which is presented on a cash basis.
- Additional information about the State’s response to the COVID-19 pandemic.
- Estimated timeframe for introduction of the executive budget for the 2021-23 biennium.

[Part II of the 2020 Annual Report](#) contains general information about the State. More specifically, that part presents information about the following matters:

- COVID-19 Update
- 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 2019-20 fiscal year and summary of 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, 2020, 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 2020 Annual Report.

The 2020 Annual Report and the Comprehensive Annual Financial Report (**CAFR**) for the fiscal year ended June 30, 2020 were both filed with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system. The 2020 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](http://doa.wi.gov/capitalfinance)  
[wisconsinbonds.com](http://wisconsinbonds.com)

Copies of the 2020 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](mailto: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 Updated Official Statement or Part II of the 2020 Annual Report. The State is not obligated to provide such reports at any time in the future.

After publication and filing of the 2020 Annual Report, certain changes or events have occurred that affect items discussed in the 2020 Annual Report. Listed below, by reference to particular sections of Part II of the 2020 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.

This Official Statement may include changes or additions that were released after the date of the Preliminary Official Statement (January 27, 2021). Any such change or addition is identified accordingly.

**COVID-19 Update** (Part II, Pages 21-24). Update with the following information, some of which was not available as of the date of the Preliminary Official Statement (January 27, 2021).

Governor Evers and the Secretary-designee of the Department of Health Services (DHS) have issued various executive and emergency orders related to the COVID-19 pandemic. Under the Wisconsin Statutes, a state of emergency declared by the Governor cannot exceed 60 days, unless extended by joint resolution of the Legislature. Several such emergency declarations have expired, and the Legislature did not take action on those expired declarations.

Executive Order #104, issued by Governor Evers on January 19, 2021, again declared a Public Health Emergency, and Emergency Order #1, extended the requirement (from a previous order) for use of face coverings when indoors or in an enclosed space with anyone outside the family unit, for an additional 60 days, or until March 20, 2021. The Senate and Assembly adopted a joint resolution to terminate the emergency declaration under Executive Order #104, and that emergency declaration, and orders issued in reliance on it, are no longer effective.

Executive Order #105, issued by Governor Evers on February 4, 2021, again declared a Public Health Emergency, and Emergency Order #1 again imposed the requirement for use of face coverings when indoors or in an enclosed space with anyone outside the family unit, until March 20, 2021.

DHS is working to get COVID-19 vaccines to Wisconsinites as equitably, quickly, and safely as possible, and is following prioritization guidelines from the federal Advisory Committee on Immunization Practices and the State Disaster Medical Advisory Committee. The State has been providing vaccinations to populations in the Phase 1A and 1B categories, which includes frontline health care personnel, residents in skilled nursing and long-care facilities, and fire and police personnel. On January 25, 2021, the State began providing vaccinations to other populations in the Phase 1B category, namely adults aged 65 and older.

While Governor Evers had drafted legislation in late 2020 to address the costs related to the pandemic, the Legislature approved on February 5, 2021 a different bill (2021 Assembly Bill 1), which was vetoed by Governor Evers on the same date. It is expected that the Legislature will continue to consider other bills related to the pandemic.

As stated in the 2020 Annual Report, the pandemic and the emergency responses resulted and continue to result in closures of restaurants, bars, malls, theatres, and other businesses, reductions in travel, and cancellations of numerous events as well as reduced aggregate demand for certain services, worker layoffs, furloughs and reductions in hours, and supply shortages. It is likely that the full financial impact of COVID-19 on the State, the State's economy, and the State's financial position will change as circumstances and events evolve.

It is not possible at present to project with a reasonable degree of certainty the impact on State revenues, expenditures, reserves, budget, or financial position. While it may be some time before it can determine the full economic and financial impact of the COVID-19 pandemic, the State intends to file any appropriate reports from the Department of Revenue (**DOR**) or LFB with the MSRB through its EMMA system.

**State Budget; Budget for the 2020-21 Fiscal Year** (Part II, Page 39). Update with the following information.

*January 2021 LFB Report – General Fund Condition Statement*

The January 2021 LFB Report includes an estimated General Fund condition statement for the 2020-21 fiscal year. The following table includes this estimated General Fund condition statement for the 2020-21 fiscal year and shows a projected ending net balance of \$1,766 million.

The following table also includes, for comparison, the actual General Fund condition statement for the 2019-20 fiscal year, as reported in the Annual Fiscal Report, and the estimated General Fund condition statement for the 2020-21 fiscal year from the 2019-21 biennial budget (**2019 Wisconsin Act 9**) and the report provided by the Department of Administration on November 20, 2020 (**November 2020 DOA Report**).

The November 2020 DOA Report included an estimated 2020-21 fiscal year deposit into the Budget Stabilization Fund, reflecting revenue estimates in the 2020-21 fiscal year being higher than estimated in 2019 Wisconsin Act 9. A transfer in the amount of \$232 million is included in the January 2021 LFB Report reflecting the same requirement.

A complete copy of the January 2021 LFB Report is included at the end of this Appendix A. In addition, the State has filed the January 2021 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on page [A-1](#).

**ESTIMATED GENERAL FUND CONDITION STATEMENT**  
**2020-21 FISCAL YEAR**  
(in Millions)

|                              | 2019-20 Fiscal<br>Year Annual<br>Fiscal Report | 2020-21 Fiscal Year                  |                             |                            |
|------------------------------|--|--------------------------------------|-----------------------------|----------------------------|
|                              |  | 2019<br>Wisconsin Act 9 <sup>1</sup> | November 2020<br>DOA Report | January 2021<br>LFB Report |
| <b>Revenues</b>              |  |                                      |                             |                            |
| Opening Balance              | \$1,086.9                                      | \$ 792.3                             | \$1,172.3                   | \$1,172.4                  |
| Prior Year Continuing Bal    | 97.1   |                                      |                             |                            |
| Taxes                        | 17,532.1                                       | 17,654.8                             | 17,664.1                    | 18,101.5                   |
| Department Revenues          |  |                                      |                             |                            |
| Tribal Gaming                | 5.3  | 24.9                                 |                             |                            |
| Other                        | <u>528.3</u>                                   | <u>530.8</u>                         | <u>528.9</u>                | <u>530.3</u>               |
| Total Available              | \$19,249.7                                     | \$ 19,002.7                          | \$19,365.4                  | \$19,804.2                 |
| <b>Appropriations</b>        |  |                                      |                             |                            |
| Gross Appropriations         | \$18,849.9                                     | \$19,201.8                           | \$18,962.6                  | \$19,190.0                 |
| Biennial Appropriation Adj.  |  |                                      |                             | (3.4)                      |
| Sum Sufficient Reestimates   |  |                                      | (16.2)                      | (257.5)                    |
| Compensation Reserves        | 3.7  | 94.5                                 | 94.5                        | 94.6                       |
| Transfers                    | 149.1  | 44.1                                 | 57.2                        | 275.8                      |
| Less: Lapses                 | <u>(525.3)</u>                                 | <u>(451.8)</u>                       | <u>(954.6)</u>              | <u>(1,346.7)</u>           |
| Net Appropriations           | \$18,077.4                                     | \$18,888.6                           | \$18,143.5                  | \$17,952.8                 |
| <b>Balances</b>              |  |                                      |                             |                            |
| Gross Balance                | \$1,172.4                                      | \$ 114.2                             | \$1,221.9                   | \$1,851.4                  |
| Less: Req. Statutory Balance | <u>n/a</u>                                     | <u>(85.0)</u>                        | <u>(85.0)</u>               | <u>(85.0)</u>              |
| Net Balance, June 30         | \$1,172.4                                      | \$ 29.2                              | \$1,136.9                   | \$1,766.4                  |

<sup>1</sup> 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 actual General Fund balance of the 2019-20 fiscal year of \$1,172 million, as included in the Annual Fiscal Report (budgetary basis) released on October 15, 2020.

**State Budget; Estimated General Fund Tax Collections for 2020-21 Fiscal Year** (Part II, Pages 39-40). Update with the following information.

*January 2021 LFB Report – General Fund Tax Collections*

The January 2021 LFB Report also includes estimates of General Fund tax collections for the 2020-21 fiscal year, which are \$18.102 billion, an increase of \$569 million (or 3.2%) from collections for the 2019-20 fiscal year, and an increase of \$437 million from the November 2020 DOA Report.

The following table sets forth the estimated General Fund tax revenues for the 2020-21 fiscal year as included in the January 2021 LFB Report. The table also includes, for comparison, the actual General Fund tax collections for the 2019-20 fiscal year, as reported in the Annual Fiscal Report, and the estimated General Fund tax collections for the 2020-21 fiscal year included in 2019 Wisconsin Act 9 and the November 2020 DOA Report.

A complete copy of the January 2021 LFB Report is included at the end of this Appendix A. In addition, the State has filed the January 2021 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on page **A-1**.

**ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS  
2020-21 FISCAL YEAR  
(in Millions)**

|                             | 2019-20 Annual<br><u>Fiscal Report</u> | 2019<br><u>Wisconsin Act 9<sup>1</sup></u> | 2020-21 Fiscal Year<br>November 2020<br><u>DOA Report</u> | January 2021<br><u>LFB Report</u> |
|-----------------------------|--|--|---|-----------------------------------|
| Individual Income           | \$8,742.3                              | \$ 9,142.0                                 | \$8,543.1   | \$8,640.0                         |
| Sales and Use               | 5,836.2                                | 5,960.5                                    | 5,919.6   | 5,915.0                           |
| Corp. Income &<br>Franchise | 1,607.9                                | 1,205.4                                    | 1,864.0   | 2,205.0                           |
| Public Utility              | 357.1                                  | 364.0                                      | 359.2   | 352.0                             |
| Excise                      |  |  |   |                                   |
| Cigarettes                  | 523.5                                  | 507.0                                      | 512.4   | 507.0                             |
| Tobacco Products            | 91.4                                   | 94.0                                       | 88.9  | 90.0                              |
| Liquor & Wine               | 54.8                                   | 56.0                                       | 59.2  | 60.0                              |
| Vapor Products              | 1.3                                    | 3.2  | 1.4   | 1.3                               |
| Beer                        | 8.5                                    | 8.9  | 8.7   | 9.2                               |
| Insurance Company           | 217.4                                  | 211.0                                      | 211.1   | 211.0                             |
| Miscellaneous Taxes         | <u>91.7</u>                            | <u>102.7</u>                               | <u>96.5</u>   | <u>111.0</u>                      |
| <b>TOTAL</b>                | <b>\$17,532.1</b>                      | <b>\$17,654.8</b>                          | <b>\$17,664.1</b>   | <b>\$18,101.5</b>                 |

<sup>1</sup> 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.

*2020 Annual Report Modification*

The initial filing of the 2020 Annual Report included an error in Table II-7 (Estimated General Fund Tax Revenue Collections 2020-21 Fiscal Year) that was subsequently corrected with modifications made on the MSRB EMMA system and postings to the State web sites. The correct information is also included in the above table.

**State Budget; Revenue Projections for the 2021-22 and 2022-23 Fiscal Years** (Part II, Pages 40-41).  
Update with the following information.

*January 2021 LFB Report – General Fund Tax Collections*

The January 2021 LFB Report also includes estimates of the General Fund tax collections for the 2021-22 and 2022-23 fiscal years. For the 2021-22 fiscal year, the January 2021 LFB Report anticipates General Fund tax collections of \$18.282 billion, an increase of \$181 million (or 1.0%) from the 2020-21 fiscal year projections. For the 2022-23 fiscal year, the January 2021 LFB Report also anticipates General Fund tax collections of \$19.116 billion, an increase of \$833 million (or 4.6%) from the 2021-22 fiscal year projections.

