OFFERING MEMORANDUM

This Offering Memorandum provides information about the State's General Obligation Extendible Municipal Commercial Paper ***(Notes)****. Some of the information appears on this cover page for ready reference. A prospective investor should read this entire Offering Memorandum to make an informed investment decision.*

STATE OF WISCONSIN

GENERAL OBLIGATION EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

Note Ratings	As of the date of this Offering Memorandum, the following rating agencies have provided these ratings on the Program or the Notes–*See page 5.* F-1+ Fitch P-1 Moody's Investors Service, Inc. A-1+ Standard & Poor's Ratings Services
Tax Exemption	Interest on the Notes is excluded from gross income and not an item of tax preference for federal income tax purposes. Interest on the Notes is subject to State of Wisconsin income and franchise taxes–*See pages 7-8*.
Original Maturity Date	From 1 to 180 days from the original issue date of each Note.
Extended Maturity Date	On the Original Maturity Date of a Note, the State has the option to extend the maturity date to the date that is 270 days after the original issue date. The option to extend the maturity date exists solely in case there is a disruption in market liquidity for the Notes–*See pages 3-5.*
Interest Payment Dates	Interest on each Note is payable on the Original Maturity Date. However, if the maturity date is extended, then interest is not payable on the Original Maturity Date but on the first Business Day of either the first or second month after the Original Maturity Date and then on a monthly basis and also on any redemption date or the Extended Maturity Date–*See pages 3-4.*
Redemption	A Note is not subject to redemption prior to its Original Maturity Date. If the maturity date is extended, a Note is then subject to redemption in whole but not in part, at the option of the State, prior to the Extended Maturity Date–*See page 5.*
Security	The Notes are general obligations of the State of Wisconsin–*See page 2.*
Rule 2a-7 Compliance	Hale and Dorr LLP has advised that the structure of the Notes is consistent with the maturity requirements of Rule 2a-7 under the Investment Company Act of 1940 and would not preclude a money market fund from determining that the Notes are eligible securities under Rule 2a-7. Each investor must make its own determination that the Notes are eligible securities–*See page 5.*
Purpose	Proceeds of the Notes will be used for various governmental purposes–*See page 2.*
Denominations	$100,000 and $1,000 increments above $100,000
Bond Counsel	Foley & Lardner
Issuing and Paying Agent	U.S. Bank Trust National Association
Issuer Contact	Wisconsin Capital Finance Office—(608) 266-2305; capfin@doa.state.wi.us
Book-Entry Form	The Depository Trust Company–*See pages 5-7.*
Annual Report	This Offering Memorandum incorporates by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001.

January 29, 2002

GOLDMAN, SACHS & CO. **MERRILL LYNCH & CO.**

This document contains the only authorized—or official—information about the offering of the Notes. This document is not an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Notes by any person in any jurisdiction where it is unlawful for the person to make the offer, solicitation, or sale. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the Notes, 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 estimates, forecasts, projections, and opinions in this document are not hard facts, and no one guarantees them. 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 Notes other than what is in this document. The information and expressions of opinion in this document may change without notice. Neither the delivery of this document nor any sale of the Notes implies that there has been no change in the other matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly included.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE NOTES

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Scott McCallum, Chairperson	January 6, 2003
Senator Fred A. Risser, Vice-Chairperson	January 3, 2005
Senator Mark Meyer	January 3, 2005
Senator Carol Roessler	January 3, 2005
Representative Timothy Hoven	January 6, 2003
Representative Jeffrey Plale	January 6, 2003
Representative Daniel Vrakas	January 6, 2003
Mr. Bryce Styza, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Members	
Mr. George Lightbourn, Secretary Department of Administration	At the pleasure of the Governor
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
Vacant, State Chief Architect Department of Administration	——
Building Commission Secretary	
Mr. Robert G. Cramer, Administrator Division of Facilities Development Department of Administration	At the pleasure of the Building Commission and Secretary of Administration

OTHER PARTICIPANTS

Mr. Jack C. Voight State Treasurer	January 6, 2003
Mr. James E. Doyle State Attorney General	January 6, 2003

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
capfin@doa.state.wi.us

Mr. Frank R. Hoadley
Capital Finance Director
(608) 266-2305
frank.hoadley@doa.state.wi.us

Mr. Lawrence K. Dallia
Assistant Capital Finance Director
(608) 267-7399
larry.dallia@doa.state.wi.us

Mr. David R. Erdman
Capital Finance Officer
(608) 267-0374
david.erdman@doa.state.wi.us

OFFERING MEMORANDUM

STATE OF WISCONSIN

GENERAL OBLIGATION
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

INTRODUCTION

This Offering Memorandum provides information about the General Obligation Extendible Municipal Commercial Paper **(Notes)** issued by the State of Wisconsin **(State)**. This Offering Memorandum includes by reference Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 (**2001 Annual Report**).

Notes were first issued on August 8, 2000 and since then have been, and are expected to be, issued at various times.

The Notes are authorized under the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes, as well as a Program Resolution for State of Wisconsin General Obligation Extendible Municipal Commercial Paper **(Program Resolution)** that the State of Wisconsin Building Commission **(Commission)** adopted on June 28, 2000 and various authorizing resolutions that the Commission has adopted from time to time **(Authorizing Resolutions)**.

The Commission, an agency of the State, is empowered by law to authorize, issue, and sell all the State's general obligations. The Commission is assisted and staffed by the State of Wisconsin Department of Administration **(Department of Administration)**.

The Commission has authorized the Department of Administration to prepare this Offering Memorandum. This Offering Memorandum contains information furnished by the State or obtained from the sources indicated.

THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 18th among the states in population and 26th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information about the State, its operations and financial condition, and its general obligations is included as APPENDIX A, which includes by reference Parts II and III of 2001 Annual Report. APPENDIX A also includes information on the current status of the State's 2001-03 biennial budget.

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

Contact:	Capital Finance Office Attn: Capital Finance Director
Phone:	(608) 266-2305
Mail:	101 East Wilson Street, FLR 10 P.O. Box 7864 Madison, WI 53707-7864
E-mail:	capfin@doa.state.wi.us

THE PROGRAM

This Offering Memorandum describes the Notes issued under the State of Wisconsin's General Obligation Extendible Municipal Commercial Paper Program (**Program**).

The State has appointed Goldman, Sachs & Co. and Merrill Lynch & Co. to serve as **Dealers** for the Notes. The State has appointed U.S. Bank Trust National Association to serve as **Issuing and Paying Agent** for the Notes.

Inquiries to the Issuing and Paying Agent may be directed to:

Contact:	U.S. Bank Trust National Association
Address:	100 Wall Street, FLR 16 New York, NY 10005
Phone:	(212) 361-2894
Telefax:	(212) 809-5459
E-mail:	roubah.fakih@usbank.com

The State has appointed The Depository Trust Company (**DTC**) to serve as securities depository **(Depository)** for the Notes.

Authorized Notes

The following summarizes the principal amounts of Notes that the State has issued, or expects to issue by February 5, 2002, the series designations, and the date of initial issuance for each series of Notes:

Series of Notes	Amount Issued	Outstanding Amount (January 27, 2002)	Date of Initial Issuance
2000 Series A	$125,000,000	$53,565,000	August 8 – November 6, 2000
2000 Series B	93,430,000	93,430,000	August 8, 2000
2000 Series C	80,390,000	80,390,000	November 16, 2000
2002 Series A	41,670,000	N/A	February 5, 2002

The Commission may adopt additional resolutions authorizing the issuance of additional Notes. All series of Notes have identical terms and provisions. The State expects to issue additional "roll-over" Notes for each series to provide payment of previously issued and maturing Notes.

Application of Proceeds

The Wisconsin Legislature has established the borrowing purposes and amounts for which public debt may be issued. APPENDIX B includes a summary of those purposes and the amounts both authorized and previously issued for each borrowing purpose. APPENDIX B also identifies the amounts of the 2002 Series A Notes being issued for each purpose.

Note proceeds will be deposited in the State's Capital Improvement Fund and will be spent as the State incurs costs for the various borrowing purposes. Until the money is spent, the State of Wisconsin Investment Board will invest the Note proceeds. See APPENDIX A.

THE NOTES

Security

The Notes are direct and general obligations of the State. The full faith, credit, and taxing power of the State are irrevocably pledged to make principal and interest payments on the Notes. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient to make principal and interest payments on the Notes. The Notes are secured equally with all other outstanding general obligations issued by the State.

Although the Notes are general obligations of the State, it is expected that the principal of the Notes will be paid from one or more of the following sources:

- Proceeds of additional Notes, sometimes referred to as "roll-over Notes", that are issued to provide payment of previously issued and maturing Notes.
- Proceeds of State general obligation bonds. The Authorizing Resolutions authorize general obligation bonds for the purpose of funding the Notes. *Such general obligation bonds can only be issued at the discretion of the State; there can be no assurance as to if or when the State will issue general obligation bonds to fund any Notes.*
- Any other money made available by the State and deposited into the Note Fund for this purpose. While the Notes are outstanding, the State expects to amortize the principal amount of Notes, based on a 10-year term and fiscal policies of the State.

The State expects to periodically deposit money into the Note Fund held by the Issuing and Paying Agent to pay interest on the Notes. See "NOTE FUND".

If payment of principal and interest does not occur on the Original Maturity Date as described above, the State has the option to extend the maturity date of a Note. The option to extend the maturity exists solely in case there is a disruption in market liquidity for the Notes and not for the purpose of gaining an interest rate advantage. See "THE NOTES; Extension of Maturity Date" for a description of the State's option to extend the maturity date.

Description of the Notes

Each Note will be dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000. Each Note will be issued in book-entry form through the book-entry system of the Depository. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed (actual/actual basis). Payment of principal of and interest on each Note will be made to the Depository and then distributed by the Depository.

Each Note will mature on its **Original Maturity Date,** which may range from 1 to 180 days from its original issue date, unless the State exercises its option to extend the maturity date. In that case the Note will mature on the **Extended Maturity Date,** which will be the date that is 270 days after its original issue date.

Each Note will bear interest from its original issue date until the Original Maturity Date at the rate determined on the original issue date, payable on the Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the date described below. If the State exercises its option to extend the maturity date of a Note, the Note will bear interest after the Original Maturity Date at the Reset Rate and payable on the dates described below.

Extension of Maturity Date

The State will notify the Issuing and Paying Agent by 12:30 p.m. (New York time) if the maturity date of a Note is to be extended. The Issuing and Paying Agent will then by 1:00 p.m. (New York time) contact DTC and provide notice that the maturity date of the Note is being extended. It is the responsibility of DTC, and not the State, to provide notice to DTC's Direct Participants. Notwithstanding the foregoing, if payment of the principal of and interest on a Note does not occur on its Original Maturity Date, the maturity of such Note shall be deemed to be extended to its Extended Maturity Date. In no event shall an extension of a maturity for a Note constitute a default or breach of any covenant in the Program Resolution or the Authorizing Resolutions.

If the maturity date of a Note is extended, accrued but unpaid interest to the Original Maturity Date will not be paid on the Original Maturity Date but will be payable on the following date (or any earlier redemption date):

(1) if the Original Maturity Date is before the 15th day of the month, interest will next be payable on the first **Business Day** of the next month (a Business Day is a day on which banks located in Madison, Wisconsin and in each of the cities that the Principal Office of the Issuing and Paying Agent and Dealers are located are not required or authorized by law or executive order to close for business and a day the New York Stock Exchange is not closed), or

(2) if the Original Maturity Date is on or after the 15th day of the month, interest will next be payable on the first Business Day of the second succeeding month after the Original Maturity Date.

