OFFERING MEMORANDUM

This Offering Memorandum has been prepared by the State of Wisconsin to provide information on the Notes. Some of the information appears on this cover page for the convenience of the reader. A prospective investor should read the entire Offering Memorandum to make an informed investment decision. Certain capitalized terms are defined in APPENDIX C.

STATE OF WISCONSIN

PETROLEUM INSPECTION FEE REVENUE EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

Ratings	As of the date of this Offering Memorandum, the following rating agencies have provided these ratings on the Notes–*See page 10*. F-1+ Fitch Ratings 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 13-14*.
Security	Interest payments on the Notes are on a parity with the payments on the Senior Bonds and are payable from and secured by a pledge of Petroleum Inspection Fees. Principal on the Notes is payable from (i) proceeds of roll-over Notes, (ii) issuance of Senior Bonds that have been authorized to refund the Notes, (iii) moneys on deposit in the Junior Subordinate Redemption Fund, or (iv) any other funds made available by the State for this purpose–*See pages 2-7*.
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 liquidity for the Notes–*See pages 8-9*.
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 on any redemption date or the Extended Maturity Date–*See pages 8-9.*
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 10*.
Rule 2a-7 Compliance	Hale & 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 10*.
Purpose	Proceeds of the Notes are used primarily to pay remediation costs under the State's Petroleum Environmental Cleanup Fund Award (PECFA) Program–*See pages 1-2*.
Denominations	\$100,000 and \$1,000 increments above \$100,000
Bond Counsel	Foley & Lardner
Issuing and Paying Agent	U.S. Bank Trust National Association
Trustee	The Bank of New York
Issuer Contact	Wisconsin Capital Finance Office—(608) 266-2305; capfin@doa.state.wi.us
Book-Entry System	The Depository Trust Company–*See pages 11-12*.
Annual Report	This Offering Memorandum incorporates by reference Parts I, II, and VII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001.

July 29, 2002

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

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations other than as contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon. This Offering Memorandum does not constitute 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 in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Wisconsin or other matters contained herein since the date hereof.

The issuer is the author of this Offering Memorandum and is responsible for its accuracy and completeness.

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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	——
Mr. Dave Haley, 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
Mr. Philip Edw. Albert, Secretary Department of Commerce	At the pleasure of the Governor

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
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OFFERING MEMORANDUM
STATE OF WISCONSIN
PETROLEUM INSPECTION FEE REVENUE EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

INTRODUCTION

This Offering Memorandum sets forth information about the Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper **(Notes)** issued by the State of Wisconsin **(State)**. This Offering Memorandum includes by reference Parts I, II and VII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 **(2001 Annual Report)**.

Notes were first issued on May 9, 2000 and since then have been, and are expected to be, issued at various times. The Notes are authorized pursuant to resolutions adopted by the State of Wisconsin Building Commission **(Building Commission)**, including an Amended and Restated Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations **(Program Resolution)**, a supplement to the Program Resolution that established the terms and provisions of Notes issued under the Program Resolution **(Notes Resolution)**, adopted by the Building Commission on May 2, 2000, and other authorizing resolutions adopted from time to time.

The Building Commission has authorized the State Department of Administration (**DOA)** to prepare this Offering Memorandum. This Offering Memorandum contains brief descriptions of the State's Petroleum Environmental Cleanup Fund Award **(PECFA)** Program, the security for the Notes, and the terms of the Notes. It also contains other information furnished by the State or obtained from the sources indicated.

Information about the State and its financial condition is included as APPENDIX A, which includes by reference Part II of the 2001 Annual Report.

Requests for additional information about the State, the Petroleum Inspection Fees, or the PECFA Program, or requests for copies of the Program Resolution, Notes Resolution, or any document or statute referred to in this Offering Memorandum, 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

Unless otherwise indicated herein, capitalized terms are defined in APPENDIX C.

PLAN OF FINANCE

The Program Resolution established a revenue bond program in March, 2000 to be used by the State for paying remediation costs under the PECFA Program, which is a petroleum storage remediation program. In existence since 1987, the PECFA Program reimburses owners of petroleum storage tanks for 75% to 99% of cleanup costs related to soil and groundwater contamination.