The following table provides a summary of estimated General Fund tax collections for the 2021-22 and 2022-23 fiscal years. For comparison purposes, the following table also provides the estimated collections from the November 2020 DOA Report.

A complete copy of the January 2021 LFB Report is included at the end of this Appendix A. In addition, the State has filed the January 2021 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on page [A-1](#).

**ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS  
2021-22 AND 2022-23 FISCAL YEARS  
(in Millions)**

|                          | 2021-22 Fiscal Year |                   | 2022-23 Fiscal Year |                   |
|--------------------------|---------------------|-------------------|---------------------|-------------------|
|                          | November 2020       | January 2021      | November 2020       | January 2021      |
|                          | <u>DOA Report</u>   | <u>LFB Report</u> | <u>DOA Report</u>   | <u>LFB Report</u> |
| Individual Income        | \$ 8,867.3          | \$8,900.0         | \$ 9,258.8          | \$9,340.0         |
| Sales and Use            | 6,146.5             | 6,310.0           | 6,332.4             | 6,595.0           |
| Corp. Income & Franchise | 1,653.6             | 1,730.0           | 1,704.8             | 1,835.0           |
| Public Utility           | 363.8               | 359.0             | 366.3               | 361.0             |
| Excise                   |                     |                   |                     |                   |
| Cigarettes               | 514.3               | 494.0             | 509.1               | 483.0             |
| Tobacco Products         | 89.0                | 92.0              | 92.7                | 96.0              |
| Liquor & Wine            | 57.9                | 57.0              | 59.2                | 58.0              |
| Vapor Products           | 1.5                 | 1.7               | 1.5                 | 2.0               |
| Beer                     | 8.7                 | 8.7               | 8.6                 | 8.7               |
| Insurance Company        | 218.7               | 218.0             | 231.9               | 226.0             |
| Miscellaneous Taxes      | <u>95.5</u>         | <u>112.0</u>      | <u>97.5</u>         | <u>111.0</u>      |
| TOTAL                    | \$18,016.8          | \$18,282.4        | \$18,662.8          | \$19,115.7        |

**State Budget; Budget for the 2021-23 Biennium** (Part II, Page 40). Update with the following information.

As provided for in Wisconsin Statutes, and consistent with past practice, the Legislature has approved a submission date for the executive budget for the 2021-23 biennium that is after January 31, 2021. It is expected that the Governor will submit the executive budget for the 2021-23 biennium on February 16, 2021.

When the 2021-23 executive budget is submitted, the State will file summary information on such budget with the MSRB through its EMMA system, and make a copy available from the State as provided on page [A-1](#).

**General Fund Information; General Fund Cash Flow** (Part II; Pages 47-60). Update with the following information, which was not available as of the date of the Preliminary Official Statement (January 27, 2021).

The following tables provide updates and additions to various tables containing General Fund information for the 2020-21 fiscal year; actual General Fund information through December 31, 2020, and projections for the remainder of the 2020-21 fiscal year, are presented primarily on a cash basis. The projections and estimates for the remainder of the 2020-21 fiscal year reflect 2019 Wisconsin Act 9, a report released by the LFB on January 23, 2020 (**January 2020 LFB Report**), and the November 2020 DOA Report, but do not reflect the January 2021 LFB Report. The following tables also reflect the receipt of approximately \$2.0 billion of federal funds pursuant to the CARES Act, which the State has allocated, and continues to allocate, to State and local government expenditures related to the COVID-19 pandemic.

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 51). Replace with the following updated table.**

**ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2020 TO DECEMBER 31, 2020  
PROJECTED GENERAL FUND CASH FLOW; JANUARY 1, 2021 TO JUNE 30, 2021<sup>(a)</sup>  
(Amounts in Thousands)**

|   | July<br>2020        | August<br>2020      | September<br>2020   | October<br>2020     | November<br>2020    | December<br>2020    | January<br>2021     | February<br>2021    | March<br>2021       | April<br>2021       | May<br>2021         | June<br>2021        |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>BALANCES<sup>(a)(b)</sup></b>          |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Beginning Balance</b>                  | \$ 4,028,316        | \$ 3,898,250        | \$ 3,981,862        | \$ 4,882,311        | \$ 5,151,490        | \$ 5,247,672        | \$ 4,174,005        | \$ 5,186,089        | \$ 4,951,268        | \$ 3,516,725        | \$ 4,086,750        | \$ 4,310,169        |
| <b>Ending Balance<sup>(c)</sup></b>       | 3,898,250           | 3,981,862           | 4,882,311           | 5,151,490           | 5,247,672           | 4,174,005           | 5,186,089           | 4,951,268           | 3,516,725           | 4,086,750           | 4,310,169           | 3,867,320           |
| <b>Lowest Daily Balance<sup>(c)</sup></b> | 3,411,122           | 3,246,379           | 3,777,854           | 4,269,578           | 4,971,506           | 3,401,516           | 4,174,005           | 4,694,064           | 3,246,026           | 2,992,557           | 3,789,677           | 3,432,434           |
| <b>RECEIPTS</b>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>TAX RECEIPTS</b>                       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Individual Income                         | \$ 1,645,403        | \$ 725,262          | \$ 901,609          | \$ 636,458          | \$ 993,841          | \$ 749,229          | \$ 890,110          | \$ 701,849          | \$ 968,560          | \$ 1,567,398        | \$ 405,256          | \$ 1,084,038        |
| Sales & Use                               | 613,948             | 575,493             | 559,024             | 560,717             | 571,237             | 518,068             | 615,633             | 452,340             | 426,763             | 508,773             | 479,254             | 568,345             |
| Corporate Income                          | 377,480             | 29,663              | 350,353             | 72,663              | 157,653             | 443,606             | 82,463              | 65,406              | 234,506             | 237,389             | 53,731              | 293,150             |
| Public Utility                            | 60                  | 118                 | 3,834               | 30,610              | 182,006             | 299                 | 92                  | 24                  | 22                  | 6,367               | 185,594             | 2,528               |
| Excise                                    | 67,935              | 61,898              | 62,035              | 58,703              | 58,311              | 54,357              | 51,970              | 49,252              | 47,164              | 55,102              | 48,338              | 59,910              |
| Insurance                                 | 517                 | 3,284               | 43,569              | 363                 | 2,272               | 44,814              | 2,654               | 23,324              | 20,970              | 46,199              | 3,743               | 43,657              |
| <b>Subtotal Tax Receipts</b>              | <b>\$ 2,705,343</b> | <b>\$ 1,395,718</b> | <b>\$ 1,920,424</b> | <b>\$ 1,359,514</b> | <b>\$ 1,965,320</b> | <b>\$ 1,810,373</b> | <b>\$ 1,642,922</b> | <b>\$ 1,292,195</b> | <b>\$ 1,697,985</b> | <b>\$ 2,421,228</b> | <b>\$ 1,175,916</b> | <b>\$ 2,051,628</b> |
| <b>NON-TAX RECEIPTS</b>                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Federal                                   | \$ 1,132,802        | \$ 668,339          | \$ 1,100,282        | \$ 931,834          | \$ 792,300          | \$ 1,130,620        | \$ 900,457          | \$ 972,254          | \$ 884,667          | \$ 736,415          | \$ 949,301          | \$ 781,217          |
| Other & Transfers                         | 610,506             | 242,009             | 744,684             | 652,743             | 338,374             | 550,208             | 529,649             | 697,566             | 502,512             | 599,046             | 350,251             | 534,418             |
| Note Proceeds                             | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| <b>Subtotal Non-Tax Receipts</b>          | <b>\$ 1,743,308</b> | <b>\$ 910,348</b>   | <b>\$ 1,844,966</b> | <b>\$ 1,584,577</b> | <b>\$ 1,130,674</b> | <b>\$ 1,680,828</b> | <b>\$ 1,430,106</b> | <b>\$ 1,669,820</b> | <b>\$ 1,387,179</b> | <b>\$ 1,335,461</b> | <b>\$ 1,299,552</b> | <b>\$ 1,315,635</b> |
| <b>TOTAL RECEIPTS</b>                     | <b>\$ 4,448,651</b> | <b>\$ 2,306,066</b> | <b>\$ 3,765,390</b> | <b>\$ 2,944,091</b> | <b>\$ 3,095,994</b> | <b>\$ 3,491,201</b> | <b>\$ 3,073,028</b> | <b>\$ 2,962,015</b> | <b>\$ 3,085,164</b> | <b>\$ 3,756,689</b> | <b>\$ 2,475,468</b> | <b>\$ 3,367,263</b> |
| <b>DISBURSEMENTS</b>                      |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Local Aids                                | \$ 1,586,250        | \$ 161,117          | \$ 908,751          | \$ 102,896          | \$ 1,005,120        | \$ 1,375,570        | \$ 168,449          | \$ 695,827          | \$ 1,932,475        | \$ 79,880           | \$ 271,905          | \$ 1,969,039        |
| Income Maintenance                        | 1,254,887           | 796,647             | 802,328             | 927,047             | 866,865             | 1,140,201           | 879,414             | 870,348             | 969,531             | 878,184             | 826,034             | 603,322             |
| Payroll and Related                       | 541,517             | 313,199             | 392,978             | 514,220             | 421,382             | 499,211             | 387,524             | 492,384             | 492,384             | 609,614             | 365,253             | 492,382             |
| Tax Refunds                               | 259,526             | 152,805             | 127,730             | 140,980             | 145,815             | 224,203             | 124,584             | 591,673             | 607,857             | 611,777             | 204,687             | 150,615             |
| Debt Service                              | 249,099             | 2,107               | -                   | 221,579             | 76                  | -                   | -                   | 2,560               | -                   | 394,527             | 103,166             | -                   |
| Miscellaneous                             | 687,438             | 796,579             | 633,154             | 768,190             | 560,554             | 1,325,683           | 500,973             | 544,044             | 517,460             | 612,682             | 481,004             | 594,754             |
| <b>TOTAL DISBURSEMENTS</b>                | <b>\$ 4,578,717</b> | <b>\$ 2,222,454</b> | <b>\$ 2,864,941</b> | <b>\$ 2,674,912</b> | <b>\$ 2,999,812</b> | <b>\$ 4,564,868</b> | <b>\$ 2,060,944</b> | <b>\$ 3,196,836</b> | <b>\$ 4,519,707</b> | <b>\$ 3,186,664</b> | <b>\$ 2,252,049</b> | <b>\$ 3,810,112</b> |

(a) The projections and estimates for the 2020-21 fiscal year reflect 2019 Wisconsin Act 9, the January 2020 LFB Report and the November 2020 DOA 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 2021 LFB Report. Projections also reflect receipt of approximately \$2.0 billion of federal funds pursuant to the CARES Act, which the State has allocated, and continues to allocate, to State and local governmental expenditures related to COVID-19. 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 \$1.3 billion to \$1.9 billion for the 2020-21 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 2020-21 fiscal year, based on 2019 Wisconsin Act 9, are approximately \$1.728 billion and \$576 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 52).** Replace with the following updated table.