For example, if the Original Maturity Date is February 14, the first interest payment will be the first Business Day of March, and if the Original Maturity Date is February 15, the first interest payment will be the first Business Day of April.

The Note will bear interest from the Original Maturity Date at the **Reset Rate**. Interest will be payable first on the date described above, the first Business Day of each month thereafter, and on any redemption date or the Extended Maturity Date.

The Reset Rate will be a rate of interest per annum determined by the following formula:

$$(1.35 \times \text{BMA}) + \text{E}$$

As used in the formula, the *BMA* variable will be The Bond Market Association Municipal Swap Index, which is calculated weekly and released each Wednesday afternoon, effective Thursday. The *E* variable will be a fixed percentage rate expressed in basis points that is determined based on the ratings assigned to the Notes **(Prevailing Ratings)**, as follows:

Prevailing Ratings			
Fitch	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services	*E* Variable
F-1+	P-1	A-1+	100 basis points
F-1	–	A-1	150
F-2	P-2	A-2	200
F-3	P-3	A-3	300
Lower than F-3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

Pursuant to the Program Resolution, if at any time any rating agency announces that a lower rating is under consideration for the Notes, then the Prevailing Rating from such rating agency will not be the rating then assigned to the Notes; rather, it will be the next lower rating of such rating agency. If the Prevailing Ratings would indicate different *E* variables as a result of split ratings assigned to the Notes, the *E* variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to a Note will be determined weekly by the Issuing and Paying Agent based on the *BMA* variable and the Prevailing Ratings as of 11:00 a.m. (New York time) on its

Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

Redemption of Notes

A Note is not subject to redemption before its Original Maturity Date. In the event the State exercises its option to extend the maturity of a Note, a Note may be redeemed on any date after its Original Maturity Date, in whole but not in part, at the option of the State at a redemption price equal to par (100%), plus accrued and unpaid interest to the redemption date.

To exercise its redemption option, the State will provide not less than 5 nor more than 25 calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent will notify DTC of the Notes to be redeemed.

Rule 2a-7 Compliance

Hale and Dorr LLP has advised that the structure of the Notes is consistent with the maturity requirements of Rule 2a-7 under the Investment Company Act of 1940 and would not preclude a money market fund from determining that the Notes are eligible securities under Rule 2a-7. Each investor must make its own determination that the Notes are eligible securities.

Ratings

At the State's request, several rating agencies have rated the Program or the Notes:

Rating	Rating Agency
F-1+	Fitch
P-1	Moody's Investors Service, Inc.
A-1+	Standard & Poor's Ratings Services

Also at the State's request, the same rating agencies have rated the State's general obligation bonds.

Rating	Rating Agency
AA	Fitch
Aa3	Moody's Investors Service, Inc.
AA(1)	Standard & Poor's Ratings Services

(1) Placed on Standard & Poor's "CreditWatch" on January 24, 2002

Any explanation of the significance of a rating may only be obtained from the rating service giving the rating. No one can offer any assurance that a rating given to the Program or the Notes will be maintained for any period of time; a rating agency may lower or withdraw the rating if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the Notes.

Acceleration Upon Default in Payment

In the event of the occurrence of any default by the State in the payment of principal of or interest on any Note on the Extended Maturity Date and the continuance of this default in payment for five Business Days, the principal sum of all Notes (together with any accrued and unpaid interest) shall become, without any notice or demand, immediately due and payable.

Book-Entry-Only Form

DTC will act as Depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered master note certificate covering the Notes has been issued and deposited with the Issuing and Paying Agent as the agent for DTC.

DTC is a “limited purpose” trust company organized under the New York Banking Law, a “banking organization” within the meaning of the same law, a member of the Federal Reserve System, 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, as amended. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**). The rules applicable to DTC and its Direct and Indirect Participants—that is, **Participants**—are on file with the Securities and Exchange Commission.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participants' records. A Beneficial Owner will not receive a written confirmation from DTC of a purchase, but a Beneficial Owner is expected to receive a written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To make the system work more smoothly, all Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; its records show only the identity of the Direct Participants to whose accounts the Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any legal requirements.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants.

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of the Participant and not of State, Issuing and Paying Agent, or DTC, subject to any legal requirements. Payment of principal and interest to DTC is the responsibility of the State or the Issuing and Paying Agent. DTC is responsible for disbursing those payments to Direct Participants. Both Direct and Indirect Participants are responsible for disbursing those payments to Beneficial Owners.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the State or the Issuing and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, note certificates are required to be printed and delivered at the State’s expense.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that happens, note certificates will be printed and delivered at the State’s expense.

The information in this section about DTC and DTC’s book-entry system has been obtained from DTC; the State takes no responsibility for its accuracy.

No one can give any assurance that DTC, Direct Participants, and Indirect Participants will promptly transfer payments or notices received with respect to the Notes. The State is not responsible for the failure of DTC, Direct Participants or Indirect Participants to transfer to the Beneficial Owner payments or notices received with respect to the Notes.

Similarly, no one can give any assurance that DTC will abide by its procedures or that its procedures will not be changed. In the event that the State designates a successor securities depository, the successor may establish different procedures.

NOTE FUND

The Program Resolution creates a **Note Fund** held by the Issuing and Paying Agent. The State may make periodic deposits into this Note Fund for payment of interest, principal, or redemption premium for the Notes. Moneys held in the Note Fund may be invested in **Permitted Investments**, which consists of direct obligations of the United States government or a money market fund consisting solely of direct obligations of the United States government. Amounts deposited in the Note Fund will be spent within a thirteen-month period beginning on the date of deposit, and amounts received from investments of moneys held in the Note Fund will be spent within a one-year period beginning on the date of receipt. The State will have no legal or equitable interest in the amounts on deposit in the Note Fund or in any proceeds of any investment of the Note Fund, except as provided in the Program Resolution.

LEGAL OPINION

Legal matters incident to the authorization, issuance, and sale of the Notes are subject to the approval of Foley & Lardner **(Bond Counsel)**. Bond Counsel will deliver an approving opinion on the date of issue of the Notes, in substantially the form shown in APPENDIX C.

As required by law, the Attorney General will examine a certified copy of all proceedings leading to issuance of the Notes. The Attorney General will deliver an opinion on the regularity and validity of the proceedings.

TAX EXEMPTION

Federal Tax Law

In the opinion of Bond Counsel, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on corporations, however, interest on the Notes is taken into account in determining adjusted current earnings.

The opinion of Bond Counsel is subject to the condition that the State comply with all requirements of the Internal Revenue Code **(Code)**, and other federal tax legislation, that must be satisfied after the Notes are issued for interest on the Notes to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to comply with each requirement to the extent it may lawfully do so. Any failure to comply may cause interest on the Notes to be includable in gross income for federal income tax purposes, in some cases starting from the date the Notes were issued. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes. The proceedings authorizing the Notes do not provide for an increase in interest rates or a redemption of the Notes in the event of taxability.

The Code contains other provisions that could affect the economic value of the Notes to particular Note owners. The following are some examples:

- Section 265 of the Code denies a deduction for interest on any indebtedness incurred or continued to purchase or carry the Notes or, in the case of financial institutions, that portion of an owner's interest expense allocable to interest on the Notes.
- Property and casualty insurance companies will be required in each taxable year to reduce the amount of their deductible losses by 15% of the amount of tax-exempt interest received or accrued during such taxable year, including interest on the Notes, and life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest.
- Interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code.
- Passive investment income, including interest on the Notes, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation is passive investment income.
- Section 86 of the Code requires certain recipients of social security and railroad retirement benefits to include a portion of such benefits in gross income by reason of receipt or accrual of interest on the Notes.

This discussion does not exhaust the collateral tax consequences arising from ownership of the Notes. There may be other provisions of the Code that could adversely affect the value of an investment in the Notes for particular Note owners. Investors should consult their own tax advisors regarding the tax consequences of owning a Note.

State Tax Law

Interest on the Notes is subject to State of Wisconsin income and franchise taxes. Prospective investors should consult their own tax advisors regarding the state and local tax consequences of owning a Note.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Notes, to provide an annual report, presenting certain financial information and operating data about the State **(Annual Reports)**. By approximately December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository **(NRMSIR)** and to any state information depository **(SID)**. The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board **(MSRB)**, and to any SID. As of the date of this Offering Memorandum, no SID has been established. Part I of the 2001 Annual Report, which contains information on the undertaking, is included by reference as part of this Offering Memorandum.

Copies of the Annual Reports and notices may be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
capfin@doa.state.wi.us

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

Certain provisions of the Program Resolution have been summarized in this Offering Memorandum. Reference should be made to the complete Program Resolution for a full and complete statement of the provisions of the Program Resolution. A copy of the Program Resolution may be obtained by contacting the State at the address provided on page 1 of this Offering Memorandum.

Dated: January 29, 2002

STATE OF WISCONSIN

/s/ SCOTT MCCALLUM
Governor Scott McCallum, Chairperson
State of Wisconsin Building Commission

/s/ GEORGE LIGHTBOURN
George Lightbourn, Secretary
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER
Robert G. Cramer, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin **(State)**. Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 **(2001 Annual Report)** are included by reference as part of this APPENDIX A. This appendix includes the current status of the State's 2001-03 biennial budget and a correction to actual 2000-01 fiscal year revenues and expenditures presented in Tables II-11 and II-12 of the 2001 Annual Report.

Part II to the 2001 Annual Report contains general information about the State. More specifically, that part presents information on the following matters:

- State's operations and financial procedures
- State's accounting and financial reporting
- Organization of, and services provided by, the State
- Results of fiscal year 2000-01
- State budget
- Obligations of the State
- State Investment Board
- Statistical information about the State's population, income, and employment

Included as APPENDIX A to Part II of the 2001 Annual Report are the audited general purpose financial statements for the fiscal year ending June 30, 2001, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Government Accounting Standards Board, and the State Auditor's report.

Part III to the 2001 Annual Report contains information concerning general obligations issued by the State. That part presents a discussion of the security provisions for general obligation debt (including the flow of funds to pay debt service on general obligations), data pertaining to the State's outstanding general obligation debt, and the portion of that general obligation debt that is revenue-supported general obligation debt.

The 2001 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. Copies of the 2001 Annual Report are available from the Capital Finance Office web site and may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
capfin@doa.state.wi.us

As of the date of this Offering Memorandum, Parts II and III of the 2001 Annual Report are available from the Capital Finance Office web site at the following addresses, respectively:

www.doa.state.wi.us/debf/capfin/01dis2.pdf
www.doa.state.wi.us/debf/capfin/01dis3.pdf

After publication and filing of the 2001 Annual Report, certain changes or events have occurred that affect items discussed in the 2001 Annual Report. Listed below, by reference to particular sections of the 2001 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes have not been filed with the NRMSIRs. However, the State has filed, and expects to continue to file, certain informational notices with the NRMSIRs. These informational notices do not constitute listed material events under the State's Master Agreement on Continuing Disclosure.