Prior to the issuance of revenue obligations, remediation payments approved under the PECFA Program were paid with Petroleum Inspection Fees, which were not sufficient at that time to pay all approved remediation payments. When the first revenue obligations were issued in March, 2000, the backlog of approved but unpaid claims was about $200 million, up from a backlog of $44 million that existed in June, 1997.

The State has previously issued the following obligations:

$170,250,000 Petroleum Inspection Fee Revenue Bonds, 2000 Series A	**2000 Series A Bonds**
$30,000,000 Petroleum Inspection Fee Revenue Bonds, 2001 Series A	**2001 Series A Bonds**
$80,000,000 of Notes	

As of the date of this Offering Memorandum all of the proceeds of the previously issued revenue obligations have been expended to pay remediation costs under the PECFA Program. The State intends to issue approximately $62 million of additional Notes starting on approximately August 1, 2002.

All approved and submitted claims may include loan interest costs, which are eligible for reimbursement. The issuance of revenue obligations provides economic savings to the State, since the debt service costs on these obligations are expected to be less than the interest costs that accrue on the unpaid claims.

The State may pay future remediation payments under the PECFA Program with Petroleum Inspection Fees that are in excess of the amounts required to be held by the Trustee under the provisions of the Program Resolution and any Supplemental Resolution. As of June 1, 2002, approximately $30 million of remediation costs under the PECFA Program have been approved but not paid. In addition, approximately $43 million of costs have been submitted and are in the process of being reviewed for approval.

The Wisconsin Legislature has authorized the issuance of up to $342 million of revenue obligations for the purposes of paying remediation costs under the PECFA program. However, the issuance of approximately $62 million of Notes commencing on August 1, 2002 will exhaust the remaining authority. If Petroleum Inspection Fees are not sufficient to make all remediation payments in a timely manner, the State may issue additional Bonds but only after legislative action to increase the borrowing authority is completed.

SECURITY FOR THE NOTES

Information concerning the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program, security for the Notes, including information on Petroleum Inspection Fees, Additional Senior Bonds, Variable Rate Take-Out Capacity Test, and summary of the Program Resolution is included as APPENDIX B, which includes by reference Part VII of the 2001 Annual Report.

Part VII of the 2001 Annual Report also includes the audited financial statements for the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the fiscal year ending June 30, 2001.

Petroleum Inspection Fees

Petroleum Inspection Fees are paid by suppliers on all petroleum products distributed in the State. The current rate of the Petroleum Inspection Fee is $0.03 per gallon. The petroleum products include:

- Gasoline products, which include gasoline and gasoline-alcohol fuel blends
- Oil products, which include fuel oil, burner oil, diesel fuel oil, kerosene, and other refined oils

Natural gas and liquefied propane are not subject to the Petroleum Inspection Fee.

General

The Proceeds of the Notes will be applied to purposes that do not generate revenues, and the application of these proceeds *will not* create a source for the payment of the Notes.

Interest payments on the Notes are on a parity with the debt service payments (principal and interest) on the 2000 Series A Bonds, the 2001 Series A Bonds, and any additional parity Bonds that may be issued under the Program Resolution (which are collectively referred to as the **Senior Bonds)** and are payable from Petroleum Inspection Fees deposited into the Redemption Fund for the Senior Bonds and secured by:

- A pledge of the Petroleum Inspection Fees
- Funds and accounts created by the Program Resolution

Certain other obligations, such as swap payments, may be incurred on a parity with Senior Bonds.