**HISTORICAL GENERAL FUND CASH FLOW**  
**ACTUAL FISCAL YEARS 2016-17 TO 2019-20<sup>(a)</sup>**  
**ACTUAL AND PROJECTED FISCAL YEAR 2020-21<sup>(a) (b)</sup>**  
**(Amounts in Thousands)**

|                               | <b>Actual<br/>2016-17<br/><u>Fiscal Year</u></b> | <b>Actual<br/>2017-18<br/><u>Fiscal Year</u></b> | <b>Actual<br/>2018-19<br/><u>Fiscal Year</u></b> | <b>Actual<br/>2019-20<br/><u>Fiscal Year</u></b> | <b>FY21 YTD Actual<br/>thru Dec-20;<br/>Estimated Jan-21<br/>thru June-21<sup>(b)</sup></b> |
|-------------------------------|--|--|--|--|---|
| <b>RECEIPTS</b>               |  |  |  |  |   |
| <b>Tax Receipts</b>           |  |  |  |  |   |
| Individual Income             | \$ 9,487,657                                     | \$ 9,837,742                                     | \$ 10,557,272                                    | \$ 10,138,020                                    | \$ 11,269,013   |
| Sales                         | 5,549,486  | 5,867,099  | 6,132,089  | 6,253,771  | 6,449,595   |
| Corporate Income              | 1,151,868  | 1,070,879  | 1,519,561  | 1,551,402  | 2,398,063   |
| Public Utility                | 415,784  | 416,406  | 415,047  | 409,513  | 411,554   |
| Excise                        | 708,762  | 689,653  | 681,262  | 667,055  | 674,975   |
| Insurance                     | 204,510  | 207,953  | 218,304  | 242,228  | 235,366   |
| <b>Total Tax Receipts</b>     | <b>\$ 17,518,067</b>                             | <b>\$ 18,089,732</b>                             | <b>\$ 19,523,535</b>                             | <b>\$ 19,261,989</b>                             | <b>\$ 21,438,566</b>  |
| <b>Non-Tax Receipts</b>       |  |  |  |  |   |
| Federal                       | \$ 9,396,361                                     | \$ 9,214,957                                     | \$ 10,093,533                                    | \$ 12,725,759                                    | \$ 10,980,488   |
| Other and Transfers           | 5,673,340  | 6,113,708  | 6,241,726  | 5,887,398  | 6,351,966   |
| <b>Total Non-Tax Receipts</b> | <b>\$ 15,069,701</b>                             | <b>\$ 15,328,665</b>                             | <b>\$ 16,335,259</b>                             | <b>\$ 18,613,157</b>                             | <b>\$ 17,332,454</b>  |
| <b>TOTAL RECEIPTS</b>         | <b>\$ 32,587,768</b>                             | <b>\$ 33,418,397</b>                             | <b>\$ 35,858,794</b>                             | <b>\$ 37,875,146</b>                             | <b>\$ 38,771,020</b>  |
| <b>DISBURSEMENTS</b>          |  |  |  |  |   |
| Local Aids                    | \$ 9,223,782                                     | \$ 9,202,809                                     | \$ 9,698,906                                     | \$ 9,917,134                                     | \$ 10,257,279   |
| Income Maintenance            | 9,186,111  | 9,370,303  | 9,747,283  | 10,126,849                                       | 10,814,808  |
| Payroll & Related             | 5,000,390  | 5,174,225  | 5,333,395  | 5,633,397  | 5,522,048   |
| Tax Refunds                   | 2,550,017  | 2,703,269  | 2,785,514  | 2,992,617  | 3,342,252   |
| Debt Service                  | 891,234  | 908,172  | 914,688  | 875,340  | 973,114   |
| Miscellaneous                 | 5,427,066  | 5,902,369  | 6,396,205  | 6,811,025  | 8,022,515   |
| <b>TOTAL DISBURSEMENTS</b>    | <b>\$ 32,278,600</b>                             | <b>\$ 33,261,147</b>                             | <b>\$ 34,875,991</b>                             | <b>\$ 36,356,362</b>                             | <b>\$ 38,932,016</b>  |
| <b>NET CASH FLOW</b>          | <b>\$ 309,168</b>                                | <b>\$ 157,250</b>                                | <b>\$ 982,803</b>                                | <b>\$ 1,518,784</b>                              | <b>\$ (160,996)</b>   |

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.
- (b) The projections and estimates for the 2020-21 fiscal year reflect 2019 Wisconsin Act 9, the January 2020 LFB Report, and the November 2020 DOA Report, but do not reflect the January 2021 LFB Report. The projections and estimates 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.

**Source: Wisconsin Department of Administration.**

**Table II-13; General Fund Cash Receipts and Disbursements Year-to-Date Compared to Estimates and Previous Fiscal Year (Part II; Page 54).** Replace with the following updated table.

**GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE  
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR <sup>(a)</sup>**

**(Cash Basis)  
As of December 31, 2020  
(Amounts in Thousands)**

|                               | 2019-20 Fiscal Year through December 31, 2019 |                      | 2020-21 Fiscal Year through December 31, 2020 |                         |                     |                                     | Difference<br>FY19 Actual to<br>FY20 Actual |
|-------------------------------|---|----------------------|---|-------------------------|---------------------|-------------------------------------|---|
|                               | Actual  |                      | Actual  | Estimate <sup>(b)</sup> | Variance            | Adjusted<br>Variance <sup>(c)</sup> |   |
| <b>RECEIPTS</b>               |   |                      |   |                         |                     |                                     |   |
| <b>Tax Receipts</b>           |   |                      |   |                         |                     |                                     |   |
| Individual Income             | \$ 4,916,350                                  | \$ 5,651,802         | \$ 5,360,595                                  | \$ 291,207              | \$ 291,207          | \$ 735,452                          |   |
| Sales                         | 3,283,312                                     | 3,398,487            | 3,289,836                                     | 108,651                 | 108,651             | 115,175                             |   |
| Corporate Income              | 827,449                                       | 1,431,418            | 1,012,782                                     | 418,636                 | 418,636             | 603,969                             |   |
| Public Utility                | 217,690                                       | 216,927              | 218,435                                       | (1,508)                 | (1,508)             | (763)                               |   |
| Excise                        | 347,929                                       | 363,239              | 345,530                                       | 17,709                  | 17,709              | 15,310                              |   |
| Insurance                     | 91,841  | 94,819               | 98,151  | (3,332)                 | (3,332)             | 2,978                               |   |
| <b>Total Tax Receipts</b>     | <b>\$ 9,684,571</b>                           | <b>\$ 11,156,692</b> | <b>\$ 10,325,329</b>                          | <b>\$ 831,363</b>       | <b>\$ 831,363</b>   | <b>\$ 1,472,121</b>                 |   |
| <b>Non-Tax Receipts</b>       |   |                      |   |                         |                     |                                     |   |
| Federal                       | \$ 5,289,106                                  | \$ 5,756,177         | \$ 5,534,628                                  | \$ 221,549              | \$ 221,549          | \$ 467,071                          |   |
| Other and Transfers           | 3,084,175                                     | 3,138,524            | 3,128,773                                     | 9,751                   | 9,751               | 54,349                              |   |
| <b>Total Non-Tax Receipts</b> | <b>\$ 8,373,281</b>                           | <b>\$ 8,894,701</b>  | <b>\$ 8,663,401</b>                           | <b>\$ 231,300</b>       | <b>\$ 231,300</b>   | <b>\$ 521,420</b>                   |   |
| <b>TOTAL RECEIPTS</b>         | <b>\$ 18,057,852</b>                          | <b>\$ 20,051,393</b> | <b>\$ 18,988,730</b>                          | <b>\$ 1,062,663</b>     | <b>\$ 1,062,663</b> | <b>\$ 1,993,541</b>                 |   |
| <b>DISBURSEMENTS</b>          |   |                      |   |                         |                     |                                     |   |
| Local Aids                    | \$ 4,951,921                                  | \$ 5,139,704         | \$ 5,050,689                                  | \$ (89,015)             | \$ (89,015)         | \$ 187,783                          |   |
| Income Maintenance            | 5,238,983                                     | 5,787,975            | 5,528,704                                     | (259,271)               | (259,271)           | 548,992                             |   |
| Payroll & Related             | 2,669,793                                     | 2,682,507            | 3,033,214                                     | 350,707                 | 350,707             | 12,714                              |   |
| Tax Refunds                   | 839,289                                       | 1,051,059            | 1,063,048                                     | 11,989                  | 11,989              | 211,770                             |   |
| Debt Service                  | 346,009                                       | 472,861              | 510,276                                       | 37,415                  | 37,415              | 126,852                             |   |
| Miscellaneous                 | 3,514,107                                     | 4,771,598            | 5,319,327                                     | 547,729                 | 547,729             | 1,257,491                           |   |
| <b>TOTAL DISBURSEMENTS</b>    | <b>\$ 17,560,102</b>                          | <b>\$ 19,905,704</b> | <b>\$ 20,505,258</b>                          | <b>\$ 599,554</b>       | <b>\$ 599,554</b>   | <b>\$ 2,345,602</b>                 |   |

2020-21 FISCAL YEAR VARIANCE YEAR-TO-DATE

\$ 1,662,217 \$ 1,662,217

- (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 2020-21 fiscal year reflect 2019 Wisconsin Act 9, the January 2020 LFB Report, and the November 2020 DOA Report, but do not reflect the January 2021 LFB Report. The projections and estimates 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.
- (c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed which may result in large variances. This column includes adjustments to the variances, if any, to more accurately reflect the variance between the estimated and actual amounts.

**Source: Wisconsin Department of Administration.**

**Table II-14; General Fund Monthly Cash Position** (Part II; Page 55). Replace with the following updated table.

**GENERAL FUND MONTHLY CASH POSITION** <sup>(a)</sup>  
**July 1, 2018 through December 31, 2020 – Actual**  
**January 1, 2021 through June 30, 2021 – Estimated** <sup>(b)</sup>  
 (Amounts in Thousands)

|      | <b>Starting Date</b> | <b>Starting Balance</b> | <b>Receipts</b> | <b>Disbursements</b> |
|------|----------------------|-------------------------|-----------------|----------------------|
| 2018 | 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               | 3,263,353       | 3,332,814            |
| 2020 | January.....         | 3,007,283               | 3,355,456       | 2,397,585            |
|      | February.....        | 3,965,154               | 2,801,261       | 3,269,556            |
|      | March.....           | 3,496,859               | 3,188,509       | 4,249,188            |
|      | April.....           | 2,436,180               | 4,854,038       | 3,073,366            |
|      | May.....             | 4,216,852               | 2,248,216       | 2,192,686            |
|      | June.....            | 4,272,382               | 3,369,813       | 3,613,879            |
|      | July.....            | 4,028,316               | 4,448,651       | 4,578,717            |
|      | August.....          | 3,898,250               | 2,306,066       | 2,222,454            |
|      | September.....       | 3,981,862               | 3,765,390       | 2,864,941            |
|      | October.....         | 4,882,311               | 2,944,091       | 2,674,912            |
|      | November.....        | 5,151,490               | 3,095,994       | 2,999,812            |
|      | December.....        | 5,247,672               | 3,491,201       | 4,564,868            |
| 2021 | January.....         | 4,174,005               | 3,073,028       | 2,060,944            |
|      | February.....        | 5,186,089               | 2,962,015       | 3,196,836            |
|      | March.....           | 4,951,268               | 3,085,164       | 4,519,707            |
|      | April.....           | 3,516,725               | 3,756,689       | 3,186,664            |
|      | May.....             | 4,086,750               | 2,475,468       | 2,252,049            |
|      | June.....            | 4,310,169               | 3,367,263       | 3,810,112            |

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

(b) The projections and estimates for the 2020-21 fiscal year reflect 2019 Wisconsin Act 9, the January 2020 LFB Report, and the November 2020 DOA Report, but do not reflect the January 2021 LFB Report. The projections and estimates 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.

**Source: Wisconsin Department of Administration.**

**Table II-15; Cash Balances in Funds Available for Temporary Reallocation (Part II; Page 56).** Replace with the following updated table.

