



STATE OF WISCONSIN

Notice of Listed **Material Event** #2001-10
Dated September 5, 2001

Some of the bonds listed in this Notice (the "Bonds") **are subject to the requirements of SEC Rule 15c2-12(b)(5)** regarding an agreement to provide continuing disclosure. The following constitutes a listed material event as defined by the rule.

Issuer: State of Wisconsin
General Obligation Bonds

Material Event: Rating Change—**Downgrade**

CUSIP Numbers: 977053, 977055 and 977056 Prefix (All)

Summary: Fitch, Inc. has downgraded the rating on the State's general obligation bonds from AA+ to AA. **Attached to this notice is a press release issued by Fitch, Inc.**

The current ratings for the State's Clean Water Revenue Bonds (rated AA+ by Fitch, Inc.), Petroleum Inspection Fee Revenue Bonds (rated AA-), Transportation Revenue Bonds (rated AA), and Master Lease Certificates of Participation (rated AA-) are unchanged by this action.

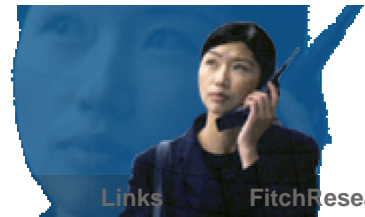
The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing Annual Reports and giving notice of Listed Material Events when notice is required by the State's Master Agreement on Continuing Disclosure.

/s/ FRANK R. HOADLEY

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Fitch Lowers Wisconsin GO Rating To `AA' From `AA+'

04 Sep 2001 3:44 PM

Fitch-NY-September 4, 2001: Fitch lowers the general obligation rating of the state of Wisconsin to `AA' from `AA+'. The action affects about \$4 billion outstanding bonds and is taken in conjunction with the offering of \$20 million general obligation bonds of 2001, series E (taxable) on September 11. Ratings on other securities of the state are not affected. The new bonds are for the veterans' mortgage loan program. They will be due Nov. 1, 2002-31 and become optionally callable beginning Nov. 1, 2011, at par; the bonds are also subject to mandatory redemption if term bonds are designated and to special redemption from unexpended bond proceeds and prepayments.

While Wisconsin's general obligation bonds are strongly secured, with debt service representing a first claim on all state revenues by a statutory irrevocable appropriation, the state's financial position has deteriorated. The budget for the 2002-03 biennium relies too strongly on non-recurring revenues, carrying forward a structural deficit. There is further risk in the potential that the economy may slow to a greater extent than expected, affecting the level of tax collections and worsening the problems.

Wisconsin saw steady growth during the 1990's, even in its manufacturing sector which nationally was declining. As a result, its financial operations were very positive, even with the strain of the assumption of two-thirds of school funding by the state. Wisconsin chose to grant considerable tax relief with its excess funds and did not build up balances for future protection. From 1999-2000 surplus a significant income tax was enacted, taking effect just as the economy weakened. Revenue estimates were lowered in January and the proposed budget for the 2002-03 biennium was balanced through securitization of a portion of the tobacco settlement to yield \$350 million, essentially deficit financing. In May revenues were again revised downward, creating more pressure. The final budget relies on an additional \$100 million from the tobacco transaction as well as using debt restructuring; non-recurring items would be greater had the governor not used his veto power.

In recent months, Wisconsin's employment growth has gradually slowed and in July, was flat. Manufacturing, compared to the same month last year was down 4.0% although other sectors grew. The unemployment rate, while still a low 4.4%, had been under 4% since 1995. Since manufacturing is the dominant sector in the state, the coming months may continue to show a negative trend.

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