The pledge provided for the payment of principal on the Notes is junior to the pledge provided to the Senior Bonds. Other than principal payment on the Notes, there are no other obligations that are currently junior to the Senior Bonds. Principal on the Notes is payable from any of the following sources:

- Proceeds of additional Notes, sometimes referred to as "roll-over Notes", that are issued to provide payment of previously issued Notes.
- Proceeds of Bonds that may be issued to refund any outstanding Notes. The Building Commission, simultaneously with the authorization of the Notes, has already authorized the issuance of Senior Bonds to refund the Notes.
- Other money on deposit from time to time in the Junior Subordinate Principal Account created by the Program Resolution. Although the Petroleum Inspection Fees are pledged to payment of both principal and interest on the Notes, the payment of principal is subordinate to the payment of Senior Bonds. Moreover, deposits of Petroleum Inspection Fees into the Junior Subordinate Principal Account are entirely at the State's discretion prior to default by the State in the payment of principal on the Extended Maturity Date of the Notes. Even after any default, the available deposits would likely be insufficient to provide for the timely payment of the principal of the Notes. See "SECURITY FOR THE NOTES; Deposits into Junior Subordinate Principal Account".
- Any other funds made available by the State for this purpose.

The Notes are revenue obligations of the State. The State is not generally liable for the Notes, and the Notes shall not be a public debt of the State for any purpose whatsoever.

If payment of principal of and interest on a Note does not occur on the Original Maturity Date (as described herein), the State then 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 liquidity for the Notes and not for the purpose of gaining an interest rate advantage. See "THE NOTES; Extension of Maturity Date".

The term **Bonds** refers to revenue obligations, without regard to seniority, that are issued under the Program Resolution and are payable in whole or in part from the Petroleum Inspection Fees. The State makes no representations as to the amount or timing of future claims to be submitted or approved for payment. In the event the available Petroleum Inspection Fees are not sufficient to make all payments in a timely manner, and in the event the amount of Legislative authorization is increased, the State may issue additional Bonds up to the amount of the then remaining legislative authorization. These additional Bonds may be any of the following:

- Additional Senior Bonds, which may be in various forms, including among others Variable Rate Bonds or Bond Anticipation Notes (such as the Notes), as provided under the Program Resolution. See "SECURITY FOR THE NOTES; Additional Senior Bonds" and "SECURITY FOR THE NOTES; Variable Rate Take-Out Capacity Test".
- Bonds that are, all or in part, subordinate to the Senior Bonds.

Deposit of Interest Payments into Interest Account of Redemption Fund

Since the Notes are variable rate obligations, the exact amount of interest due on Notes is not known before the deposit is required to be made into the Redemption Fund. As a result, the Trustee makes periodic deposits to the Interest Account of the Redemption Fund, as directed by the State or as outlined in the Supplemental Resolution authorizing Notes, in amounts estimated to be sufficient to provide for the payment of interest on the Notes. The Trustee is further directed to transfer such amounts to the Interest Subaccount created for the Notes, which is held by the Issuing and Paying Agent.

Deposits into Junior Subordinate Principal Account

The Program Resolution creates a Junior Subordinate Principal Account. Proceeds of roll-over Notes, or Bonds issued to refund the then Outstanding Notes, are required to be deposited directly into the Junior Subordinate Principal Account, which is held by the Issuing and Paying Agent. The Program Resolution may be amended to establish Funds and Accounts that are senior in priority to the Junior Subordinate Principal Account.

Required Deposits of Petroleum Inspection Fees

Deposits of Petroleum Inspection Fees into the Junior Subordinate Principal Account are required to be made only if there is a default by the State in the payment of principal on any Note on its Extended Maturity Date. The Trustee is required from that time forward to make transfers from the Revenue Fund to the Junior Subordinate Principal Account to aggregate the full amount due to holders of the Notes. The amount of these transfers are limited to the amount of Petroleum Inspection Fees deposited into the Revenue Fund and not transferred to Funds and Accounts that are senior to that of the Junior Subordinate Principal Account. See APPENDIX B.

Discretionary Deposits of Petroleum Inspection Fees

At the State's discretion, deposits may be made at any time into the Junior Subordinate Principal Account. These deposits may occur from Petroleum Inspection Fees deposited into the Revenue Fund and transferred to the Junior Subordinate Principal Account or from appropriations that may be made by the State as provided for in State law. These deposits may amortize the outstanding principal balance of Notes while the Notes are outstanding.