**CASH BALANCES IN FUNDS AVAILABLE FOR  
TEMPORARY REALLOCATION <sup>(a) (b)</sup>  
July 31, 2018 to December 31, 2020 — Actual  
January 31, 2021 to June 30, 2021 — Projected <sup>(c)</sup>  
(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 \$5.1 billion in March 2020. The Secretary of Administration may not exercise the authority to use temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which a temporary reallocation would be made.

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

| <u>Month (Last Day)</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-------------------------|-------------|-------------|-------------|-------------|
| January.....            |             | \$1,622     | \$ 1,910    | \$ 1,910    |
| February.....           |             | 1,742       | 1,929       | 1,929       |
| March.....              |             | 1,795       | 1,815       | 1,815       |
| April.....              |             | 1,795       | 1,716       | 1,716       |
| May.....                |             | 1,684       | 1,670       | 1,670       |
| June.....               |             | 1,879       | 1,806       | 1,806       |
| July .....              | 1,383       | 1,783       | 1,575       |             |
| August.....             | 1,429       | 1,776       | 1,627       |             |
| September.....          | 1,524       | 2,025       | 1,783       |             |
| October .....           | 1,304       | 1,907       | 1,620       |             |
| November .....          | 1,448       | 1,801       | 1,672       |             |
| December.....           | 1,667       | 1,967       | 1,873       |             |

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

| <u>Month (Last Day)</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-------------------------|-------------|-------------|-------------|-------------|
| January.....            |             | \$5,641     | \$ 6,502    | \$ 6,502    |
| February.....           |             | 5,991       | 6,603       | 6,603       |
| March.....              |             | 6,317       | 6,970       | 6,970       |
| April.....              |             | 5,982       | 6,990       | 6,990       |
| May.....                |             | 5,554       | 6,469       | 6,469       |
| June.....               |             | 5,853       | 6,524       | 6,524       |
| July .....              | \$ 5,781    | 6,804       | 7,004       |             |
| August .....            | 5,058       | 5,839       | 6,087       |             |
| September.....          | 4,670       | 5,600       | 5,970       |             |
| October .....           | 4,103       | 5,474       | 5,410       |             |
| November .....          | 4,527       | 5,213       | 5,418       |             |
| December.....           | 5,141       | 6,137       | 6,549       |             |

- <sup>(a)</sup> 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.
- <sup>(b)</sup> 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.
- <sup>(c)</sup> The projections and estimates for the 2020-21 fiscal year reflect 2019 Wisconsin Act 9, the January 2020 LFB Report, and the November 2020 DOA Report, but do not reflect the January 2021 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.

**Source: Wisconsin Department of Administration.**

**Table II-16; General Fund Recorded Revenues (Part II; Page 58).** Replace with the following updated table.

**GENERAL FUND RECORDED REVENUES<sup>(a)</sup>**  
**(Agency-Recorded Basis)**  
**July 1, 2020 to December 31, 2020 compared with previous year<sup>(b)</sup>**

|  | Annual Fiscal Report<br>Revenues<br><u>2019-20 Fiscal Year<sup>(b)</sup></u> | Projected<br>Revenues<br><u>2020-21 Fiscal Year<sup>(c)</sup></u> | Recorded Revenues<br>July 1, 2019 to<br><u>December 31, 2019<sup>(d)</sup></u> | Recorded Revenues<br>July 1, 2020 to<br><u>December 31, 2020<sup>(e)</sup></u> |
|--|--|---|--|--|
| Individual Income Tax .....  | \$ 8,742,266,000   | \$ 9,142,000,000  | \$ 3,960,998,275   | \$ 3,989,405,445   |
| General Sales and Use Tax .....  | 5,836,215,000  | 5,960,500,000   | 2,485,818,414  | 2,518,135,062  |
| Corporate Franchise<br>and Income Tax .....                            | 1,607,873,000  | 1,205,400,000   | 709,191,209  | 1,135,438,040  |
| Public Utility Taxes .....   | 357,152,000  | 36,400,000  | 189,919,246  | 208,399,224  |
| Excise Taxes .....   | 679,503,000  | 671,200,000   | 301,748,531  | 299,660,117  |
| Inheritance Taxes .....  | 41,000   | -   | 41,353   | -  |
| Insurance Company Taxes .....  | 217,381,000  | 211,000,000   | 91,154,032   | 93,497,100   |
| Miscellaneous Taxes .....  | 91,693,000   | 97,500,000  | 119,641,887  | 138,092,215  |
| SUBTOTAL.....  | <u>\$ 17,532,124,000</u>   | <u>\$ 17,324,000,000</u>  | <u>\$ 7,858,512,948</u>  | <u>\$ 8,382,627,204</u>  |
| Federal and Other Inter-<br>Governmental Revenues <sup>(f)</sup> ..... | 13,645,746,000   | 11,414,533,600  | 5,367,921,190  | 5,924,376,154  |
| Dedicated and<br>Other Revenues <sup>(g)</sup> .....                   | <u>6,807,021,000</u>   | <u>8,556,987,900</u>  | <u>3,307,545,416</u>   | <u>3,365,679,545</u>   |
| TOTAL.....   | <u>\$ 37,984,891,000</u>   | <u>\$ 37,295,521,500</u>  | <u>\$ 16,533,979,554</u>   | <u>\$ 17,672,682,903</u>   |

- (a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) The amounts are from the restated Annual Fiscal Report (budgetary basis) for the 2019-20 fiscal year, dated October 15, 2020.
- (c) The estimates in this table for the 2020-21 fiscal year (cash basis) reflect the enacted budget for the 2019-21 biennial budget (2019 Wisconsin Act 9), but do not reflect 2019 Wisconsin Act 7 or 2019 Wisconsin Act 10, the November 2020 DOA Report, or the January 2021 LFB Report.
- (d) The amounts shown are 2019-20 fiscal year general purpose revenues and program revenues taxes as recorded by all State agencies. There may be differences between the tax revenues shown in this table and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report (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 2020-21 fiscal year general purpose revenues and program revenues taxes as recorded by all State agencies. There may be differences between the tax revenues shown in this table and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report (i) only includes general purpose revenues or taxes that are actually collected by DOR (and not by other State agencies), and (ii) may include accruals or other adjustments that may not be recorded by State agencies until a subsequent month.
- (f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.
- (g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration.

**Table II-17; General Fund Recorded Expenditures by Function** (Part II; Page 60). Replace with the following updated table.

**GENERAL FUND RECORDED EXPENDITURES BY FUNCTION<sup>(a)</sup>**  
**(Agency-Recorded Basis)**  
**July 1, 2020 to December 31, 2020 compared with previous year<sup>(b)</sup>**

|                                   | <b>Annual Fiscal Report<br/>Expenditures<br/>2019-20 Fiscal Year<sup>(b)</sup></b> | <b>Appropriations<br/>2020-21 Fiscal Year<sup>(c)</sup></b> | <b>Recorded<br/>Expenditures<br/>July 1, 2019 to<br/>December 31, 2019<sup>(d)</sup></b> | <b>Recorded<br/>Expenditures<br/>July 1, 2020 to<br/>December 31, 2020<sup>(e)</sup></b> |
|-----------------------------------|--|---|--|--|
| Commerce.....                     | \$ 219,272,000   | \$ 426,164,200  | \$ 100,925,871   | \$ 301,416,204   |
| Education.....                    | 14,251,611,000   | 14,807,614,500  | 5,964,288,281  | 5,943,260,585  |
| Environmental Resources.....      | 369,140,000  | 321,903,300   | 74,627,507   | 108,389,053  |
| Human Relations & Resources ..... | 16,534,263,000   | 16,219,499,200  | 7,981,355,490  | 9,084,617,894  |
| General Executive.....            | 1,344,836,000  | 1,355,233,900   | 653,078,091  | 1,606,148,216  |
| Judicial.....                     | 147,819,000  | 148,435,600   | 69,887,088   | 77,275,829   |
| Legislative.....                  | 75,475,000   | 79,301,700  | 33,126,665   | 33,008,663   |
| General Appropriations.....       | <u>2,741,870,000</u>   | <u>2,993,886,700</u>  | <u>2,272,063,970</u>   | <u>2,303,100,260</u>   |
| TOTAL.....                        | <u>\$ 35,684,286,000</u>   | <u>\$ 36,352,039,100</u>                                    | <u>\$ 17,149,352,964</u>   | <u>\$ 19,457,216,704</u>   |

- (a) The expenditures in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2019-20 fiscal year, dated October 15, 2020.
- (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 or 2019 Wisconsin Act 10.
- (d) The amounts shown are 2019-20 fiscal year expenditures as recorded by all State agencies.
- (e) The amounts shown are 2020-21 fiscal year expenditures as recorded by all State agencies.

**Source: Wisconsin Department of Administration.**



# Legislative Fiscal Bureau

Robert Wm. Lang, Director

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



*State of Wisconsin*

January 26, 2021

Senator Howard Marklein, Senate Chair  
Representative Mark Born, Assembly Chair  
Joint Committee on Finance  
State Capitol  
Madison, WI 53702

Dear Senator Marklein and Representative Born:

Annually, this office prepares general fund revenue and expenditure projections for the Legislature.

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

## **Comparison with the Administration's November 20, 2020, Report**

On November 20, 2020, the Departments of Administration and Revenue submitted a report to the Governor and Legislature that identified general fund revenue and expenditure projections for the 2020-21 fiscal year and the 2021-23 biennium. That report, required by statute, identifies the magnitude of state agency biennial budget requests and presents a projection of general fund tax collections.

Our analysis indicates that for the three-year period, aggregate general fund tax collections will be \$1,155.9 million higher than those of the November 20 report (\$437.4 million in 2020-21, \$265.6 million in 2021-22, and \$452.9 million in 2022-23).

Based upon the November 20 report, the administration's general fund condition statement for 2020-21 reflects a gross ending balance of \$1,221.9 million and a net balance (after consideration of the \$85.0 million required statutory balance) of \$1,136.9 million.

Our analysis indicates a gross balance of \$1,851.4 million and a net balance of \$1,766.4 million. This is \$629.5 million above that of the November 20 report. The 2020-21 general fund

condition statement is shown in Table 1.

**TABLE 1**  
**Estimated 2020-21 General Fund Condition Statement**

|  | <u>2020-21</u>        |
|--|-----------------------|
| <b>Revenues</b>                                    |                       |
| Opening Balance, July 1                            | \$1,172,354,000       |
| Taxes  | 18,101,500,000        |
| Departmental Revenues                              |                       |
| Tribal Gaming                                      | 0                     |
| Other  | <u>530,329,300</u>    |
| Total Available                                    | \$19,804,183,300      |
| <br><b>Appropriations, Transfers, and Reserves</b> |                       |
| Gross Appropriations                               | \$19,190,025,700      |
| Biennial Appropriation Adjustment                  | -3,406,000            |
| Sum Sufficient Reestimates                         | -257,517,500          |
| Transfers to:                                      |                       |
| Transportation Fund                                | 44,095,000            |
| Budget Stabilization Fund                          | 231,756,000           |
| Compensation Reserves                              | 94,545,400            |
| Less Lapses  | <u>-1,346,695,400</u> |
| Net Appropriations                                 | \$17,952,803,200      |
| <br><b>Balances</b>                                |                       |
| Gross Balance                                      | \$1,851,380,100       |
| Less Required Statutory Balance                    | <u>-85,000,000</u>    |
| Net Balance, June 30                               | \$1,766,380,100       |

The factors that make up the \$629.5 million difference are as follows. First, based on economic forecasts and tax collections to date, our estimated tax collections for 2020-21 are \$437.4 million higher than the projection of the November 20 report. In addition to the estimated increase in tax collections, there is a slight increase in departmental revenues (non-tax receipts deposited into the general fund) of \$1.4 million. Finally, net appropriations are projected to be \$190.7 million below those of the November 20 report. The additional general fund balance of \$629.5 million for 2020-21 is displayed as follows (\$437.4 million + \$1.4 million + \$190.7 million = \$629.5 million).