State Budget; Budget for 2001-03; *Current Budget Status* (Part II–Page 26). Update with the following:

Revised Revenue Estimates – January 16, 2002

On January 16, 2002, the Legislative Fiscal Bureau provided revised estimates of general-fund revenues and gross ending balances for the 2001-02 and 2002-03 fiscal years, taking into account economic forecasts and actual tax collections and expenditures. The memorandum from the Legislative Fiscal Bureau that contains these revised revenues appears on pages A-6 to A-16 of this Offering Memorandum. The revised estimates show the following differences from estimates used in the 2001-03 biennial budget:

- 2001-02 general-fund tax revenues are now estimated to be $443 million lower at $10.218 billion.
- 2002-03 general-fund tax revenues are now estimated to be $596 million lower at $10.535 billion.
- 2001-03 departmental revenues (non-tax receipts) are now estimated to be $10 million lower.
- 2001-03 net expenditures are now estimated to be $25 million lower.

As a result of these revisions, the estimated gross balance for June 30, 2002 (before taking into account the statutory reserve) is estimated to be negative $126 million, which is $401 million less than the amount in the 2001-02 budget. The estimated gross balance for June 30, 2003 (before taking into account the statutory reserve) is estimated to be negative $975 million, which is $1.015 billion less than the amount in the 2002-03 budget.

State Budget (Part II–Pages 25-28). Add the following new section:

Budget Reform Bill for 2001-03

On January 18, 2002, the Secretary of Administration made the determination that 2001-03 biennial budget expenditures will exceed revenues by more than one-half of one percent of general-purpose revenues. As required by law, on January 22, 2002 the Governor presented to the Legislature a budget reform bill for the 2001-03 biennium. As of this date, the proposed budget reform bill has not been introduced in either the Assembly or Senate. It is expected that differing views of the actions that may be taken to correct the imbalance and the consequences of those actions will be expressed throughout the upcoming legislative proceedings.

The tables on page A-3 summarize this proposed budget reform bill for each fiscal year on a general-fund basis and all-funds basis. The tables on page A-4 and A-5 provide a more detailed summary of this proposed budget reform bill. Additional information can be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
capfin@doa.state.wi.us

Proposed Budget Reform Bill
General-Fund Basis
(Amounts in Millions)

	2001-02 Budget	2001-02 Budget Reform Bill	2002-03 Budget	2002-03 Budget Reform Bill
Beginning Balance	$ 198	$ 208	$ 275	$ 151
Tax Revenues	10,661	10,210	11,131	10,510
Tobacco Securitization Proceeds	450	450	n/a	n/a
Tobacco Settlement Payments	155	155	158	158
Nontax Revenues	8,010	8,016	8,112	8,133
Total Amount Available	$19,474	$19,039	$19,676	$18,952
Total Disbursements/Reserves[(a)]	$19,199	$18,888	$19,636	$18,809
Estimated Gross Balance	$ 275	$ 151	$ 40	$ 143
Required Statutory Reserve	138	138	143	133
Net Balance	$ 137	$ 13	$ (103)[(b)]	$ 10

(a) The proposed budget reform bill uses additional tobacco securitization proceeds to create a lapse to the general fund in the 2001-02 fiscal year ($200 million) and to fund a portion of the shared revenue payment to local governmental units in the 2002-03 fiscal year ($380 million). These amounts do not appear in this line due to their budgetary and accounting treatment.

(b) One of the Governor's vetoes of the 2001-03 biennial budget prevented the shift of a school aid payment of $115 million from June 2003 to July 2003 to avoid an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the gross balance is positive

Proposed Budget Reform Bill
All-Funds Basis
(Amounts in Millions)

	2001-02 Budget	2001-02 Budget Reform Bill	2002-03 Budget	2002-03 Budget Reform Bill
Beginning Balance	$ 198	$ 208	$ 275	$ 151
Tax Revenues	10,661	10,210	11,131	10,510
Tobacco Securitization Proceeds	450	450	n/a	n/a
Tobacco Settlement Payments	155	155	158	158
Nontax Revenues	19,898	19,905	20,038	20,058
Total Amount Available	$31,363	$30,927	$31,601	$30,877
Total Disbursements/Reserves[(a)]	$31,088	$30,776	$31,561	$30,734
Estimated Gross Balance	$ 275	$ 151	$ 40	$ 143
Required Statutory Reserve	138	138	143	133
Net Balance	$ 137	$ 13	$ (103)[(a)]	$ 10

(a) The proposed budget reform bill uses additional tobacco securitization proceeds to create a lapse to the general fund in the 2001-02 fiscal year ($200 million) and to fund a portion of the shared revenue payment to local governmental units in the 2002-03 fiscal year ($380 million). These amounts do not appear in this line due to their budgetary and accounting treatment.

(b) One of the Governor's vetoes of the 2001-03 biennial budget prevented the shift of a school aid payment of $115 million from June 2003 to July 2003 to avoid an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the gross balance is positive

Table II-5; State Budget–All Funds (Page 27). Update the table with the following:

	Actual 2000-2001 [b]	Budget 2001-2002	Budget 2002-2003	Proposed Budget Reform Bill 2001-2002	Proposed Budget Reform Bill 2002-2003
RECEIPTS					
Fund Balance from Prior Year	$ 835,714,000	$ 197,829,200 [c]	$ 275,402,200	$ 207,508,000	$ 151,414,000
Tax Revenue					
Individual Income	5,156,565,000	5,455,527,500	5,687,055,500	5,211,800,000	5,311,500,000
General Sales and Use	3,609,895,000	3,750,575,400	3,975,136,000	3,680,000,000	3,830,000,000
Corporate Franchise and Income	537,159,000	594,197,100	606,318,500	479,700,000	529,100,000
Public Utility	239,238,000	244,000,000	249,977,500	253,700,000	257,400,000
Excise					
Cigarette/Tobacco Products	254,867,000	314,900,000 [d]	322,850,000 [d]	310,350,000 [d]	320,050,000 [d]
Liquor and Wine	35,543,000	35,900,000	36,800,000	35,100,000	36,200,000
Malt Beverage	9,365,000	9,500,000	9,500,000	9,400,000	9,400,000
Inheritance, Estate & Gift	77,084,000	110,000,000	91,000,000	85,000,000	67,000,000
Insurance Company	89,042,000	90,000,000	92,000,000	87,000,000	90,000,000
Other	1,089,472,000	56,600,000 [e]	60,300,000 [e]	57,600,000 [e]	59,600,000 [e]
Subtotal	11,098,230,000	10,661,200,000	11,130,937,500	10,209,650,000	10,510,250,000
Nontax Revenue					
Departmental Revenue					
Tobacco Settlement	124,389,000	155,526,000	157,602,800	155,526,000	157,602,800
Tobacco Securitization	NA	450,000,000	NA	450,000,000	NA
Other	226,993,000	228,159,800	205,922,300	234,690,000	226,478,900
Total Federal Aids	5,499,440,000	5,480,779,400	5,569,179,100	5,480,779,400	5,569,179,100
Total Program Revenue	3,382,374,000	3,017,256,400	3,081,343,100	3,017,256,400	3,081,343,100
Total Segregated Funds	3,998,487,000	3,210,905,000	2,908,494,600	3,210,905,000	2,908,494,600
Bond Authority	1,012,419,000	500,000,000	383,000,000	500,000,000	383,000,000
Employee Benefit Contributions [f]	(3,065,828,000)	7,461,324,917	7,889,603,973	7,461,324,917	7,889,603,973
Subtotal	11,178,274,000	20,503,951,517	20,195,145,873	20,510,481,717	20,215,702,473
Total Available	$ 23,112,218,000	$ 31,362,980,717	$ 31,601,485,573	$ 30,927,639,717	$ 30,877,366,473
DISBURSEMENTS AND RESERVES					
Commerce	$ 450,530,000	$ 424,005,100	$ 424,913,400	422,056,800	420,135,100
Education	8,673,626,000	8,705,842,100	8,992,452,100	8,696,761,200	8,923,788,000
Environmental Resources	2,805,522,000	2,681,682,500	2,693,527,500	2,683,975,200	2,690,375,600
Human Relations and Resources	8,597,677,000	7,795,217,500	8,050,009,400	7,757,717,000	8,024,982,200
General Executive	4,360,894,000	770,231,300	769,646,400	768,807,700	761,690,800
Judicial	109,019,000	105,252,300	105,622,700	103,756,300	103,601,700
Legislative	62,220,000	63,818,500	63,112,500	59,636,100	58,031,400
General Appropriations	3,108,270,000	2,695,544,400	2,269,025,800	2,702,542,100	1,546,774,200 [g]
General Obligation Bond Program	583,078,000	500,000,000	383,000,000	500,000,000	383,000,000
Employee Benefit Payments [f]	2,655,528,000	3,377,515,809	3,830,081,149	3,377,515,809	3,830,081,149
Reserve for Employee Benefit Payments [f]	0	4,083,809,108	4,059,522,824	4,083,809,108	4,059,522,824
Subtotal	31,406,364,000	31,202,918,617	31,640,913,773	31,156,577,317	30,801,982,973
Less: (Lapses)	NA	(149,272,400)	(177,409,300)	(414,283,900) [h]	(165,146,000)
Compensation Reserves	NA	27,900,000	82,500,000	27,900,000	82,500,000
Required Statutory Balance	NA	138,726,600	142,701,500	138,170,500	132,634,300
Transfer to Tobacco Control Board	NA	6,032,300	15,345,100	6,032,300	15,345,100
Change in Continuing Balance	(8,511,569,000)	NA	NA	NA	NA
Total Disbursements & Reserves	$ 22,894,795,000	$ 31,226,305,117	$ 31,704,051,073	$ 30,914,396,217	$ 30,867,316,373
Fund Balance	$ 217,423,000	$ 136,675,600	$ (102,565,500) [i]	$ 13,243,500	$ 10,050,100
Undesignated Balance	$ 207,508,000	$ 275,402,200	$ 40,136,000	$ 151,414,000	$ 142,684,400

(a) The amounts shown are based on statutorily required accounting and not on GAAP.

(b) The amounts shown are unaudited and rounded to the nearest thousand.

(c) The beginning balance for the 2000-2001 fiscal year represents information when the budget became law.

(d) The increase is the result of an $0.18 per pack increase on cigarettes.

(e) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected $827 million of motor fuel taxes in the 2000-2001 fiscal year.

(f) State law separates the accounting of employee benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables II-1 and II-2 in the 2001 Annual Report.

(g) The reduction results primarily from the reduction of shared revenue payment to local governmental units. Additional tobacco securitization proceeds in the amount of $380 million are also used to fund a portion of this shared revenue payment to local governmental units.

(h) The increase results primarily from the use of $200 million of tobacco securitization proceeds to make debt service payments on general obligation issues.