Additional Senior Bonds

Additional Senior Bonds, which may be in various forms, including among others Variable Rate Bonds or Bond Anticipation Notes (such as the Notes), may be issued under the Program Resolution if the additional bonds test is met. When applicable, the additional bonds test requires that the Debt Service Coverage Ratio be not less than 2.0. The Debt Service Coverage Ratio is Projected Annual Revenues divided by the Maximum Annual Debt Service. See APPENDIX B.

Refunding of Notes by Senior Bonds

The additional bonds test must be met prior to the initial issuance of the Notes (or any other Bond Anticipation Notes), *but compliance with the additional bonds test is not required with respect to the issuance of Senior Bonds to refund the Notes*. In calculating the additional bonds test for the Notes, it is assumed that the entire amount of Bond Anticipation Notes authorized in a Supplemental Resolution are issued. If Senior Bonds are issued to refund the Notes, under certain circumstances (including among others a decline in Petroleum Inspection Fees or an increase in interest rates), the Projected Annual Revenues at that time may be less than 2.0 times Maximum Annual Debt Service. However, as long as Notes are Outstanding, the State is required to perform monthly a Variable Rate Take-Out Capacity Test. See "SECURITY FOR THE NOTES; Variable Rate Take-Out Capacity Test".

Variable Rate Take-Out Capacity Test

Whenever the Notes (or any other Variable Rate Debt) is Outstanding under the Program Resolution, the State will, by the 15th day of each month, provide the Trustee with the results of a Variable Rate Take-Out Capacity Test. See APPENDIX B for a more complete summary of the Variable Rate Take-Out Capacity Test.

Using present value calculations, the test estimates the maximum amount of Variable Rate Debt that, if Outstanding, could be refunded by Senior Bonds while maintaining a Debt Service Coverage Ratio of 2.0. This test then compares the Variable Rate Take-Out Capacity with the Variable Rate Debt Exposure. For purposes of this test, any Senior Bonds that may be issued to refund Variable Rate Debt are assumed to be repaid within 20 years from the date the Variable Rate Take-Out Capacity Test is completed and to bear interest at a rate of The Bond Buyer Revenue Bond Index plus 3%.

Meeting the Variable Rate Take-Out Capacity Test is not a condition to issuing any Bonds.

As of the date of this Offering Memorandum, Variable Rate Debt is Outstanding and the State is currently required to complete the Variable Rate Take-Out Capacity Test. The results of the test for July 15, 2002 show a Variable Rate Take-Out Capacity of $379,119,245, which is in excess of the current Variable Rate Debt Exposure of $80,000,000 and in excess of $142,300,000, which will be the Variable Rate Debt Exposure after issuance of the additional Notes that the State intends to commence issuing on August 1, 2002.

If the monthly Variable Rate Take-Out Capacity Test shows that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Debt Exposure, the State is only required to provide the Trustee with the results of the test. However, if the monthly test shows that the Variable Rate Take-Out Capacity is less than the Variable Rate Debt Exposure, then the State is deemed to have failed the Variable Rate Takeout Capacity Test and is required under the Program Resolution to take the following actions:

- Immediately notify the Trustee and each Rating Agency.

- Submit to the Trustee and each Rating Agency, within 45 days after the test date, a plan to cause the Variable Rate Take-Out Capacity to equal or exceed the Variable Rate Debt Exposure within 90 days following the test date.

If at any subsequent time the State is able to demonstrate that the Variable Rate Take-Out Capacity is equal to or exceeds the Variable Rate Exposure, the above requirements arising from the failure of a previous Variable Rate Take-Out Capacity Test no longer apply.

Failure to meet the Variable Rate Take-Out Capacity Test or failure to implement a submitted plan are not Events of Default under the Program Resolution. Accordingly, the Trustee has no enforcement power with respect to such occurrences. Failure to submit the completed test or any required plan to the Trustee does not constitute an Event of Default; however, if the failure is not corrected within 30 days of any notice from the Trustee, it then constitutes an Event of Default under the Program Resolution.