This reduction in net appropriations is primarily due to an increase in the amounts expected to lapse (revert) to the general fund at the end of the 2020-21 fiscal year, offset by a significant projected transfer to the budget stabilization fund.

The GPR appropriation for the medical assistance program is projected to end the 2019-21 biennium with a balance of \$685 million. This surplus, accumulated over both years of the biennium,

is primarily attributable to a provision of the federal Families First Coronavirus Response Act, which temporarily increased the state's federal matching rate by 6.2 percentage points, from 59.4% to 65.6%. Since this increase has the effect of reducing the state's share of MA benefit costs, the GPR funding budgeted for MA benefits for the 2019-21 biennium exceeds the amount needed for the program. The increased match rate first applied to expenditures occurring on January 1, 2020, and will remain in effect until the end of the calendar quarter during which the federal public health emergency declared in response to the COVID-19 pandemic is allowed to expire. The estimate above assumes that the enhanced matching rate will remain in effect through at least the end of the 2019-21 biennium.

Of the projected surplus, the Department of Administration has indicated that \$140 million is included in the general fund lapses already identified in the administration's required 2020-21 lapse plan. Consequently, of the estimated \$685 million MA program surplus, the remaining \$545 million will also lapse to the general fund. The November 20 report assumed a lapse of \$289 million from the MA benefits appropriation.

Pursuant to s. 16.518 of the statutes, if actual general fund tax collections in any year exceed amounts listed in the biennial budget act, one-half of the additional amount is transferred to the budget stabilization fund. The estimated 2020-21 tax collections of this report are \$463.5 million above the amount contained in 2019 Act 9 (the 2019-21 biennial budget). Thus, one-half of that amount (\$231.8 million) is projected to transfer to the budget stabilization fund. Under the 2020-21 tax collection estimates of the November 20 report, the transfer to the budget stabilization fund for 2020-21 was projected at \$13.1 million.

Table 2 displays the calculation of the projected 2021 transfer to the budget stabilization fund.

**TABLE 2**

**2021 Estimated Transfer to the Budget Stabilization Fund  
(in Millions)**

|  |                  |
|--|------------------|
| Estimated 2020-21 Tax Collections                              | \$18,101.5       |
| 2020-21 Amount Shown in 2019 Act 9                             | <u>-17,638.0</u> |
| Difference   | \$463.5          |
| Difference ÷ 2   | 231.8            |
| Estimated 2020-21 Transfer to the<br>Budget Stabilization Fund | \$231.8          |

Currently, the balance in the budget stabilization fund is \$762.1 million. With the estimated 2021 transfer shown above, the balance in the fund would increase by \$231.8 million to \$993.9 million.

## **General Fund Tax Revenues**

The following sections present information related to general fund tax revenues for 2020-21 and the 2021-23 biennium. This includes a review of the U.S. economy in 2020, a summary of the national economic forecast for 2021 through 2023, and detailed general fund tax revenue estimates for the current fiscal year and the next biennium.

### **Review of the National Economy in 2020**

This office prepared updated revenue estimates for the 2019-21 biennium in January, 2020, based on the January, 2020, IHS Markit forecast for the U.S. economy. The forecast predicted real gross domestic product (GDP) growth of 2.1% in 2020 and 2021. The moderate growth forecast was expected to be driven by 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 a strike at the General Motors Company, and the expectation that Boeing 737 MAX shipments would resume in April of 2021.

The forecast was based on various key assumptions, which included that the Federal Reserve would maintain the federal funds rate until raising it to a range of 1.75% to 2.0% in June, 2021, and that federal discretionary spending would remain within expenditure limits set by federal appropriation acts in 2019.

However, the onset of the global COVID-19 pandemic substantially altered the economic outlook. The federal government declared a national emergency in March, and states across the country shut down certain businesses deemed nonessential and issued stay-at-home orders to slow the spread of the virus. As state and local governments mandated social distancing measures, the pandemic closed businesses, disrupted supply chains, and sharply contracted consumer demand. The longest economic expansion in U.S. history, 128 straight months of growth, came to a sudden end in March.

The COVID-19 pandemic caused a historic contraction in economic activity across all sectors of the economy. Real (inflation adjusted) GDP declined year-over-year by 9.0% in the second quarter, the largest quarterly decrease since the U.S. Bureau of Economic Analysis began keeping records in 1947. The stock market experienced significant declines in March. For example, the Dow Jones Industrial Average index fell by 13.7% in March and by 23.3% in the first quarter, including the three largest single-day point drops in the history of the index (7.8% on March 9, 10.0% on March 12, and 13.0% on March 16). The contraction was caused by sudden, massive declines in employment, consumer spending, and investment.

Unemployment insurance claims spiked to historically high levels, with initial claims setting an all-time high of 6.87 million in the week ending March 28, 2020. In the second quarter of 2020 compared to the first quarter, seasonally adjusted total U.S. nonfarm payrolls sharply fell by 18.2 million workers, and the unemployment rate increased from 3.8% to 13.0%. According to the Bureau of Labor Statistics' quarterly census of employment and wages, Wisconsin employment decreased by almost 350,000 jobs in April alone. The leisure and hospitality industry was particularly hard hit,

losing more than 160,000 jobs. Initial unemployment claims in Wisconsin surged to more than 215,000 in the two weeks ending March 28, 2020, and April 4, 2020.

The pandemic significantly reduced consumer spending, as well as reshuffled consumption patterns, as consumers shunned large gatherings and services provided in person. Factories temporarily closed, employers laid off or furloughed their employees, and employees shifted to remote work rather than commuting to the office. Nominal growth, which is not adjusted for inflation, of U.S. personal consumption expenditures (PCE) declined year-over-year in the second quarter by 9.7% compared to the second quarter of 2019. Notable year-over-year declines included spending on recreational services (-50.0%) and food services and accommodations (-38.3%), which were greatly impacted by business closures and social distancing measures. Consumption at home increased in other areas, with purchases of food and beverages for off-premise consumption and information processing equipment increasing by 11.1% and 9.2%, respectively, compared to the second quarter of 2019.

Nominal nonresidential fixed investment declined by 8.5% year-over-year in the second quarter, with notable declines in investment in equipment (-15.0%) and structures (-10.1%). In particular, investment in mining and petroleum structures declined by 45.3%, the Brent crude oil spot price fell by 57.4% year-over-year in the second quarter, and both supply and demand factors pushed down oil prices. Crude oil prices declined almost 26% on March 9, after the Organization of Petroleum Exporting Countries (OPEC) and Russia failed to agree to production cuts. Subsequently, both Saudi Arabia and Russia announced further increases in production. The parties later agreed to reductions in production in April, after the pandemic had significantly curtailed demand. Nominal PCE declined in the second quarter for motor fuel, lubricants, and fluids (47.0%) and new motor vehicles (10.4%). According to the U.S. Energy Information Administration, the Brent spot price declined to an average of \$18 per barrel in April, the lowest price in inflation adjusted terms since February, 1999.

The shock of the COVID-19 pandemic caused the largest consumer price decline since 2008, with the consumer price index (CPI) decreasing 3.5% on an annualized basis in the second quarter. According to the U.S. Bureau of Labor Statistics, the one-month drop in CPI in April was particularly acute in services adversely affected by social distancing measures, such as airline fares falling 12.4% and lodging decreasing 7.1%. In the second quarter, CPI for energy fell at an annualized rate of 45%, both due to a sharp fall in demand caused by the pandemic and to a preexisting excess of supply.

The fiscal and monetary policy response to the pandemic and resulting economic contraction was massive. The Federal Reserve open market committee convened on March 15, 2020, to reduce the federal funds target rate to a range of 0.00 to 0.25%. It also accelerated purchases of treasury securities and agency mortgage-backed securities (quantitative easing), expanded foreign exchange swap lines with more than a dozen central banks, and expanded short-term repurchase operations. Congress enacted a series of stimulus and pandemic response legislation. On March 18, Congress passed the Families First Coronavirus Response Act, which provided \$105 billion for extended sick leave and family medical leave related to COVID-19. On March 27, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (CARES). As estimated by the Joint Committee on Taxation and IHS Markit, this Act included \$260 billion for enhanced unemployment

benefits, almost \$1.0 trillion for loans (including forgivable loans), loan guarantees, and other business supports, \$292 billion for stimulus rebates to individuals, \$180 billion for hospitals and healthcare, \$300 billion for reduced or delayed taxes, and \$150 billion for state and local governments. Also, Congress enacted the Paycheck Protection Program and Health Care Enhancement Act on April 24, which provided an additional \$370 billion for business loans and another \$100 billion for aid to healthcare providers and COVID-19 testing. In total, federal government outlays in 2020 increased by \$2,105.3 billion, or 47.3% compared to the prior year.

Due in part to the scale of the fiscal and monetary policy response and to the relaxation of business closures and social distancing mandates, the economy rebounded significantly in May and June, but not by enough to fully recover from the declines occurring in March and April. Annualized real GDP grew by 33.4% in the third quarter over the previous quarter, but when compared to the third quarter output of the prior year, GDP actually declined by 2.8%. U.S. total nonfarm payrolls rebounded by 7.1 million as laid off workers were recalled by their employers. However, even with this brisk growth, payrolls remained 6.9% lower when compared to the third quarter of 2019. Boosted partially by the temporary hiring of 238,000 workers for the 2020 census, the unemployment rate declined from 13.0% in the second quarter to 8.8% in the third quarter. Investment continued to remain below prior year levels by 1.9% in the third quarter, although investment in some sectors rebounded. While nonresidential fixed investment was 4.1% below prior year levels, residential fixed investment grew by 11.2% year-over-year, supported by a decrease in average 30-year fixed mortgage rates to 2.95% in the third quarter of 2020.

The COVID-19 pandemic had highly uneven impacts across industry sectors as consumers shifted their spending away from in-person services and travel towards goods and preparing food at home. Social distancing measures throughout 2020 continued to reduce the demand for, and availability of, in-person services, such as recreational services, accommodations, and food services (which declined by 32.6%, 56.0%, and 11.4%, respectively, year-over-year in the third quarter). Travel and entertainment were particularly disadvantaged by containment measures since restrictions on movement and group size are problematic for those industries. Production of durable goods, on the other hand, was not similarly impacted and recovered from an annualized decline of 57.5% in the second quarter to an annualized increase of 101.3% in the third quarter after the COVID-19 lockdowns were relaxed. Nominal PCE of durable goods increased by 12.9% year-over-year in the third quarter, with spending on new motor vehicles increasing by 6.9%.

Federal stimulus increased household income and savings, notwithstanding the severe economic disruption caused by the pandemic. Bolstered by stimulus rebates, enhanced unemployment benefits, business support programs, and other transfer payments, real disposable income grew by an unprecedented 12.2% year-over-year in the second quarter. Although real disposable income declined at an annualized rate of 16.3% in the third quarter, as the stimulus waned compared to the second quarter, real disposable income actually increased by 6.8% relative to the same period in the prior year and is estimated to have increased 6.0% year-over-year in 2020. The savings rate as a percentage of disposable income increased from an average of 7.6% during 2019 to 26.0% in the second quarter of 2020 and 16.0% in the third quarter. Households were also bolstered by the recovery in the stock markets, which recovered significantly from sharp losses earlier in the year. The S&P 500 stock index, for example, increased 12.3% year-over-year in the

third quarter. Thus, real household net worth in 2020 increased 9.9%, bolstered by growth in nonfinancial assets (7.1%) such as real estate, and equity holdings (19.5%).