(i) One of the Governor's vetoes prevented the shift of a school aid payment of $115 million from June 2003 to July 2003 to avoid an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the Undesignated Balance is positive.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Table II-6; State Budget–General Fund (Page 28). Update the table with the following:

	Actual 2000-2001 [b]	Budget 2001-2002	Budget 2002-2003	Proposed Budget Reform Bill 2001-2002	Proposed Budget Reform Bill 2002-2003
RECEIPTS					
Fund Balance from Prior Year	$ 835,714,000	$ 197,829,200 [c]	$ 275,402,200	$ 207,508,000	$ 151,414,000
Tax Revenue					
State Taxes Deposited to General Fund					
Individual Income	5,156,565,000	5,455,527,500	5,687,055,500	5,211,800,000	5,311,500,000
General Sales and Use	3,609,895,000	3,750,575,400	3,975,136,000	3,680,000,000	3,830,000,000
Corporate Franchise and Income	537,159,000	594,197,100	606,318,500	479,700,000	529,100,000
Public Utility	239,238,000	244,000,000	249,977,500	253,700,000	257,400,000
Excise					
Cigarette/Tobacco Products	254,867,000	314,900,000 [d]	322,850,000 [d]	310,350,000 [d]	320,050,000 [d]
Liquor and Wine	35,543,000	35,900,000	36,800,000	35,100,000	36,200,000
Malt Beverage	9,365,000	9,500,000	9,500,000	9,400,000	9,400,000
Inheritance, Estate & Gift	77,084,000	110,000,000	91,000,000	85,000,000	67,000,000
Insurance Company	89,042,000	90,000,000	92,000,000	87,000,000	90,000,000
Other	70,573,000	56,600,000	60,300,000	57,600,000	59,600,000
Subtotal	10,079,331,000	10,661,200,000	11,130,937,500	10,209,650,000	10,510,250,000
Nontax Revenue					
Departmental Revenue					
Tobacco Settlement	124,389,000	155,526,000	157,602,800	155,526,000	157,602,800
Tobacco Securitization	NA	450,000,000	NA	450,000,000	NA
Other	226,993,000	228,159,800	205,922,300	234,690,000	226,478,900
Program Revenue-Federal	5,472,647,000	4,764,099,400	4,824,834,300	4,764,099,400	4,824,834,300
Program Revenue-Other	3,382,374,000	3,017,256,400	3,081,343,100	3,017,256,400	3,081,343,100
Subtotal	9,206,403,000	8,615,041,600	8,269,702,500	8,621,571,800	8,290,259,100
Total Available	$ 20,121,448,000	$ 19,474,070,800	$ 19,676,042,200	$ 19,038,729,800	$ 18,951,923,100
DISBURSEMENTS AND RESERVES					
Commerce	$ 221,297,000	$ 229,323,700	$ 234,907,900	227,375,400	230,129,600
Education	8,353,243,000	8,637,401,400	8,920,102,400	8,628,320,500	8,851,438,300
Environmental Resources	272,918,000	254,440,800	262,716,600	256,733,500	259,564,700
Human Relations and Resources	7,287,626,000	7,441,989,600	7,520,124,900	7,404,489,100	7,495,097,700
General Executive	651,970,000	635,922,900	636,185,000	634,499,300	628,229,400
Judicial	108,676,000	104,543,200	104,913,600	103,047,200	102,892,600
Legislative	62,220,000	63,818,500	63,112,500	59,636,100	58,031,400
General Appropriations	2,490,467,000	1,946,568,600	1,973,407,500	1,953,566,300	1,251,155,900 [e]
Subtotal	19,448,417,000	19,314,008,700	19,715,470,400	19,267,667,400	18,876,539,600
Less: (Lapses)	NA	(149,272,400)	(177,409,300)	(414,283,900) [f]	(165,146,000)
Compensation Reserves	NA	27,900,000	82,500,000	27,900,000	82,500,000
Required Statutory Balance	NA	138,726,600	142,701,500	138,170,500	132,634,300
Transfer to Tobacco Control Board	NA	6,032,300	15,345,100	6,032,300	15,345,100
Changes in Continuing Balance	455,608,000	NA	NA	NA	NA
Total Disbursements & Reserves	$ 19,904,025,000	$ 19,337,395,200	$ 19,778,607,700	$ 19,025,486,300	$ 18,941,873,000
Fund Balance	$ 217,423,000	$ 136,675,600	$ (102,565,500) [g]	$ 13,243,500	$ 10,050,100
Undesignated Balance	$ 207,508,000	$ 275,402,200	$ 40,136,000	$ 151,414,000	$ 142,684,400

(a) The amounts shown are based on statutorily required accounting and not on GAAP.
(b) The amounts shown are unaudited and rounded to the nearest thousand.
(c) The beginning balance for the 2000-2001 fiscal year represents information when the budget became law.
(d) The increase is the result of an $0.18 per pack increase on cigarettes.
(e) The reduction results primarily from the reduction of shared revenue payment to local governmental units. Additional tobacco securitization proceeds in the amount of $380 million are also used to fund a portion of this shared revenue payment to local governmental units
(f) The increase results primarily from the use of $200 milion of tobacco securitization proceeds to make debt service payments on general obligation issues.
(g) One of the Governor's vetoes prevented the shift of a school aid payment of $115 million from June 2003 to July 2003 to avoid an increase in the State's GAAP deficit. This negative fund balance assumes that the Legislature's Joint Committee on Finance opts to make this payment when it sets the fiscal year 2002-2003 school aid funding level in June 2002. The budget meets the constitutional balance requirement because the Undesignated balance is positive.

Sources: Legislative Fiscal Bureau and Wisconsin Department of Administration.

Legislative Fiscal Bureau

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State of Wisconsin

January 16, 2002

Representative John Gard, Assembly Chair
Senator Brian Burke, Senate Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Representative Gard and Senator Burke:

This office has now completed its review of the status of the state's general fund for the remainder of the 2001-03 biennium. Our analysis includes an examination of economic forecasts and tax collection and expenditure data for the first six months of the current fiscal year.

Based upon our review, we now project the closing, gross general fund balance at the end of the biennium to be -$974.5 million. This is $1,024.3 million below the level ($49.8 million) that was indicated upon enactment of the state's 2001-03 biennial budget (2001 Act 16).

The $1,024.3 million is the result of decreased estimated tax collections of $1,039.2 million, a decrease of $9.7 million in departmental revenues and an estimated decrease in net expenditures (sum sufficient appropriations and lapses) of $24.6 million.

In addition to the projected gross general fund deficit of -$974.5 million, provisions of Act 16, as partially vetoed, require that the state maintain a statutory balance of $142.8 million. Thus, to address the projected deficit and maintain the required statutory balance, the general fund will need to be improved by $1,117.3 million.

The following table reflects the estimated general fund condition statement which incorporates our revenue and expenditure projections.

TABLE 1

2001-03 General Fund Condition Statement

	2001-02	2002-03
Revenues		
Opening Balance, July 1	$207,508,000	-$125,867,400
Estimated Taxes	10,218,200,000	10,534,700,000
Departmental Revenues		
Tobacco Settlement	155,526,000	157,602,800
Tobacco Securitization	450,000,000	0
Other	218,904,900	205,452,800
Total Available	$11,250,138,900	$10,771,888,200
Appropriations, Transfers and Reserves		
Gross Appropriations	$11,534,187,200	$11,809,293,000**
Sum Sufficient Reestimates	17,290,300	10,485,900
Compensation Reserves	27,900,000	82,500,000
Transfer to Tobacco Control Fund	6,032,300	15,345,100
Less Estimated Lapses	-209,403,500	-171,230,800
Net Appropriations	$11,376,006,300	$11,746,393,200
Balances		
Gross Balance	-$125,867,400	-$974,505,000
Less Required Statutory Balance*	-138,952,500	-142,827,300
Net Balance, June 30	-$264,819,900	-$1,117,332,300

*The statutes do not specify a required balance for 2001-02. The $138.9 million figure shown for 2001-02 is 1.2% of gross appropriations and compensation reserves. Although not required by statute, the 1.2% calculation was used in condition statements during 2001-03 budget deliberations. 2001 Act 16 requires a balance of 1.2% of gross appropriations and compensation reserves for 2002-03.

**Assumes that the $115 million of general school aid that would have been paid in 2003-04 under Enrolled SB 55 (the 2001-03 budget adopted by the Legislature) will be paid in 2002-03 because of a veto of the $115 million payment delay.

General Fund Taxes

The following section provides information on general fund tax revenues for the 2001-03 biennium, including a discussion of the national economic forecast for 2001 through 2003 and general fund tax revenue projections for 2001-02 and 2002-03.

National Economic Forecast. This office first prepared revenue estimates for the 2001-03 biennium in January, 2001, based on the January, 2001, forecast of the economy prepared by Standard & Poor's Data Resources, Inc. (DRI). At that time, no recession was forecast. Positive economic growth was expected to continue in 2001, although at a lower rate than in recent years, followed by a rebound in growth in 2002 and 2003. It was believed that the primary risk to the forecast was that corporate earnings would continue to be depressed by high energy prices, deteriorating global competitiveness and reduced sales, in which case a bear market, lower household wealth and reduced consumer spending could lead to a recession in 2001. DRI placed the probability of this sequence of events at 40%.

In May, 2001, this office revised its 2001-03 tax collections estimates downward by 2.2%. The revision was based on 2000-01 general fund tax collections through April, 2001, and on revised national economic forecasts that were less favorable than those at the start of the year. The May, 2001, U.S. economic forecast prepared by DRI-WEFA (a subsidiary of Global Insight, Inc. that was formed by integrating DRI and Wharton Econometric Forecasting Associates) reported growth in nominal gross domestic product (GDP) in 2000 of 7.1% and projected increases of 4.4% in 2001, 4.5% in 2002 and 5.8% in 2003. The May forecast was for lower growth rates for each year, as compared to the January, 2001, forecast. Other indicators (including real GDP, personal income, consumption and corporate profits) were also generally lower in the May forecast, while unemployment and inflation were generally higher. As in the January, 2001, forecast, DRI assigned a 40% probability that a recession would occur in 2001.

By July, 2001, the forecasts for growth during 2001 were again being revised downward. That trend accelerated in the aftermath of the terrorist attacks on September 11. On November 26, 2001, the National Bureau of Economic Research (NBER), a non-profit research organization that tracks dates of business cycles, officially declared that the expansion was over and that the economy was in a recession. NBER placed the start of the recession in March, 2001. The debate over whether or not there would be a recession was replaced with the question of how long and severe the downturn would be.

The January, 2002, forecast by DRI-WEFA anticipates that the first quarter of 2002 will see the bottom of the recession, with gradually accelerating growth during the rest of the year, followed by relatively strong growth in 2003. However, as compared to the May forecast, economic activity is expected to be significantly weaker throughout the forecast period, especially in 2002. Growth in nominal GDP is expected to be 3.3% in 2001, 1.9% in 2002 and 6.0% in 2003 (as compared to the May figures of 4.4% in 2001, 4.5% in 2002 and 5.8% in 2003). Growth in real GDP is projected at 1.0% in 2001, 0.6% in 2002 and 3.7% in 2003, in contrast to the May, 2001, forecast of 2.0%, 2.4% and 4.0% growth for the same periods, respectively.

Under the current forecast, personal income is projected to grow at rates of 4.8% in 2001, 2.2% in 2002 and 5.2% in 2003. The estimate for 2001 is slightly higher (0.2%) than the May forecast. However, growth for the next two years is lower than the May forecast, by 2.2% in 2002 and by 0.5% in 2003. The low personal income growth in 2002 reflects the significant job losses that have already occurred as well as anticipated future layoffs. However, there are signs that the worst of the job losses may be nearing an end. The average workweek increased in December, and initial claims of unemployment have been trending downward. It is anticipated that employment will stop falling in early 2002 and then slowly recover during the rest of this year and into the next. This improvement is reflected in the personal income growth rate projected in 2003, which exceeds the projected rate in 2002 by 3.0%.