Debt Service on Outstanding Senior Bonds

The table on the following page provides the annual debt service amounts for all Outstanding Senior Bonds.

Debt Service on Outstanding Senior Bonds (Including Interest Due on All Notes)

Year (July 1)	Principal	Interest [a]	Total Annual Debt Service
2002	$ 11,440,000	$ 13,204,407	$ 24,644,407
2003	12,070,000	15,266,347	27,336,347
2004	12,735,000	14,787,690	27,522,690
2005	13,495,000	14,023,590	27,518,590
2006	14,305,000	13,213,890	27,518,890
2007	30,115,000	12,406,878	42,521,878
2008	30,980,000	10,787,765	41,767,765
2009	16,885,000	9,132,915	26,017,915
2010	17,800,000	8,221,125	26,021,125
2011	18,790,000	7,227,625	26,017,625
2012	19,885,000	6,134,175	26,019,175
Totals	$ 198,500,000	$ 124,406,406	$ 322,906,406

[a] Includes interest payments on the $80,000,000 of Outstanding Notes and $62,300,000 of additional Notes the State intends to issue starting August 1, 2002. Interest payments on Notes are on parity with the Senior Bonds. The interest payments are calculated at an assumed rate of 3.50% and assumes that all $142,300,000 of Notes will remain Outstanding until July 1, 2012.

Reserve Fund

The Program Resolution creates a Reserve Fund, which is available if there is any deficiency in the Redemption Fund and is used solely for the payment when due of principal of and interest on the Senior Bonds and other parity obligations. The Reserve Fund Requirement is an amount equal to the greatest amount established by a Supplemental Resolution. No Reserve Fund Requirement has been established in the Supplemental Resolutions authorizing the previously issued revenue obligations and the Notes, and there is no money currently in the Reserve Fund.

Rate Stabilization Fund

The Program Resolution creates a Rate Stabilization Fund to which the State may direct that deposits be made from time to time. The deposits made to the Rate Stabilization Fund are solely at the State's discretion and direction, and amounts in the Rate Stabilization Fund may be withdrawn at any time by the State. Amounts withdrawn from the Rate Stabilization Fund at the State's discretion must first be deposited in the Redemption Fund. If there is a deficiency in the Redemption Fund for payment when due of principal of and interest on the Senior Bonds, the Trustee will first use moneys in the Rate Stabilization Fund before any Reserve Fund moneys for the payment of any principal and interest on the Senior Bonds and Other Obligations on a parity with the Senior Bonds. There is no money currently in the Rate Stabilization Fund.

THE NOTES

Note Program

This Offering Memorandum describes the Notes issued under the State of Wisconsin's Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper Program **(Note 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** and **Registrar** 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) 361-2459
Telefax:	(212) 809-5459
E-mail:	roubah.fakih@usbank.com

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

The Bank of New York is the trustee for the Petroleum Inspection Fee Revenue Obligation Program **(Trustee)**. Inquiries to the Trustee may be directed to:

Contact:	BNY Trust Company of Missouri
Address:	911 Washington Avenue
	St. Louis, MO 63101
Phone:	(314) 613-8256
Telefax:	(314) 613-8227
E-mail:	bbrown@bankofny.com

Authorized Notes

The following summarizes the Notes that the State has issued, or currently expects to issue:

Amount Issued	Outstanding Amount (July 29, 2002)	Date of Initial Issuance
$80,000,000	$80,000,000	May 9, 2000 and December 4, 2000
$62,300,000	N/A	August 1, 2002

All Notes have identical terms and provisions. The State expects to issue additional "roll-over" Notes to provide payment of previously issued and maturing Notes.

Description of the Notes

The sources for payment of principal of and interest on the Notes are described in "SECURITY FOR THE NOTES; General".

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 Securities 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 Securities Depository and then distributed by the Securities 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.

If payment of principal and interest does not occur on the Original Maturity Date, 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 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.

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 that Note is being extended. It is the responsibility of DTC, and not the State, to then provide this 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 Notes Resolution.