The COVID-19 pandemic surged in the latter half of 2020, sapping the economic recovery as the year went on. According to the COVID-19 data tracker maintained by the Centers for Disease Control and Prevention, although new COVID-19 cases leveled off after May to less than 20,000 cases per day nationwide in early June, new cases began increasing again to more than 70,000 cases per day by late July. As COVID-19 cases increased, many states called-off plans to lessen containment measures and some re-imposed restrictions on schools and business activity. Daily COVID-19 cases leveled off around 40,000 new cases each day in September, but spiked much higher at the end of October. New cases reached more than 180,000 per day in November, rising even higher to almost 250,000 in some days in December. By the end of December, nearly 350,000 Americans had died of COVID-19 and the seven-day moving average of deaths per day exceeded 2,300 (growing to 416,000 total deaths, and a seven day average of more than 3,000 per day as of January 23, 2020).

Meanwhile, federal stimulus measures expired during the summer, such as the enhanced \$600 unemployment compensation benefit expiring in July and the paycheck protection program (PPP) ceasing operations in August. As a result, the recovery began to stall short of pre-pandemic highs and the COVID-19 pandemic worsened across the country. Real GDP decreased by 2.7% in the fourth quarter of 2020 compared to the same period in 2019. When considering the entire fourth quarter, the unemployment rate improved to 6.8% as total nonfarm payrolls increased by 1.8 million. However, when compared to the same period in 2019, total nonfarm payrolls are estimated to have declined 6.9%. Personal income declined by 10.2% in the third quarter and 7.2% in the fourth quarter on an annualized basis as the effects of the stimulus faded. Nonetheless, personal incomes remained elevated in the fourth quarter when compared to the prior year (4.2%) due to the continuing effects of federal stimulus measures, such as extended availability of unemployment insurance.

As COVID-19 cases surged significantly in December, total nonfarm payrolls are estimated to have decreased by approximately 140,000, which is the first time payrolls decreased since the recovery began. Food service and drinking establishments were particularly hard hit with job losses exceeding 372,000 in that month alone. A particular concern is that the length of the pandemic has increased the long-term unemployed (defined as unemployed for 27 weeks or more) to such an extent that more than 37% of all the unemployed are now so labeled. In December, the long-term unemployed increased by 27,000 to 4.0 million, the largest amount recorded since November, 2013. Such persons may find it more challenging to find another job, thereby slowing the recovery.

Two recent developments will greatly impact the economy going forward. First, the federal Food and Drug Administration issued emergency use authorizations for multiple vaccines for COVID-19. Vaccinations began to be administered in December, and will continue to be distributed nationwide throughout 2021. Second, President Trump signed the Consolidated Appropriations Act of 2021 (CAA) on December 27, which provides for additional stimulus of approximately \$900 billion. This includes: (a) \$325 billion for small business relief, including \$284 billion for another round of forgivable PPP loans; (b) \$166 billion of stimulus rebates for persons with adjusted gross income below \$75,000 (\$150,000 for married couples); (c) \$120 billion for the extension of

unemployment compensation programs that are now scheduled to phase out after March 14, 2021; (d) \$125 billion to states for education, transportation, and COVID-19 mitigation; and (e) the remaining amounts support a number of federal programs, including community development lending programs, vaccine distribution and procurement, rental assistance, enhanced SNAP benefits, additional childcare funding, and additional funding for broadband, as well as a number of tax law changes included in the CAA.

### **National Economic Forecast**

Under the January, 2021, forecast, IHS Markit predicts real GDP growth to rebound strongly to 4.0% in 2021 and 3.9% in 2022. The forecast is bolstered by CAA stimulus spending in the short term and the inoculation campaign, which allows for relaxed social distancing measures and releases pent-up demand for in-person services. IHS Markit expects a transition of PCE on services to return to a pre-pandemic trend in 2023, with such spending growing significantly over the second half of 2021.

The forecast is based on the following key assumptions. First, the seven-day average of COVID-19 infections peaks in January and falls significantly, as widespread inoculation of the population is achieved by the summer. Second, the forecast incorporates stimulus spending from the CAA, but does not include further federal stimulus in its January forecast. Third, the Federal Reserve is expected to maintain the federal funds rate target near 0% until late 2026, while expanding its treasury holdings to another \$1.4 trillion. Fourth, it is assumed that the tariffs and trade agreements made between the U.S. and China remain in effect. Fifth, real, trade-weighted foreign GDP is expected to rebound, after declining by 5.7% in 2020, to growing by 4.4% in 2021, as the COVID-19 pandemic recedes. Finally, the price of Brent crude oil will gradually recover from a low of \$29 per barrel in the second quarter of 2020 to \$50 per barrel by late 2021.

The forecast is summarized in Table 3, which reflects IHS Markit's January, 2021, baseline outlook. Selected baseline projections are presented in more detail below, with alternative optimistic and pessimistic scenarios discussed thereafter.

**Employment.** Given the continuing challenges faced by in-person services, the employment outlook remains linked to COVID-19 caseloads and the rollout of vaccines. The employment market at the end of 2020 continued the pattern from earlier in that year, such that in-person services where social distancing is difficult to implement (such as recreation, casinos, and amusement), are hardest hit by the pandemic. Other sectors where such restrictions pose less of a challenge (such as construction and manufacturing) continue to rebound.

Notwithstanding the difficulties at the end of 2020, IHS Markit forecasts that the federal stimulus and a successful inoculation campaign will cause payroll employment to increase beginning in January and through the second half of 2021. The unemployment rate is forecast to generally decline over 2021, falling from 6.7% in December of 2020 to 4.3% by the end of 2021. Afterwards, the unemployment rate is forecast to continue improving to 3.9% in 2022, before stabilizing at 4.1% in 2023.



**Personal Income.** Despite the enormous job losses and disruption to the economy caused by the COVID-19 pandemic, income and savings in 2020 actually increased due to the large amount of transfer payments and government support from CARES and other stimulus measures. IHS Markit expects the \$900 billion stimulus enacted under the CAA to similarly support personal income in the economy in the first quarter of 2021, lifting incomes by nearly \$2.0 trillion (at an annualized rate). IHS Markit forecasts that real disposable income will grow by 23.9% in the first quarter (compared to the previous quarter), but then decline by 17.5%, 2.6%, and 0.5% in the remaining quarters of 2021 as the effects of the stimulus fade. Meanwhile, wage and salary disbursements are forecast to recover from 0.6% growth in 2020 to 6.3% in 2021. As a result, IHS Markit forecasts that overall personal income will grow by 1.6% in 2021, 2.0% in 2022, and by 4.2% in 2023.

**TABLE 3**

**Summary of National Economic Indicators  
IHS Markit Baseline Forecast, January, 2021  
(\$ in Billions)**

|  | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--|-------------|-------------|-------------|-------------|
| Nominal Gross Domestic Product                         | \$20,921.3  | \$22,117.3  | \$23,415.5  | \$24,489.7  |
| Percent Change   | -2.4%       | 5.7%        | 5.9%        | 4.6%        |
| Real Gross Domestic Product                            | \$18,411.1  | \$19,151.2  | \$19,907.0  | \$20,405.0  |
| Percent Change   | -3.6%       | 4.0%        | 3.9%        | 2.5%        |
| Consumer Prices (Percent Change)                       | 1.3%        | 2.1%        | 2.5%        | 2.1%        |
| Personal Income  | \$19,718.0  | \$20,039.2  | \$20,431.9  | \$21,294.6  |
| Percent Change   | 6.3%        | 1.6%        | 2.0%        | 4.2%        |
| Nominal Personal Consumption Expenditures              | \$14,141.3  | \$15,003.8  | \$15,921.1  | \$16,599.0  |
| Percent Change   | -2.8%       | 6.1%        | 6.1%        | 4.3%        |
| Economic Profits                                       | \$2,045.1   | \$2,016.7   | \$2,013.5   | \$2,166.2   |
| Percent Change   | -9.1%       | -1.4%       | -0.2%       | 7.6%        |
| Unemployment Rate                                      | 8.1%        | 5.2%        | 3.9%        | 4.1%        |
| Total Nonfarm Payrolls (Millions)                      | 142.3       | 146.5       | 151.4       | 152.5       |
| Percent Change   | -5.8%       | 3.0%        | 3.3%        | 0.8%        |
| Light Vehicle Sales (Millions of Units)                | 14.39       | 15.95       | 16.09       | 16.14       |
| Percent Change   | -15.1%      | 10.8%       | 0.9%        | 0.3%        |
| Sales of New and Existing Homes<br>(Millions of Units) | 6.443       | 6.996       | 6.702       | 6.273       |
| Percent Change   | 7.1%        | 8.6%        | -4.2%       | -6.4%       |
| Housing Starts (Millions of Units)                     | 1.383       | 1.493       | 1.298       | 1.202       |
| Percent Change   | 6.8%        | 7.9%        | -13.0%      | -7.4%       |

**Personal Consumption Expenditures.** IHS Markit forecasts that the stimulus will maintain nominal PCE in the near term, by supporting consumer spending in the first quarter (0.2%) notwithstanding the surge in COVID-19 cases, then later serving as a bridge to improved economic circumstances as the population is inoculated through the rest of the year. Distribution of the vaccines is expected to release pent up demand for consumer services in the second half of 2021, when spending on services other than healthcare, housing, and utilities is expected to jump by 12.6%. By comparison, as spending patterns return to their pre-pandemic trends, spending on goods is expected to grow more slowly as consumers return to spending on services. For example, spending at restaurants is expected to grow, whereas purchases for eating at home are expected to decline. Overall, nominal PCE is forecast to grow 6.1% in 2021 and 2022, before slowing to 4.3% in 2023.

**Consumer Prices.** Following a decline in the second quarter (-3.5%), consumer prices rebounded in the third (5.2%) and fourth (2.2%) quarters of 2020 as the economy recovered. However, IHS Markit forecasts prices to be temporarily depressed in the first (1.8%) and second (1.7%) quarters of 2021 by the pandemic, as the slack in the labor market is expected to depress cost pressures on employers. Over the next three years, inflation is expected to increase by 2.1% in 2021, 2.5% in 2022, and 2.1% in 2023. This is due primarily to two factors. First, IHS Markit is forecasting that the U.S. dollar will depreciate 7.9% by the end of 2022, thereby increasing the costs of imports and, by extension, the pricing power of import competing domestic producers. Also, energy prices are expected to rebound as the price of West Texas Intermediate crude oil rises from \$42.51 per barrel in the fourth quarter of 2020 to \$53.47 by the end of 2022.

IHS Markit forecasts that CPI will remain above 2.0% over the next several years, in part, because the Federal Reserve has altered its approach to evaluating its dual mandate of full employment and stable inflation. Given the low inflation and low unemployment rates in 2019, recent evidence supports that higher amounts of employment than previously assumed can be attained without sustained increases in inflation. Thus, the Federal Reserve is expected to maintain its 2% inflation target as an average, rather than a ceiling, whereby inflation may temporarily grow beyond 2.0% without the Federal Reserve raising interest rates. This revised approach may provide room for recovery in the labor market without incurring market expectations of increasing inflation in the long term.

**Housing.** The pandemic briefly disrupted the housing market in the second quarter of 2020, with housing starts declining 14.1% year-over-year. However, the housing market quickly rebounded, fueled by record low mortgage rates of 2.77% on a conventional 30-year fixed mortgage by the fourth quarter of 2020. Housing starts grew by 6.8% in 2020, with starts for single-family units growing 10.7%, partly offset by a decline in multi-family housing starts of 1.8%. Overall, residential fixed investment grew 9.3% in 2020.