The January forecast assumes growth in personal consumption expenditures of 4.8% in 2001, 2.3% in 2002 and 6.1% in 2003. These growth rates are lower than the May forecast by 0.5% in 2001 and 2.6% in 2002, but exceed the May forecast for 2003 by 0.4%. Following a slow holiday season for retailers, DRI-WEFA expects consumer demand to remain sluggish going into 2002. On the positive side, taxes have been cut, energy prices are down and interest costs are lower, raising household disposable income. However, unemployment has risen and layoffs are continuing. Mortgage interest rates have recently gone up. The decreased use of zero-percent financing on new vehicles, which led to strong consumer spending in the fourth quarter of 2001, will bring a downturn in automobile sales at the start of 2002. Given these factors, DRI-WEFA expects a drop in real consumer expenditures in the first quarter of 2002. While it is projected that recovery in consumer markets will be underway in the spring, the outlook changes when considering only consumer goods that are generally subject to the sales tax. Sales of such taxable goods are expected to decline by approximately 1.0% for the entire first six months of 2002, with only slow growth throughout the second half of the year.

Pre-tax corporate profits are expected to decline 16.2% in 2001, followed by growth of 2.6% in 2002 and 11.8% in 2003. The estimates for 2001 and 2002 are significantly lower than the May forecast (which was -5.0% in 2001 and 5.3% in 2002), reflecting weakness in trade and business investment. Industrial production fell in 13 of the last 14 months, as consumer demand weakened and inventory liquidation occurred. Continued declines in nonresidential construction are projected throughout 2002 and into the first quarter of 2003. However, it is expected that businesses will soon start rebuilding inventories (which DRI-WEFA estimates will begin in the first quarter of 2002). Investments in equipment and software are expected to show positive growth by the third quarter of the year, with investments in structures recovering in the fourth quarter. It is anticipated that these influences will help pre-tax corporate profits rebound in 2003 with growth that is 5% higher than the 6.8% rate projected in May.

Inflation is expected to remain relatively low. The consumer price index is estimated at 2.9% for 2001, 1.9% in 2002 and 2.6% in 2003. The estimates are slightly lower for 2001 and 2002, by 0.4% and 0.1%, respectively, and 1.0% higher for 2003 than the May projections. The unemployment rate is projected at 4.8% in 2001, 6.2% in 2002 and 5.9% in 2003. The estimates for 2002 and 2003 exceed the May projections by 0.6% in 2002 and 0.3% in 2003. The jobless rate is expected to peak in the summer of 2002.

DRI-WEFA anticipates that the magnitude of both the economic downturn and the recovery will be relatively modest. Under the baseline forecast, it is assumed that the bottom of the recession will occur during the first quarter of 2002. The peak-to-trough decline in real GDP is estimated at 0.6%, which is relatively small compared to past recessions. It is expected that the federal tax cuts approved before the terrorist attacks, the increased federal spending on education, security, defense and intelligence approved after September 11 and monetary policy that has enhanced liquidity and kept interest rates low will all aid in the economic turn-around. The forecast also assumes a reversal in business inventory liquidation, which has been underway since February, 2001, starting in the first quarter of 2002. In addition, DRI-WEFA projects that expenditures on travel and leisure activities will rebound as the impact of September 11 begins to fade.

The major risks to the forecast are for a more protracted downturn in investment, resulting in additional layoffs and inventory liquidation, and that federal spending will not be able to be ramped up as quickly as is expected. A deeper U.S. recession could also aggravate the global recession and cause already sliding U.S. exports to fall further. Under this scenario, DRI-WEFA assumes that the beginning of the recovery would be pushed back until summer and would follow a deeper drop in real GDP than is assumed under the baseline forecast. The forecast assigns a probability of 30% to this scenario. An additional significant risk is that consumer and business confidence could be shaken by further terrorist attacks or other negative developments in the war on terrorism.

Table 2 shows a summary of national economic indicators drawn from the January, 2002, forecast by DRI-WEFA.

TABLE 2

Summary of National Economic Indicators
DRI-WEFA, January, 2002
($ in Billions)

	2000	2001	2002	2003
Nominal Gross Domestic Product	$9,872.9	$10,196.5	$10,387.1	$11,007.0
% Change	6.5%	3.3%	1.9%	6.0%
Real Gross Domestic Product	$9,224.0	$9,319.2	$9,374.4	$9,721.2
% Change	4.1%	1.0%	0.6%	3.7%
Consumer Price Index	3.4%	2.9%	1.9%	2.6%
Personal Income	$8,319.2	$8,720.5	$8,910.5	$9,374.3
% Change	7.0%	4.8%	2.2%	5.2%
Personal Consumption Expenditures	$6,728.4	$7,050.3	$7,213.4	$7,650.9
% Change	7.7%	4.8%	2.3%	6.1%
Pre-Tax Corporate Profits	$845.4	$708.2	$726.8	$812.2
% Change	2.7%	-16.2%	2.6%	11.8%
Unemployment Rate	4.0%	4.8%	6.2%	5.9%

General Fund Tax Projections. Our estimates of general fund tax revenues for the 2001-03 biennium are based on tax collections to date and the January, 2002, DRI-WEFA forecast of national economic growth. In addition, all of the tax law changes adopted by the Legislature in Act 16 are reflected in these estimates. Projections of general fund tax collections for the 2001-03 biennium are shown in Table 3.

TABLE 3

Projected General Fund Tax Collections
($ in Millions)

Source	2000-01 Tax Collections	Budget Estimates (Act 16) 2001-02	Budget Estimates (Act 16) 2002-03	Revised Estimates January, 2002 2001-02	Revised Estimates January, 2002 2002-03
Individual Income	$5,156.5	$5,455.5	$5,687.1	$5,220.0	$5,330.0
General Sales and Use	3,609.9	3,750.6	3,975.1	3,680.0	3,830.0
Corporate Income & Franchise	537.2	594.2	606.3	480.0	535.0
Public Utility	239.2	244.0	250.0	253.7	257.4
Excise					
Cigarette	243.5	300.4	306.6	296.4	304.6
Liquor and Wine	35.5	35.9	36.8	35.1	36.2
Beer	9.4	9.5	9.5	9.4	9.4
Tobacco Products	11.4	14.5	16.2	14.0	15.5
Insurance Company	89.0	90.0	92.0	87.0	90.0
Estate	77.1	110.0	91.0	85.0	67.0
Miscellaneous Taxes	54.7	56.6	60.3	57.6	59.6
TOTAL	$10,063.4	$10,661.2	$11,130.9	$10,218.2	$10,534.7
Increase Over Prior Year					
Amount		$597.8	$469.7	$154.8	$316.5
Percent		5.9%	4.4%	1.5%	3.1%

As shown in Table 3, general fund tax revenues are estimated to total $10,218.2 million in 2001-02 and $10,534.7 million in 2002-03. These amounts are lower than the estimates used in Act 16 by $443.0 million in the first year and $596.2 million in the second year of the biennium. Individual income taxes, sales taxes, corporate taxes and estate taxes have all been revised downward significantly, based on recent collections data and the new economic forecast, while utility tax estimates are slightly higher. Small decreases are projected for most of the other tax sources.

Revised General Fund Tax Estimates

Individual Income Tax. The current estimates of individual income tax collections are $5,220.0 million in 2001-02 and $5,330.0 million in 2002-03, which are lower than the estimates used in Act 16 by $235.5 million in 2001-02 and $357.1 million in 2002-03. Compared to prior years, the revised estimates reflect growth of 1.2% in 2001-02 and 2.1% in 2002-03. The decreases in the estimates compared to Act 16 are due to the fact that the economy is now in a recession, which was not expected under the May forecast. As noted, the current DRI-WEFA forecast of national personal income growth is 4.8% for 2001, 2.2% for 2001 and 5.2% for 2003. The earlier estimates were based on the May, 2001, forecast of personal income growth of 4.6% for 2001, 4.3% for 2002 and 5.7% for 2003. The current forecast projects that a higher proportion of personal income will come from transfer payments (such as social security, public assistance and unemployment benefits) than was projected in May. Transfer payments are generally nontaxable. The reestimates reflect both the lower growth expected in personal income and the shift toward more transfer payments.

Through December, 2001, income tax collections were 1.4% higher ($30.7 million) than at the same time last year. Withholding payments, which make up the largest source of income tax revenues, have increased by 3.1% since last year (although the Department of Revenue believes that some of this growth is a matter of faster receipt of withholding payments as a result of the electronic funds transfer system that more employers are using to remit such payments). On the other hand, estimated tax payments, which reflect non-wage incomes, are 5.1% lower than at this time last year. In addition to economic factors, the slow growth in 2001-02 also reflects the final phase of implementing the income tax reductions adopted in the 1999-01 biennial budget (1999 Act 9).

The estimates of individual income taxes do not reflect a reduction that would occur in 2002-03 if the State of Minnesota were to withdraw from the income tax reciprocity agreement it has with the State of Wisconsin. Under the agreement, taxpayers who live in one of the two states and work in the other state are only required to file a return and pay taxes in the state of legal residence. As a result, Wisconsin foregoes tax revenue from residents of Minnesota who work here and Minnesota foregoes tax revenue from Wisconsin residents who work in Minnesota. On an annual basis, in December, Wisconsin reimburses Minnesota for the estimated amount of net foregone tax revenues to Minnesota in the prior year (which results in large part because more people live in Wisconsin and work in Minnesota than vice versa, so Minnesota loses more tax revenue by not collecting it directly from Wisconsin residents). The income tax reciprocity agreement is open-ended and may be unilaterally terminated by either state through legislative repeal. Governor Jesse Ventura has proposed ending the agreement, beginning in tax year 2003. If the Minnesota Legislature approves the repeal, Wisconsin would experience revenue losses in the first two fiscal years after the change, as described below.

If the agreement were terminated effective January 1, 2003, Wisconsin would stop withholding tax from Wisconsin residents working in Minnesota and begin to withhold tax on earnings of Minnesota residents working in Wisconsin. Based on preliminary information from the Department of Revenue, the change would reduce Wisconsin income tax collections in 2002-03 by an estimated $27.5 million. In 2003-04, the cost to Wisconsin would be greater as there would be the loss in tax revenues as well as the December payment to Minnesota for calendar year 2002. The Department estimates a net loss for 2003-04 of $56.5 million. However, for 2004-05 and thereafter, the annual decrease in Wisconsin's withholding payment receipts would be balanced by the elimination of the annual reconciliation payment to Minnesota.

General Sales and Use Tax. Sales tax revenues were $3,609.9 million in 2000-01, up 3.1% over the prior year. Revenues are estimated at $3,680.0 million in 2001-02 and $3,830.0 million in 2002-03, which is a decrease of $70.6 million in the first year and $145.1 million in the second year, relative to the Act 16 estimates. The revised projections are based on current collection data and the most recent forecast of growth in personal consumption expenditures, with adjustments for expenditures on food, gas and oil, and services to more closely reflect Wisconsin's sales tax base.