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 the city that the Principal Office of the Issuing and Paying Agent, any other Fiduciary, 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 August 14, the first interest payment will be the first Business Day of September, and if the Original Maturity Date is August 15, the first interest payment will be the first Business Day of October.

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

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

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 Ratings	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 Notes 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 on any date 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 & 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 Notes:

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

Also at the State's request, several rating agencies have rated the 2000 Series A Bonds and 2001 Series A Bonds. The State ultimately expects to issue Senior Bonds, which will be on a parity with the 2000 Series A Bonds and 2001 Series A Bonds, to refund the then outstanding Notes. The following are the ratings on the 2000 Series A Bonds and 2001 Series A Bonds:

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

Any explanation of the significance of a rating may only be obtained from the rating service furnishing such rating. There is no assurance a rating given to a security will be maintained for any period of time. A rating may be lowered or withdrawn entirely by the rating service if, in its judgment, circumstances so warrant. Any downgrade or withdrawal of a rating may have an adverse effect on the market price of the security.

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.

A default in the due and punctual payment of interest on any Note constitutes an Event of Default under the Program Resolution. See the summary of the Program Resolution that is included by reference in APPENDIX B.

Book-Entry System

DTC will act as Securities 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 New York Banking 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. 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 Indirect Participants and Direct Participants are collectively referred to as **Participants)**. The Rules applicable to DTC and its 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. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations 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 interest 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 facilitate subsequent transfers, 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; DTC records reflect only the identity of the Direct Participants to whose accounts such 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.

Conveyance of 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 statutory or regulatory requirements as may be in effect from time to time.

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 to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on 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 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 such Participant and not of DTC, the State, or the Issuing and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the State or the Issuing and Paying Agent, and disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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.

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

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

No assurance can be given by the State, the Issuing and Paying Agent, or the Dealers that DTC, Direct Participants and Indirect Participants will promptly transfer payments or notices received with respect to the Notes. The State assumes no liability 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 assurance can be given by the State, the Issuing and Paying Agent, or the Dealers that DTC will abide by its procedures or that such procedures will not be changed from time to time. In the event that a successor securities depository is designated, it may establish different procedures.

ISSUING AND PAYING AGENT

The Issuing and Paying Agent holds the Note Redemption Accounts and is responsible for certain other duties outlined in this Offering Memorandum.

Note Redemption Accounts

The Note Redemption Accounts are the Interest Subaccount of the Interest Account in the Redemption Fund and the Junior Subordinate Principal Account in the Junior Subordinate Redemption Fund. See "SECURITY FOR THE NOTES; Deposits into Interest Subaccount of the Redemption Fund" and "SECURITY FOR THE NOTES; Deposits into Junior Subordinate Principal Account". Moneys held in the Note Redemption Accounts may be invested in Permitted Investments. Amounts deposited in the Note Redemption Accounts 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 Redemption Accounts 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 Redemption Accounts or in any proceeds of any investment of the Note Redemption Accounts, except as provided in the Program Resolution and Notes 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 additional Notes on August 1, 2002, in substantially the form shown in APPENDIX D.

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

Dated: July 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)**. Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 **(2001 Annual Report)** is 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.

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 Official Statement, Part II of the 2001 Annual Report is available from the Capital Finance Office web site at the following address:

www.doa.state.wi.us/debf/capfin/01dis2.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-3 to A-13 of this Official Statement. 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

As required by law, on January 22, 2002 the Governor presented to the Legislature a budget reform bill for the 2001-03 biennium. On July 26, 2002, the Governor signed into law in part, and vetoed in part, the budget reform bill that was previously approved by both the Assembly and the Senate. A two-thirds vote in each house is required to override any veto.

Detailed information about the budget reform bill signed into law by the Governor is not yet available. A copy of the approved budget reform bill, which incorporates vetoes made by the Governor, along with the Governor's veto message 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

Legislative Fiscal Bureau

Robert Wm. Lang, Director

One East Main, Suite 301 • Madison, WI 53703
Telephone: (608) 266-3847 • Fax: (608) 267-6873

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

General Fund Information; General Fund Cash Flow (Part II–Pages 35-41).