IHS Markit forecasts some of the strength in the housing market to carry over into 2021, with residential fixed investment growing 13.1% in 2021, housing starts growing by 7.9%, and the price of average existing houses growing by 9.0% for a 1996-style home. However, IHS Markit projects that housing starts will decline in 2022 and 2023 by 13.0% and 7.4%, respectively, based on projected decreases in household formation. Sales of new houses are projected to decrease by 0.9% in 2021, 9.7% in 2022, and 6.7% in 2023.

**Business Investment.** Growth in nonresidential fixed investment is expected to rebound after declining by 3.8% in 2020 to 7.5% in 2021, 6.9% in 2022, and 5.4% in 2023. The anticipated growth is supported by investment in equipment (13.2% in 2021 and 5.9% in 2022 before tapering off to 2.8% in 2023). Growth is bolstered by the return to service of Boeing's 737 MAX line of aircraft in December of 2020 and the anticipated fulfillment of deliveries going forward. The recovery in energy prices is anticipated to boost investment in mining and petroleum structures in the second half of 2021, growing by 22.4% in 2022 and 10.4% in 2023 (following declines of 41.3% in 2020 and 4.4% in 2021).

Inventories fell by \$71.9 billion in 2020, which detracted 0.58 percentage points from GDP growth. This is partly due to supply disruptions caused by the pandemic in the second quarter, when inventories were drawn down as manufacturers were temporarily closed and businesses were reluctant to rebuild inventories during the downturn. IHS Markit expects businesses to rebuild inventories roughly at the rate of final sales in the near term, increasing by \$96.9 billion in 2021, \$127.1 billion in 2022, and \$100.5 billion in 2023. IHS Markit expects inventory investment to contribute 0.82 percentage points to GDP growth in 2021, 0.12 percentage points in 2022, and to reduce GDP growth by 0.12 percentage points in 2023.

**Corporate Profits.** Corporate before-tax book profits decreased by 7.2% in 2020 and are forecast to increase by 0.6% in 2021, 0.1% in 2022, and 10.2% in 2023. Economic profits, which are adjusted for inventory valuation and capital consumption at current cost (and thus are not affected by federal tax laws), declined 9.1% in 2020. IHS Markit forecasts further declines of 1.4% in 2021 and 0.2% in 2022, before rebounding 7.6% in 2023. The 2021 forecast assumes that the effective federal corporate tax rate for all industries was 13.3% in 2020, and that it will increase to 14.1% in 2021, 14.5% in 2022, and 14.1% in 2023.

**Fiscal Policy.** According to the final monthly Treasury statement for federal fiscal year 2019-20, the federal deficit was \$3.1 trillion. This was due to the significant increase in the amount of stimulus spending, including amounts authorized under CARES. IHS Markit estimates that spending by the federal government accounted for 0.27 percentage points of GDP growth in 2020, but will contribute only 0.11 percentage points in 2021 and will detract 0.13 percentage points in 2022 as the effects of the stimulus fade. By contrast, state and local government spending is estimated to have reduced GDP growth by 0.11 percentage points in 2020 due to spending cuts as a result of declining tax revenues during the pandemic.

The forecast assumes continued stimulus programs under the CAA, with more than half of the stimulus disbursing in the first quarter of 2021. The Biden administration recently released a \$1.9 trillion COVID-19 relief plan, which would indicate that further stimulus measures may be forthcoming. However, additional federal stimulus is not included in IHS Markit's baseline forecast.

**Monetary Policy.** The Federal Reserve indicated in an open market committee statement issued December 16, 2020, that the federal funds rate would remain near 0% until labor market conditions are consistent with maximum employment and inflation has risen to 2%, and is on track to exceed 2%, for some time. Further, it stated that it would continue purchasing Treasury securities and agency mortgage-backed securities at an average rate of \$120 billion per month until substantial

progress had been made towards its employment and inflation goals.

As discussed, mortgage rates fell to a historic low in 2020. For comparison, the average annual yield on the 10-year U.S. Treasury note fell to 0.89% in 2020, briefly falling to an all-time low of 0.318% in early March. The yield is expected to remain low, at 1.09% in 2020, 1.26% in 2022, and 1.42% in 2023.

**International Trade.** Real exports and imports rose sharply in the third quarter of 2020 (annualized growth of 59.6% and 93.1%, respectively) after sharply contracting in the second quarter. Imports have rebounded more strongly than exports, reflecting recovery in domestic demand relative to foreign markets. Also, the dollar exchange rate of a broad index of trade partners appreciated 5.9% year-over-year in the second quarter, reflecting a fall in value of emerging market currencies. Since then the dollar declined somewhat, ending the year up 2.0%. IHS Markit forecasts that the dollar will fall by 7.0% in 2021, 3.7% in 2022, and 0.5% in 2023 due to the expectation that interest rates in the U.S. will remain low for an extended period of time (low interest rates tend to reduce the exchange rate as investors look elsewhere for growth).

Overall, net exports reduced GDP growth by 0.12 percentage points in 2020 and are forecast to reduce GDP by 1.04 percentage points in 2021. Afterwards, net exports are forecast to contribute 0.54 percentage points to GDP growth in 2022 and 0.69 percentage points in 2023, because growth in exports is anticipated to outpace growth in imports as economic conditions improve in foreign markets.

**Alternative Scenarios.** IHS Markit's 2021 forecast also includes an optimistic scenario and a pessimistic scenario. Under the optimistic scenario, IHS Markit assigns a 20% probability that a faster recovery results from a decline in COVID-19 cases, hospitalizations, and deaths as use of the vaccine and observance of social distancing guidelines become more widespread. As the pandemic declines, consumers resume their pre-pandemic spending patterns quicker than assumed under the baseline forecast. Further, under the optimistic scenario, consumer spending and business fixed investment rise more quickly in the fourth quarter of 2020 than previously estimated, improving economic conditions coming into 2021. The unemployment rate improves to below 4.5% by the middle of 2021. Real GDP rebounds 5.3% in 2021 and 3.9% in 2022, crossing the pre-pandemic peak in the second quarter of 2021.

Under the pessimistic scenario, to which IHS Markit assigns a 30% probability, containment measures are reintroduced to combat the surge in COVID-19 that is currently occurring. The surge in the pandemic causes consumer spending to fall below the baseline over the next several quarters, growing by only 3.4% in 2021 and 3.6% in 2022, thereby restraining the economic recovery. The unemployment rate continues to decline, but at a slower pace, not falling below 5% until early 2022. Overall, the recovery takes longer than forecast in the baseline, as real GDP grows by 3.0% in 2021 and 3.9% in 2022.

On January 14, 2020, the Biden administration proposed a \$1.9 trillion stimulus plan, including additional stimulus rebates of \$1,400 for most individuals, expanded unemployment benefits of \$400 per week through September, expanding the federal child tax credit, and providing

increased funding for state and local governments, K-12 schools, and institutions of higher education. It should be noted that IHS Markit's January forecast preceded this proposal, and neither the baseline scenario, optimistic scenario, nor the pessimistic scenario anticipated any additional federal stimulus being enacted in the next several months.

### General Fund Taxes

Table 4 shows general fund tax revenue estimates for 2020-21 and for each year of the 2021-23 biennium. Over the three-year period, these estimates are \$1,155.9 million (2.1%) higher than the projections released by the Department of Revenue (DOR) last November. By year, the new estimates are higher than DOR's projections by \$437.4 million in 2020-21, \$265.6 million in 2021-22, and \$452.9 million in 2022-23. Over the three-year period, compared to the November 20 report, the estimates are higher for corporate income/franchise taxes (\$547.6 million), sales and use taxes (\$421.5 million), and individual income taxes (\$210.8 million).

**TABLE 4**

**Projected General Fund Tax Collections  
(\$ in Millions)**

|                            | <u>2019-21 Biennium</u> |                  | <u>2021-23 Biennium</u> |                  |
|----------------------------|-------------------------|------------------|-------------------------|------------------|
|                            | 2019-20                 | 2020-21          | 2021-22                 | 2022-23          |
|                            | <u>Actual</u>           | <u>Estimated</u> | <u>Estimated</u>        | <u>Estimated</u> |
| Individual Income          | \$8,742.3               | \$8,640.0        | \$8,900.0               | \$9,340.0        |
| Sales and Use              | 5,836.2                 | 5,915.0          | 6,310.0                 | 6,595.0          |
| Corporate Income/Franchise | 1,607.9                 | 2,205.0          | 1,730.0                 | 1,835.0          |
| Public Utility             | 357.2                   | 352.0            | 359.0                   | 361.0            |
| Excise                     |                         |                  |                         |                  |
| Cigarette                  | 523.5                   | 507.0            | 494.0                   | 483.0            |
| Tobacco Products           | 91.3                    | 90.0             | 92.0                    | 96.0             |
| Vapor Products             | 1.3                     | 1.3              | 1.7                     | 2.0              |
| Liquor and Wine            | 54.8                    | 60.0             | 57.0                    | 58.0             |
| Beer                       | 8.5                     | 9.2              | 8.7                     | 8.7              |
| Insurance Company          | 217.4                   | 211.0            | 218.0                   | 226.0            |
| Miscellaneous Taxes        | <u>91.8</u>             | <u>111.0</u>     | <u>112.0</u>            | <u>111.0</u>     |
| Total                      | \$17,532.2              | \$18,101.5       | \$18,282.4              | \$19,115.7       |
| Change from Prior Year     |                         | \$569.3          | \$180.9                 | \$833.3          |
| Percent Change             |                         | 3.2%             | 1.0%                    | 4.6%             |

The increased estimates for 2020-21 are primarily due to: (a) improved tax collections through December, specifically corporate tax receipts; and (b) an improved near-term forecast from IHS Markit. For November and December, corporate tax collections are \$232 million (68%) higher compared to collections in the same two months in 2019. Compared to the November forecast (the

basis of the administration's November 20 report), IHS Markit incorporates the impact of the recently enacted CAA (previously no federal stimulus was included in the forecast), and an improved near-term outlook for economic growth as the COVID-19 inoculation campaign is already under way (previously assumed vaccines would first become available in mid-2021). As a result, Markit has revised its January forecast for 2021 higher for real GDP (0.6 percentage points), personal income (3.0 percentage points), PCE (0.6 percentage points), and economic profits (11.1 percentage points), compared to its November forecast. Similarly, the January forecast assumes improved economic activity for 2022 and 2023, compared to the November forecast.

**Individual Income.** Total individual income tax collections are estimated at \$8,640.0 million in 2020-21, which represents a 1.2% decline in comparable revenues over the prior fiscal year. Estimated individual income tax collections increase to \$8,900.0 million in 2021-22, and again to \$9,340.0 million in 2022-23, representing annual growth of 3.0% and 4.9% respectively.

Based on preliminary collections information through December, 2020, individual income tax revenues for the current fiscal year are 0.8% higher than such revenues through the same period in 2019. However, these revenues are expected to decrease at a rate of 1.1% over the next six months, in part due to the pandemic stagnating economic activity in 2020. Much of this stagnation in 2020 will be reflected when individuals file their tax year 2020 returns in April, 2021. For example, individuals whose earnings declined in 2020 following a pandemic-related job loss will likely owe a lesser amount of tax when they file in April, 2021, than in the previous year. As a result, net refunds (total refunds owed to taxpayers less final payments owed by taxpayers) are expected to be larger in 2020-21 relative to 2019-20.