Year-to-date, sales tax collections through December were up by approximately 8.5% over the level collected during the same period of the prior fiscal year. However, this figure significantly overstates actual growth, since it is based on an artificially-low collections figure for December, 2000, that resulted when revenues that normally would have been reflected in that month were instead "booked" in January, 2001. When adjusted to correct for this anomaly, the current year-to-date level of growth becomes 4.5%. It is likely that this pace of growth is due in significant part to activity generated by zero-percent financing in the motor-vehicle industry and price reductions in the retail sector during the 2001 holiday shopping season and cannot be sustained for the balance of the fiscal year. This pattern is reflected in the economic forecast, which calls for a drop in taxable consumption expenditures of about 1% during the remainder of 2001-02, with only slight growth anticipated to occur in the first two quarters of 2002-03. Growth is expected to accelerate substantially in the second half of 2002-03.

Corporate Income and Franchise Tax. Corporate income and franchise tax collections were $537.2 million in 2000-01, which was $26.8 million less than estimated last May. The reduction reflected the slowdown in the economy and a related decrease in corporate earnings and profits. Collections are projected to be $480.0 million in 2001-02 and $535.0 million in 2002-03. These amounts represent an annual decrease of 10.6% in 2001-02 and an increase of 11.5% in 2002-03 and are lower than the Act 16 estimates by $114.2 million in 2001-02 and $71.3 million in 2002-03.

The new estimates reflect lower than anticipated corporate franchise tax collections and the effects of the economic slowdown on the state's economy. Through December, collections were almost 19% lower than 2000-01 collections for the same period. Consumer spending, investment, corporate earnings and profits have all declined during the year and are expected to remain soft during the first part of 2002. However, in part due to significant doses of monetary and fiscal stimuli, the economy is projected to begin to rebound in the second quarter of 2002. Corporate profits are forecast to increase beginning in the latter part of 2002 and in 2003 and 2004. Consequently, corporate income and franchise tax revenues are estimated to increase between 2002 and 2003.

Public Utility Taxes. Public utility taxes were $239.2 million in 2000-01 and are projected to total $253.7 million in 2001-02 and $257.4 million in 2002-03. The projections are $9.7 million higher for 2001-02 and $7.4 million higher for 2002-03 than the Act 16 estimates, based on recent collections data and forecasts of energy usage.

Excise Taxes. Cigarette excise tax revenues are estimated to be $296.4 million in 2001-02 and $304.6 million in 2002-03. The first-year estimate is an increase of 21.7% over the 2000-01 actual total of $243.5 million and is due to a tax increase of $0.18 per pack that took effect on October 1, 2001. Actual volume (packs sold) continued its historical trend of moderate decline in 2000-01, with this trend expected to continue. The revenue increases now estimated are somewhat weaker than those anticipated at the time of Act 16's passage; they reflect downward revisions of $4.0 million and $2.0 million for 2001-02 and 2002-03, respectively.

Estimates of revenues from the liquor, tobacco products and beer taxes have been revised downward to reflect generally lower consumption levels than those anticipated earlier. Estimates of tobacco products tax revenues reflect an Act 16 increase in the tax rate from 20% of the manufacturer's price to 25%.

Insurance Premium Taxes. Insurance premium taxes increased from $86.9 million in 1999-00 to $89.0 million in 2000-01. Premium taxes are projected to decrease to $87.0 million in 2001-02 and then increase to $90.0 million in 2002-03. The projected decline in 2001-02 reflects year-to-date monthly premium tax collections through December, which are lower than 2000-01 for the same period. The increase in premium tax revenues in 2002-03 is based on expected moderate growth in life and property and casualty insurance sales.

Estate Tax. Estate tax revenues totaled $77.1 million in 2000-01, and are estimated at $85.0 million in 2001-02 and $67.0 million in 2002-03. The estimates are lower than the Act 16 amounts by $25.0 million in 2001-02 and $24.0 million in 2002-03.

Annual estate tax collections are significantly affected by the settlement, or lack thereof, of a small number of large estates. Collections may, therefore, vary considerably from year to year. The Act 16 estimate assumed that estate tax revenues would be $110.0 million in 2001-02 and $91.0 million in 2002-03. [The lower figure for 2002-03 reflects the reduction in state estate tax collections as a result of the federal law changes under the Economic Growth and Tax Relief Reconciliation Act of 2001.] However, actual collections for 2000-01 were $77.1 million, which was a 42.2% decrease from the prior year. Based on year-to-date collections and the current economy, estate tax revenues have been reestimated at the lower figures shown above.

Miscellaneous Taxes. Collections from the real estate transfer fee have been revised upward for 2001-02 relative to the Act 16 estimates, due to strong collections through December, 2001. The same level of growth is not expected to continue in 2002-03, however, resulting in a small downward shift in expected revenue from the fee for that year, relative to the Act 16 estimate. Anticipated collections from the court suit tax are down slightly in both years from the Act 16 estimates. In 2000-01, the two taxes brought in combined revenues of $54.7 million.

Departmental Revenues and Net Expenditures

It is projected that departmental revenues (non-tax receipts) will be lower than previous estimates by $9.7 million. Although increases are projected in a number of areas, these increases are offset by a reduction in interest earnings because of lower interest rates. It is important to note that the estimate of interest earnings factored into this memorandum assumes that the Legislature will take steps necessary to balance the 2001-03 general fund budget.

On the appropriation side, it is now anticipated that net expenditures will be below the projections of Act 16 by $24.6 million. For the biennium, sum sufficient appropriations are projected to increase by $27.8 million while appropriated amounts expected to lapse to the general fund are above the biennial budget estimates by $52.4 million. Included in the increased lapse estimate is $28.3 million, which is anticipated due to the 3.5% reduction to a number of state operations appropriations that the Governor announced in December, 2001, for the 2001-02 fiscal year.

In addition to the sum sufficient and lapse projections, mention should be made of some appropriations and programs which might require attention in the upcoming legislative floorperiods.

It is estimated that medical assistance (MA) benefit costs will exceed the amount budgeted for the program by approximately $30 million GPR in 2001-02. This estimate is based on a review of MA benefits payments to December, 2001, adjusted to reflect recent increases in the projected number of MA recipients. Most of the caseload growth is due to increases in the number of applicants that meet AFDC-related MA eligibility standards. The Act 16 MA base reestimate assumed modest growth in the number of AFDC-related MA recipients in 2001-02 and 2002-03. However, as of December 1, 2001, the number of AFDC-related MA recipients (approximately 167,100) exceeded the projected 2001-02 fiscal year average (148,800) by 18,300. In addition, projected benefit costs for some services, including nursing home and hospital services and capitation payments to health maintenance organizations, are expected to exceed Act 16 estimates. The costs of providing some services and benefits, such as home health services and prescription drugs, are expected to be somewhat less than the Act 16 projections. Based on current trends in caseload and service costs, a similar shortfall in GPR MA benefits funding is likely to occur in 2002-03. Caseload growth may also result in some spending pressure on the BadgerCare program.

Act 16 provides $25,249,000 GPR in 2001-02 and $28,097,800 GPR in 2002-03 in a sum certain appropriation to fund: (a) adoption assistance payments to families that adopt children with special needs to assist in the cost of care for these children; and (b) payments to families and facilities that provide foster care to children for whom the state serves as guardian. Based on actual payments through December, 2001, it is estimated that an additional $1.8 million GPR in 2001-02 and $2.5 million GPR in 2002-03 will be needed to fully fund state foster care and adoption assistance payments in the 2001-03 biennium.

The administration is currently negotiating with the U.S. Department of Health and Human Services, Centers for Medicaid and Medicare Services (CMS) about the state's claiming federal MA matching funds under the intergovernmental transfer (IGT) program. The results of these negotiations could significantly affect the amount of funding available to support MA costs in the current biennium and in future years. The primary issues of these negotiations are: (a) whether the state will be required to return approximately $83.2 million in federal MA matching funds the state claimed in 1999-00; and (b) the amount of federal MA matching funds the state will be able to claim in the future under the IGT program. To date, the state and CMS have not reached an agreement.

We will continue to monitor tax collections, economic forecasts and expenditures and keep you apprised if any further modifications are necessary.

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

Table II-8; Actual and Projected General Fund Cash Flow (Page 37). Update the table with the following:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2001 TO DECEMBER 31, 2001
PROJECTED GENERAL FUND CASH FLOW; JANUARY 1, 2002 TO JUNE 30, 2002[a]

(In Thousands of Dollars)

	July 2001	August 2001	September 2001	October 2001	November 2001	December 2001	January 2002	February 2002	March 2002	April 2002	May 2002	June 2002
BALANCES[b]												
Beginning Balance	281,565	3,398	397,659	1,290,819	1,821,610	943,651	383,667	1,288,728	1,279,068	229,372	717,719	565,355
Ending Balance	3,398	397,659	1,290,819	1,821,610	943,651	383,667	1,288,728	1,279,068	229,372	717,719	565,355	194,698
Lowest Balance [c]	-162,060	-202,246	-99,652	1,248,678	943,651	-60,419	359,911	1,071,436	229,372	79,419	404,348	-348,488
RECEIPTS												
TAX RECEIPTS												
Individual Income	507,468	388,372	533,868	508,613	399,103	479,545	845,077	430,041	443,860	811,393	429,834	627,011
Sales & Use	343,973	356,048	342,096	348,297	358,636	323,558	369,900	289,719	293,399	282,828	350,012	326,873
Corporate Income	12,421	16,903	112,886	24,461	10,693	126,388	23,626	13,605	164,286	28,166	15,822	128,507
Public Utility	0	0	518	3,561	131,654	1,357	222	17	27	1,915	103,839	256
Excise	29,231	26,372	28,085	27,504	39,451	27,407	31,271	28,280	26,644	31,160	30,130	32,735
Insurance	999	1,657	19,935	339	887	19,336	2,426	7,049	15,109	16,744	1,591	18,461
Inheritance	6,638	6,162	13,423	5,645	5,568	4,969	6,188	11,962	9,291	7,573	9,516	7,951
Subtotal Tax Receipts	900,730	795,514	1,050,811	918,420	945,992	982,560	1,278,710	780,673	952,616	1,179,779	940,744	1,141,794
NON-TAX RECEIPTS												
Federal	343,646	452,855	365,526	452,845	346,684	378,392	512,306	424,688	403,006	397,870	407,317	419,409
Other & Transfers [d]	331,074	249,196	303,861	260,628	176,794	169,672	357,808	322,272	291,277	345,090	268,432	773,263
Note Proceeds [e]	0	0	800,000	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	674,720	702,051	1,469,387	713,473	523,478	548,064	870,114	746,960	694,283	742,960	675,749	1,192,672
TOTAL RECEIPTS	1,575,450	1,497,565	2,520,198	1,631,893	1,469,470	1,530,624	2,148,824	1,527,633	1,646,899	1,922,739	1,616,493	2,334,466
DISBURSEMENTS												
Local Aids	878,438	160,458	663,004	99,188	975,970	1,138,856	158,985	267,404	1,134,613	123,724	252,270	1,733,478
Income Maintenance	363,315	352,214	309,334	372,969	339,757	342,249	357,080	331,234	331,237	338,696	375,622	330,367
Payroll and Related	215,318	300,380	204,832	303,186	421,307	234,716	314,948	285,089	289,629	320,024	445,620	213,875
Tax Refunds	105,487	44,995	46,906	43,602	66,467	138,297	52,116	222,728	265,435	216,812	164,905	138,378
Debt Service	7	12,463	108,775	0	1,882	0	0	15,112	218,650	0	32,861	0
Miscellaneous [f]	291,052	232,794	294,187	282,157	542,046	236,490	360,634	217,725	251,468	229,573	292,016	289,025
Note Repayment [e]	0	0	0	0	0	0	0	198,001	205,563	205,563	205,563	0
TOTAL DISBURSEMENTS	1,853,617	1,103,304	1,627,038	1,101,102	2,347,429	2,090,608	1,243,763	1,537,293	2,696,595	1,434,392	1,768,857	2,705,123

(a) Excludes Inter-Fund Borrowing and is based on the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16). Does NOT reflect the estimates released by the Legislative Fiscal Bureau on January 16, 2002 nor the Governor's proposed Budget Reform Bill for the 2001-03 biennium.

(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. Ther designated funds are expected to range from $150 to $300 million during the 2001-02 fiscal year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $50 million during the 2001-02 fiscal year.

(c) Lowest daily balance within each month.

(d) The projections assume that $450 million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement will be received on June 3, 2002.

(e) Includes $800 million in operating note proceeds received in September, 2001 and impoundment payments to be made on February 28, March 29, April 30, and May 31, 2002. The February, 2002 impoundment payment excludes the premium that was deposited on September 20, 2001 into the operating note redemption fund.

(f) $275 million in federal intergovernmental transfer funds was transferred to the Medical Assistance Trust Fund on November 30, 2001.

Table II-9; General Fund Monthly Position (Page 38). Update the table with the following:

GENERAL FUND MONTHLY CASH POSITION[(a)]
July 1, 1999 through December 31, 2001 — Actual
January 1, 2002 through June 30, 2002 — Estimated[(b)]
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts[(c)]	Disbursements[(c)]
1999	July	$ 736,269	$ 1,441,009	$ 1,836,987
	August	340,291	1,308,849	868,154
	September	780,986	1,547,229	1,292,942
	October	1,035,273	1,331,192	1,031,907
	November	1,334,558	1,433,801	1,794,197
	December	974,162	1,449,618	1,987,753
2000	January	436,027	2,095,798	1,693,313
	February	838,512	1,544,207	1,240,280
	March	1,142,439	1,526,625	2,143,437
	April	525,627	1,812,812	1,174,173
	May	1,164,266	1,580,865	1,172,474
	June	1,572,657	1,910,223	2,811,272
	July	671,608	1,405,811	1,674,899
	August	402,520	1,391,600	1,036,240
	September	757,880	1,716,848	1,540,488
	October	934,240	1,545,868	1,039,609
	November	1,440,499	1,451,918	1,886,868
	December	1,005,549	1,335,205	2,070,373
2001	January	270,381	2,143,861	1,190,946
	February	1,223,296	1,494,577	1,339,377
	March	1,378,496	1,381,012	2,312,836
	April	446,672	2,042,531	1,469,093
	May	1,020,110	1,800,948	1,405,982
	June	1,415,076	1,698,317	2,831,828
	July	281,565	1,575,450	1,853,617
	August	3,398	1,497,565	1,103,304
	September	397,659	2,520,198	1,627,038
	October	1,290,819	1,631,893	1,101,102
	November	1,821,610	1,469,470	2,347,429
	December	943,651	1,530,624	2,090,608
2002	January	383,667	2,148,824	1,243,763
	February	1,288,728	1,527,633	1,537,293
	March	1,279,068	1,646,899	2,696,595
	April	229,372	1,922,739	1,434,392
	May	717,719	1,616,493	1,768,857
	June	565,355	2,334,466	2,705,123

(a) The General Fund balances presented in this table are not based on Generally Accepted Accounting Principles (GAAP).

(b) The monthly receipt and disbursement projections for January 1, 2002 through June 30, 2002 are based on estimates provided by the Division of Executive Budget and Finance and the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16). The projections do not reflect the estimates released by the Legislative Fiscal Bureau on January 16, 2002 nor the Governor's proposed Budget Reform Bill for the 2001-03 biennium.

(c) The amounts shown in September 2001 include receipts from the issuance of operating notes and amounts shown in February–May 2002 include disbursements for impoundment payments required in connection with the issuance of operating notes. No operating notes were issued in the 1999-2000 or 2000-01 fiscal years. In addition, the receipt amounts shown in June 2002 include $450 million of proceeds from the sale of payments due the State from tobacco manufacturers under the Master Settlement Agreement.

Source: Wisconsin Department of Administration.

Table II-10; Balances in Funds Available for Interfund Borrowing (Page 39). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[(a)]
July 1, 1999 to December 31, 2001 — Actual
January 1, 2002 to June 1, 2002 — Estimated[(b)]
(Amounts in Millions)

	1999	2000	2001	2002
January		$ 3,735	$ 3,701	$ 1,726[(b)]
February		4,159	4,435	1,798
March		4,262	4,786	1,821
April		4,267	5,212	1,725
May		3,961	4,952	1,680
June		3,636	4,680	1,759
July	$ 4,017	3,733	4.925	
August	4,245	4,084	5,275	
September	3,865	3,743	4,785	
October	3,820	3,796	4,328	
November	3,374	3,378	4,242	
December	3,411	3,489	4,737	

(a) Consists of the following funds:

Transportation	Common School
Conservation (Partial)	Normal School
Wisconsin Health Education Loan Repayment	University
Waste Management	Local Government Investment Pool
Wisconsin Election Campaign	Farms for the Future
Investment & Local Impact	Agrichemical Management
Elderly Property Tax Deferral	Historical Society Trust
Lottery	School Income Fund
Children's Trust	Benevolent
Racing	Groundwater
Work Injury Supplemental Benefit	Petroleum Storage Environmental Cleanup
Unemployment Compensation Interest Repayment	Environmental Improvement Fund
Uninsured Employers	Environmental
Health Insurance Risk Sharing Plan	Recycling
Local Government Property Insurance	University Trust Principal
Patients Compensation	Veterans Mortgage Loan Repayment
Mediation	State Building Trust
Agricultural College	

(b) Estimated balances for January 1, 2002 and succeeding months include only 20% of the amount estimated to be available for the local government investment pool. The local government investment pool is composed of funds deposited by local units of government that may be withdrawn without notice. Balances in the local government investment pool ranged from a low of $63 million on July 1, 1983 to a high of $4.426 billion on March 1, 1994. Under Section 20.002 (11), Wisconsin Statutes, interfund borrowing is limited to 5% of the total general-purpose revenue appropriations then in effect, which based on the 2000-2001 budget is approximately $571 million, and an additional 3% (approximately $343 million) for a period of up to 30 days.

Source: Wisconsin Department of Administration.

Table II-11; General Fund Revenues (Page 40). Update the table with the following (please note that the Actual Revenues for the 2000-01 fiscal year presented in Table II-11 of the 2001 Annual Report were incorrect and are correctly presented below):

GENERAL FUND REVENUES[(a)]
July 1, 2001 to December 31, 2001 compared with previous year
(Unaudited)

	Actual Revenues 2000-01FY[(b)]	Projected Revenues 2001-02 FY[(c)]	Actual Revenues July 1, 2000 to December 31, 2000	Actual Revenues July 1, 2001 to December 31, 2001
Individual Income Tax	$ 5,156,565,000	$ 5,455,527,500	$ 2,253,036,108	$ 2,186,172,654
General Sales and Use Tax	3,609,895,000	3,750,485,400	1,429,835,617	1,543,169,893
Corporate Franchise and Income Tax	537,159,000	594,297,100	274,031,996	222,796,743
Public Utility Taxes	239,238,000	244,000,000	117,101,430	128,449,308
Excise Taxes	299,775,000	360,300,000	132,618,549	147,419,313
Inheritance Taxes	77,084,000	110,000,000	35,417,444	41,589,178
Miscellaneous Taxes	159,615,000	146,600,000	33,736,256	35,157,583
SUBTOTAL	10,079,331,000	10,661,210,000	4,275,777,401	4,304,754,672
Federal Receipts	5,472,647,000	4,766,889,000	2,058,588,489	2,765,421,296
Dedicated and Other Revenues[(d)]	3,733,756,000	3,851,470,400	1,486,589,343	1,619,067,326
TOTAL	$ 19,285,734,000	$ 19,279,569,400	$ 7,820,955,233	$ 8,689,243,293

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. The statutory accounting basis requires that some cash deposits made after June 30th are recorded as revenues in the prior fiscal year. Therefore, the revenues in this table will not be comparable to the receipts shown in the general fund cash flow tables included earlier in the report. See "ACCOUNTING AND FINANCIAL REPORTING" in Part II of the State of Wisconsin Continuing Disclosure Annual Report, December 19, 2001.

(b) The amounts shown are the sum of all revenues for fiscal year 2000-01 based on the data used in the preparation of the Annual Fiscal Report, Budgetary Basis, for the year ended June 30, 2001.

(c) Projected revenues based on the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16). The projections do not reflect the estimates released by the Legislative Fiscal Bureau on January 16, 2002 not the Governor's proposed Budget Reform Bill for the 2001-03 biennium.

(d) The statutory basis of accounting requires that certain transfers between General Fund appropriations be 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-12; General Fund Expenditures by Function (Page 41). Update the table with the following (please note that the Actual Expenditures for the 2000-01 fiscal year presented in Table II-12 of the 2001 Annual Report were incorrect and are correctly presented below):

GENERAL FUND EXPENDITURES BY FUNCTION[a]
July 1, 2001 to December 31, 2001 compared with previous year
(Unaudited)

	Actual Expenditures 2000-01 FY[b]	Appropriations 2001–02 FY[c]	Actual Expenditures July 1, 2000 to December 31, 2000	Actual Expenditures July 1, 2001 to December 31, 2001
Commerce	$ 221,297,000	$ 229,909,200	$ 104,106,255	$ 109,346,577
Education	8,353,243,000	8,655,045,700	3,582,661,096	3,750,667,548
Environmental Resources	272,918,000	254,725,800	103,092,091	103,059,444
Human Relations & Resources	7,287,626,000	7,450,283,800	3,285,150,937	4,011,100,940
General Executive	651,970,000	639,385,700	291,102,862	290,887,043
Judicial	108,676,000	104,641,000	64,363,591	62,586,998
Legislative	62,220,000	63,929,500	26,068,456	27,976,072
General Appropriations	2,490,467,000	1,946,568,600	1,568,357,911	1,959,120,631
TOTAL	$ 19,448,417,000	$ 19,344,489,300	$ 9,024,903,198	$ 10,314,745,254

(a) The amounts shown are based on the statutory accounting basis and not on GAAP. The statutory accounting basis requires that some expenditures made after June 30th be recorded as expenses in the prior fiscal year. Therefore, the expenditures in this table will not be comparable to the disbursements shown in the general fund cash flow tables included earlier in the report. See "ACCOUNTING AND FINANCIAL REPORTING" in Part II of the State of Wisconsin Continuing Disclosure Annual Report, December 19, 2001.

(b) The amounts shown are the sum of all revenues for fiscal year 2000-01 based on the data used in the preparation of the Annual Fiscal Report, Budgetary Basis, for the year ended June 30, 2001.

(c) Appropriations for the fiscal year 2001-02 based on the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16) and do not reflect the Governor's proposed Budget Reform Bill for the 2001-03 biennium.

Source: Wisconsin Department of Administration.