Another factor expected to increase net refunds in April, 2021, is the individual income tax rate reduction under 2019 Act 10, which is based on sales tax revenues collected by remote sellers and marketplace providers during the period October 1, 2019, through September 30, 2020. The rate reduction is designed to offset the amount of additional sales tax collections from these sellers, and splits the amount of the reduction equally between the two bottom individual income tax brackets. The sales tax amount was considerably higher than previously estimated, so the resulting income tax rate reduction for tax year 2020 was larger than anticipated.

Enhanced unemployment compensation payments from the federal government throughout 2020 and into March, 2021, are generally taxable under state law, so the enhanced amounts in 2020 are expected to partly offset the increase in refunds described above. Moreover, during the pandemic, many more taxpayers are choosing to have tax amounts withheld from their unemployment payments than in prior periods. For unemployment payments made in the first half of tax year 2021, this also increases withholding tax collections in state fiscal year 2020-21, to the extent taxpayers elect to have tax amounts withheld from such payments.

Projected annual growth in individual estimated payments in 2020-21 is also expected to avert a sharper decline in individual income tax collections. Early indications of individual estimated payments for January, 2021, (historically one of the largest months for estimated payments) suggest considerable growth over the prior January. This corresponds to the projections from IHS Markit of growth in the relevant economic indicators for the second half of state fiscal year 2020-21.

Finally, annual growth in total individual income tax collections is expected to resume in 2021-22 and in 2022-23, as the economy is projected to rebound from the pandemic. IHS Markit predicts wages and salaries will grow steadily throughout the biennium, beginning in the second quarter of 2021, and expects that taxable personal income will display year-over-year growth in 2021-22 and in 2022-23.

**General Sales and Use Tax.** State sales and use tax revenues totaled \$5,836.2 million in 2019-20, and are estimated at \$5,915.0 million in 2020-21. The estimate represents growth of 1.4% over the prior year. Sales tax collections through December, 2020, are 1.3% higher than the same period in 2019. Adjusting for law changes since the January, 2020, estimate, year-to-date growth is approximately 0.1%. The lower estimated annual growth in 2020-21 reflects changes to state and federal law, including 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.

Sales tax revenues in the next biennium are estimated at \$6,310.0 million in 2021-22 and \$6,595.0 million in 2022-23, reflecting growth of 6.7% and 4.5%, respectively. The strong growth in 2021-22 reflects the economic recovery projected by IHS Market's January forecast, as mentioned previously, driven largely by an increase in demand for consumer services as distribution of vaccines becomes more widespread.

**Corporate Income/Franchise Tax.** Corporate income/franchise taxes were \$1,607.9 million in 2019-20, which grew 20.2% above the previous year. Corporate tax revenues are projected to be \$2,205.0 million in 2020-21, \$1,730.0 million in 2021-22, and \$1,835.0 million in 2022-23, reflecting growth of 37.1% in 2020-21, a contraction of 21.5% in 2021-22, and growth of 6.1% in 2022-23. The estimates generally reflect forecasted growth in economic profits (10.6% in 2020-21, -10.0% in 2021-22, and 8.3% in 2022-23) and year-to-date corporate tax collections, which have grown by 64% compared to the same period through December of last year.

Two factors account for the forecasted decline in 2021-22. First, state income and franchise tax filing deadlines for estimated payments and net final payments due in April, May, and June were extended to July 15, 2020. All of these amounts accrued to 2019-20, except that a portion of corporate estimated payments were thrown forward and attributed to state fiscal year 2020-21. Under accounting principles applied by DOR, corporate estimated payments received in July of 2020 that relate to a taxable year ending on or before June 30, 2020, were attributed to state fiscal year 2019-20. Any estimated payments related to a taxable year ending after that date were thrown forward to 2020-21. DOR received \$280 million in corporate estimated payments in July of 2020, which is \$243 million more than was received in July of 2019 (\$37 million). DOR determined that \$97 million was attributed to 2019-20, and the remaining \$183 million was thrown forward and attributed to 2020-21. This compares to July, 2019, estimated payments of \$37 million, of which \$28 million was thrown forward to the following fiscal year. As a result, collections in 2020-21 are enhanced by a one-time increase of approximately \$155 million. Because the thrown forward amount is not expected to reoccur, collections in 2021-22 are not similarly enhanced, and thus decline by \$155 million relative to 2020-21.

Second, year-to-date corporate audit payments in 2020-21 are \$50.5 million higher compared with the same period through December in 2019-20, which was a very strong year for audit collections. According to DOR, the sharp increase in corporate audit payments reflects economic activity from prior years and is unlikely to repeat. Thus, it is anticipated that audits will decline in 2021-22 relative to 2020-21 by \$50.0 million. Together with the thrown forward amounts, collections in 2021-22 are expected to be below the baseline compared to 2020-21 by \$205 million, prior to accounting for expected changes in economic activity.

**Public Utility Taxes.** Revenues from public utility taxes totaled \$357.2 million in 2019-20 and are estimated at \$352.0 million in 2020-21, \$359.0 million in 2021-22, and \$361.0 million in 2022-23. Year-over-year, these amounts represent a decrease of 1.5% in 2020-21, an increase of 2.0% in 2021-22, and an increase of 0.6% in 2022-23. Utilities providing electric and natural gas service represent a majority of public utility tax revenues (69% in 2019-20). In response to the COVID-19 pandemic, shifting living and working habits (as well as declining economic activity) have decreased retail sales of electricity to commercial and industrial customers by 6.2% and increased sales to residential customers by 5.1%, for a total decline of 1.8% year-over-year, according to retail electricity sales data reported by Wisconsin utilities through September 30, 2020. Payments by the next largest taxpayer group, telecommunications companies, are expected to decline over the 2021-23 biennium as the exemption enacted under 2019 Act 128 for property providing broadband internet service in rural areas begins to phase in, reducing utility tax collections by an estimated \$2.3 million in 2021-22 and \$3.6 million in 2022-23. As a result of litigation over assessment methodology, a refund totaling \$7.2 million was paid to several utilities in 2020-21. The settlement included a change in methodology that is expected to reduce future year assessed values and resulting tax collections for certain ad valorem taxpayers. Overall, utility tax collections are expected to rebound in 2021-22 and 2022-23 as economic conditions improve.

**Excise Taxes.** General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), other tobacco products, vapor products, and beer. In 2019-20, excise tax collections totaled \$679.4 million, of which \$523.5 million (77%) was from the excise tax on cigarettes. Total excise tax collections in 2019-20 represented an increase of 2.6% from the prior fiscal year, primarily driven by cigarette and tobacco tax collection increases of 1.8% and 6.8%, respectively. Excise tax revenues are estimated at \$667.5 million in 2020-21, which represents decreased revenues of 1.8%. This estimate accounts for a recent federal law that prohibits sales of cigarettes and tobacco products to individuals under the age of 21, which is expected to decrease state excise tax revenues by \$10.2 million on an annualized basis beginning in October of 2020. Excise tax revenues over the next biennium are estimated to decline by 2.1% to \$653.4 million in 2021-22 and by 0.9% to \$647.7 million in 2022-23, driven by an ongoing trend of declining cigarette consumption.

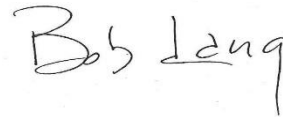
**Insurance Premiums Taxes.** Insurance premiums taxes were \$217.4 million in 2019-20. Revenues are projected to decrease to \$211.0 million in 2020-21, and increase to \$218.0 million in 2021-22 and \$226.0 million in 2022-23. It is anticipated that collections resulting from certain retaliation amendments totaling more than \$10 million last Spring may not repeat. Thus, collections in 2020-21 are forecast to decline 2.9%. The estimates are otherwise based on growth 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 \$91.8 million in 2019-20, of which 84% was generated from the real estate transfer fee. Based on the economic forecast for the housing sector, as well as collections through December, 2020, miscellaneous taxes are projected to increase to \$111.0 million in 2020-21, which represents a 20.9% increase from 2019-20 collections. As previously mentioned, this large increase is driven by elevated demand for housing due to low mortgage rates, as well as rising house prices. Housing starts and sales of new and existing houses are projected to decline starting in 2021-22. However, the continued rise in prices of existing houses is expected to slightly offset this decline until 2022-23. As a result, miscellaneous taxes are estimated to increase by 0.9% to \$112.0 million in 2021-22 and decrease by 0.9% to \$111.0 million in 2022-23.

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

Sincerely,

A handwritten signature in black ink that reads "Bob Lang". The signature is written in a cursive, slightly slanted style.

Robert Wm. Lang  
Director

RWL/lb

cc: Members, Wisconsin Legislature

## 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 VII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2020 \(2020 Annual Report\)](#), which can be obtained as described below.

The 2020 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](http://doa.wi.gov/capitalfinance)  
[wisconsinbonds.com](http://wisconsinbonds.com)

Copies of the 2020 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](mailto:DOACapitalFinanceOffice@wisconsin.gov)

After publication and filing of the 2020 Annual Report, certain changes or events have occurred that affect items discussed in Part VII of the 2020 Annual Report, specifically, (i) the Eighth Supplemental Trust Indenture to be executed in connection with the issuance of the 2021 Series A Bonds will provide that, by their acceptance of the 2021 Series A Bonds, the owners of the 2021 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 VII of the 2020 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 2012 Bonds, the 2016 Series A Bonds, the 2020 Series A Bonds, the 2021 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), which are also the Refunded Bonds.

**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).

**2021 Series A Bonds** means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2021, 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 any Swap Agreements that provide for a variable rate or rates to be paid by the State to any 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<sup>st</sup> 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, 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 1<sup>st</sup> of each year and ending on June 30<sup>th</sup> 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. The State previously established a higher maximum rate with respect to some 2003 Indenture Bonds that are no longer outstanding.

**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. There are currently no Swap Agreements under which a transaction was entered into prior to April 1, 2008 currently in effect.

**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.

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## APPENDIX C

### EXPECTED FORM OF BOND COUNSEL OPINION

*Upon delivery of the 2021 Series A Bonds, it is expected that Quarles & Brady LLP will deliver a legal opinion in substantially the following form:*

March 10, 2021

Re: \$118,745,000 State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2021, 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 January 26, 2021 (**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, a Seventh Supplemental Trust Indenture, dated as of February 1, 2020, and an Eighth Supplemental Trust Indenture, dated as of March 1, 2021 (**Eighth 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 Eighth Supplemental Indenture and to issue the Bonds.
2. The Authorizing Certification and the Eighth 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<br>Date | Principal<br>Amount | Interest<br>Rate | Maturity | CUSIP <sup>(a)</sup> | Redemption<br>Date | Redemption<br>Price |
|---------------|---------------|---------------------|------------------|----------|----------------------|--------------------|---------------------|
| 2012 Series A | 11/29/2012    | \$ 18,110,000       | 3.669%           | 5/1/2027 | 977100 CR5           | 5/1/2022           | 100%                |
|               |               | 23,735,000          | 3.769            | 5/1/2028 | 977100 CS3           | 5/1/2022           | 100                 |
|               |               | 21,320,000          | 3.869            | 5/1/2029 | 977100 CT1           | 5/1/2022           | 100                 |
|               |               | 23,835,000          | 3.939            | 5/1/2030 | 977100 CU8           | 5/1/2022           | 100                 |
|               |               | 26,615,000          | 4.019            | 5/1/2031 | 977100 CV6           | 5/1/2022           | 100                 |
|               |               | \$ 113,615,000      |                  |          |                      |                    |                     |

<sup>(a)</sup> The CUSIP number for each Refunded Bond is provided solely for convenience and has been obtained from a source the State believes to be reliable. The State makes no representation as to the correctness of the CUSIP numbers.

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