APPENDIX B

State of Wisconsin
General Obligation Issuance Status Report
January 15, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. EMCP of 2002, Series A	Total Authorized Unissued Debt
University of Wisconsin; academic facilities	$ 1,052,005,900	$ 837,892,229	$ 12,046,136		$ 202,067,535
University of Wisconsin; self-amortizing facilities	732,009,800	396,832,621	1,643,609		333,533,570
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program	572,000,000	60,350,000	13,392		511,636,608
Natural resources; municipal clean drinking water grants	9,800,000	9,518,342	141,818		139,840
Clean water fund program	637,743,200	362,334,053	1,762		275,407,385
Safe drinking water loan program	26,210,000	16,386,520			9,823,480
Natural resources; nonpoint source grants	75,763,600	41,320,658	132,570		34,310,372
Natural resources; nonpoint source compliance	2,000,000	2,000,000			
Natural resources; environmental repair	48,000,000	26,839,900	161,017		20,999,083
Natural resources; urban nonpoint source cost-sharing	17,700,000	4,110,000			13,590,000
Natural resources; environmental segregated fund supported administrative facilities	6,770,400	171,100			6,599,300
Natural resources; segregated revenue supported dam safety projects	6,600,000	4,188,000			2,412,000
Natural resources; pollution abatement and sewage collection facilities, ORAP funding	146,850,000	145,010,325	50,000		1,789,675
Natural resources; pollution abatement and sewage collection facilities	893,493,400	874,194,888	18,513,076		785,436
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow	200,600,000	194,309,242	6,287,401		3,357
Natural resources; recreation projects	56,055,000	56,053,994	1,006		(0)
Natural resources: local parks land acquisition and development	2,490,000	2,444,349	42,259		3,392
Natural resources; recreation development	23,061,500	22,818,110	141,227		102,163
Natural resources; land acquisition	45,608,600	45,115,269	491,671		1,660

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
January 25, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. EMCP of 2002, Series A	Total Authorized Unissued Debt
Natural resources; Wisconsin natural areas heritage program............................	2,500,000	2,442,545	17,174		40,281
Natural resources; segregated revenue supported facilities.......................	30,576,400	16,609,722	45,287		13,921,391
Natural resources; general fund supported administrative facilities..................	10,882,400	7,451,075	21,432		3,409,893
Natural resources; ice age trail.....................................	750,000				750,000
Natural resources; dam safety projects………………	5,500,000	5,382,000	49,701		68,299
Natural resources; segregated revenue supported land acquisition............	2,500,000	2,498,446			1,554
Natural resources; Warren Knowles - Gaylord Nelson stewardship program...........	231,000,000	208,135,000	1,293,404		21,571,596
Transportation; administrative facilities..................	8,890,400	8,759,479	33,943		96,978
Transportation; accelerated bridge improvements.................................	46,849,800	46,849,800			
Transportation; rail passenger route development...	50,000,000	1,400,000			48,600,000
Transportation; accelerated highway improvements................................	185,000,000	185,000,000			
Transportation; connecting highway improvements................................	15,000,000	15,000,000			
Transportation; federally aided highway facilities...........................	10,000,000	10,000,000			
Transportation; highway projects...........................	41,000,000	41,000,000			
Transportation; harbor improvements....................	25,000,000	19,150,000	232,605		5,617,395
Transportation; rail acquisitions and improvements.........................	28,000,000	14,920,000	16		13,079,984
Transportation; local roads for job preservation, state funds..................	2,000,000				2,000,000
Corrections; correctional facilities......................	787,694,900	745,927,362	11,467,003		30,300,536
Corrections; self-amortizing facilities and equipment…………………….	7,337,000	1,386,000	99		5,950,901
Corrections; juvenile correctional facilities……..	27,726,500	25,338,556	102,026		2,285,918
Health and family services; mental health and secure treatment facilities..........…	128,322,900	118,350,268	895,124		9,077,508

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
January 15, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. EMCP of 2002, Series A	Total Authorized Unissued Debt
Agriculture; soil and water……………………..	13,575,000	2,830,000	1,248		10,743,752
Agriculture; conservation reserve enhancement..	40,000,000				40,000,000
Administration; Black Point Estate…………………	1,600,000				1,600,000
Building commission; previous lease rental authority.............................…	143,071,600	143,068,654			2,946
Building commission; refunding corporation self-amortizing debt......................…	870,000				870,000
Building commission; refunding tax-supported general obligation debt..................…	2,125,000,000	2,102,086,530 (b)			22,913,470
Building commission; refunding self-amortizing general obligation debt..................…	275,000,000	272,863,033 (b)			2,136,967
Building commission; refunding tax-supported and self-amortizing general obligation debt………………………………	75,000,000				75,000,000
Building commission; housing state departments and agencies..................................…	463,367,100	344,139,121	2,329,712	22,395,000	94,503,267
Building commission; 1 West Wilson street parking ramp................................…	15,100,000	14,805,521	294,479		
Building commission; project contingencies....................…	45,007,500	25,590,000	62,251		19,355,249
Building commission; capital equipment acquisition......…	115,839,400	83,929,191	729,518		31,180,691
Building commission; discount sale of debt.....................…	90,000,000	66,758,598			23,241,402
Building commission; discount sale of debt (higher education bonds)..............…	100,000,000	99,988,833 (b)			11,167
Building commission; other public purposes..................…	1,396,101,000	892,036,500	6,141,660	19,130,000	478,792,840
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities…	10,000,000	10,000,000			
HR Academy……………………….	1,500,000				1,500,000
Medical College of Wisconsin, Inc.; biomedical research and technology incubator………………	25,000,000				25,000,000
Marquette University; dental clinic and education facility..	15,000,000	14,000,000			1,000,000
Swiss cultural center………………	1,000,000				1,000,000
Racine County; Discovery Place museum…………	1,000,000				1,000,000
Milwaukee Police Athletic League; youth activities center…………….	1,000,000				1,000,000

General Obligation Issuance Status Report–Continued
January 15, 2002

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. EMCP of 2002, Series A	Total Authorized Unissued Debt
Technology for educational achievement in Wisconsin board; school district educational technology infrastructure financial assistance…………………	100,000,000	49,185,000	431,066		50,383,934
Technology for educational achievement in Wisconsin board; public library educational technology infrastructure financial assistance………..………	3,000,000	190,000			2,810,000
Educational communications board; educational communications facilities……………………………	22,858,100	8,089,539	37,069		14,731,492
Historical society; self-amortizing facilities..............…	3,173,600	1,029,156	3,896		2,140,548
Historical society; historic records............................…	400,000				400,000
Historical society; historic sites.................................…	1,839,000	1,825,756			13,244
Historical society; museum facility............................…	4,384,400	4,361,000			23,400
Historical society; Wisconsin history center…………	131,500,000				131,500,000
Public instruction; state school, state center and library facilities………………..	7,367,700	7,330,612	32,508		4,580
Military affairs; armories and military facilities....…	22,421,900	18,082,527	192,632		4,146,742
Veterans affairs; veterans facilities...........………….	10,090,100	9,153,065	50,593		886,442
Veterans affairs; self-amortizing mortgage loans....…	2,120,840,000	1,928,652,395	2,133,000		190,054,605
Veterans affairs; refunding bonds............................…	665,000,000	632,539,245			32,460,755
Veterans affairs; self-amortizing facilities………….	29,520,900	1,085,000	501	145,000	28,290,399
State fair park board; board facilities...........................……	13,587,100	2,370,000			11,217,100
State fair park board; housing facilities...........................…	11,000,000	10,969,000	13		30,987
State fair park board; self-amortizing facilities..........…..	84,787,100	31,473,800	69,629		53,243,671
Total..…	$14,387,093,200	$11,355,921,927	$66,334,535	$41,670,000	$2,923,166,739

[a] Interest earnings reduce issuance authority by the same amount.

[b] Interest scheduled to accrue on any obligation that is not payable during the current fiscal year is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Wisconsin Department of Administration.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

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

(Letterhead of Foley & Lardner)

STATE OF WISCONSIN

GENERAL OBLIGATION
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER OF 2002, SERIES A

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its $41,670,000 General Obligation Extendible Municipal Commercial Paper of 2002, Series A (**Notes**). The Notes are being issued pursuant to Chapter 18, Wisconsin Statutes **(Act)** and resolutions adopted by the State of Wisconsin Building Commission **(Commission)** on June 28, 2000 **(Program Resolution)**, as supplemented by resolutions adopted by the Commission on June 20, 2001 and August 8, 2001 **(Supplemental Resolutions)**.

We examined the law, a certified copy of the proceedings relating to the issuance of the Notes, and certifications of public officials and others. We also reviewed the Issuing and Paying Agency Agreement, dated August 8, 2000, between the State and U.S. Bank Trust National Association **(Issuing and Paying Agency Agreement)**, and the Dealer Agreement, dated August 8, 2000, between the State and Goldman, Sachs & Co., and the Dealer Agreement, dated August 8, 2000, between the State and Merrill Lynch, Pierce, Fenner & Smith Incorporated **(Dealer Agreements)**. As to questions of fact material to our opinion, we relied upon those certified proceedings and certifications without independently undertaking to verify them.

Based upon this examination, it is our opinion that, under existing law:

1. The Program Resolution has been duly adopted by the Commission.

2. The Supplemental Resolutions are authorized or permitted by the Program Resolution and the Act, comply with their respective terms, have been duly adopted by the Commission, and are valid and binding upon the State in accordance with their terms.

3. The Notes have been duly and validly authorized and, when duly executed in the form and manner provided in the Program Resolution and the Supplemental Resolutions, duly authenticated by the Issuing and Paying Agent, and delivered and paid for, will constitute valid and binding general obligations of the State.

4. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Notes as the Notes mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.

5. Interest on the Notes is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Notes is taken into account in determining adjusted current earnings. The State must comply with all requirements of the Internal Revenue Code that must be satisfied after the Notes are issued for interest on the Notes to be, or continue to be, excluded from gross income for federal

income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Notes to be included in gross income for federal income tax purposes, in some cases retroactive to the date the Notes were issued. This letter expresses no opinion about other federal tax law consequences relating to the Notes.

6. The offer and sale of the Notes are exempt from registration under the Securities Act of 1933, and the Program Resolution is exempt from qualification under the Trust Indenture Act of 1939. We have not passed upon matters pertaining to compliance with the Blue Sky laws of any state in connection with the offering and sale of the Notes.

The rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or an equitable proceeding). This letter expresses no opinion as to the availability of any particular form of judicial relief.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Offering Memorandum, dated January 29, 2002 **(Offering Memorandum)** or other offering material relating to the Notes (except to the extent, if any, stated in the Offering Memorandum), and we express no opinion relating thereto (except only the matters set forth as our opinion in the Offering Memorandum). However, in serving as bond counsel, nothing has come to our attention that would lead us to believe that the Offering Memorandum (except for the financial statements and other financial or statistical data included therein, as to which we express no view), as of the date of delivery of the Notes, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

Unless otherwise notified by us, you may continue to rely on this opinion to the extent that (1) there is no change in pertinent existing state or federal law, (2) the Program Resolution and the Supplemental Resolutions, in the form in effect on the date hereof, remain in full force and effect, (3) the representations, warranties, and covenants of the parties contained in the Issuing and Paying Agency Agreement and the Dealer Agreements and certain certificates dated the date hereof and delivered by authorized officers of the State remain true and accurate and are complied with in all material respects, and (4) no litigation affecting the issuance or validity of the Notes is pending or threatened at the time of delivery of any such Notes.

Very truly yours,

FOLEY & LARDNER