The following provide updates to various tables containing general fund information. The following information reflects revised revenue estimates and projected general fund closing balances released by the Legislative Fiscal Bureau on January 16, 2002 and the budget reform bill that the Governor signed into law on July 26, 2002. The following provides general fund cash balances. While the following tables show a negative cash balance on June 30, 2002 and June 30, 2003, the budget reform bill, as signed into law, does provide for a positive budgetary fund balance on these dates.

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 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	1,104,720	969,120	-231,221	265,687	576,402
Ending Balance	3,398	397,659	1,290,819	1,821,610	943,651	383,667	1,104,720	969,120	-231,221	265,687	576,402	-421,915
Lowest Daily Balance [(c)]	-162,060	-202,246	-99,652	1,248,678	943,651	-60,419	383,667	883,723	-280,013	-359,784	-4,720	-727,357
RECEIPTS												
TAX RECEIPTS												
Individual Income	507,468	388,372	533,868	508,613	399,103	479,545	740,505	433,688	347,168	855,221	392,265	517,532
Sales & Use	343,973	356,048	342,096	348,297	358,636	323,558	383,293	303,711	260,578	305,548	325,402	326,813
Corporate Income	12,421	16,903	112,886	24,461	10,693	126,388	22,464	12,155	153,340	23,862	15,539	100,395
Public Utility	0	0	518	3,561	131,654	1,357	0	49	19	3,392	127,117	246
Excise	29,231	26,372	28,085	27,504	39,451	27,407	27,457	30,526	25,651	26,687	30,945	29,756
Insurance	999	1,657	19,935	339	887	19,336	2,245	11,471	14,959	25,486	4,329	21,984
Inheritance	6,638	6,162	13,423	5,645	5,568	4,969	7,275	8,310	4,675	10,147	3,781	8,466
Subtotal Tax Receipts	900,730	795,514	1,050,811	918,420	945,992	982,560	1,183,239	799,910	806,390	1,250,343	899,378	1,005,192
NON-TAX RECEIPTS												
Federal	343,646	452,855	365,526	452,845	346,684	378,392	457,577	444,893	390,521	443,150	426,659	479,199
Other & Transfers [(d)]	331,074	249,196	303,861	260,628	176,794	169,672	373,822	325,284	333,621	376,849	829,134	268,909
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	831,399	770,177	724,142	819,999	1,255,793	748,108
TOTAL RECEIPTS	1,575,450	1,497,565	2,520,198	1,631,893	1,469,470	1,530,624	2,014,638	1,570,087	1,530,532	2,070,342	2,155,171	1,753,300
DISBURSEMENTS												
Local Aids	878,438	160,458	663,004	99,188	975,970	1,138,856	208,135	260,487	1,140,896	122,049	250,535	1,729,015
Income Maintenance	363,315	352,214	309,334	372,969	339,757	342,249	335,842	349,016	361,694	359,467	394,422	365,417
Payroll and Related	215,318	300,380	204,832	303,186	421,307	234,716	326,851	296,263	298,780	328,583	441,038	246,924
Tax Refunds	105,487	44,995	46,906	43,602	66,467	138,297	63,460	338,234	309,105	292,892	220,041	150,891
Debt Service	7	12,463	108,775	0	1,882	0	0	12,069	165,264	0	7,814	-5
Miscellaneous [(f)]	291,052	232,794	294,187	282,157	542,046	236,490	359,297	252,672	250,417	265,335	325,208	259,375
Note Repayment [(e)]	0	0	0	0	0	0	0	196,946	204,717	205,108	205,398	0
TOTAL DISBURSEMENTS	1,853,617	1,103,304	1,627,038	1,101,102	2,347,429	2,090,608	1,293,585	1,705,687	2,730,873	1,573,434	1,844,456	2,751,617

(a) Excludes interfund borrowing. The report does NOT intend to represent the State's budgetary balance for the fiscal year ending June 30, 2002. The State will provide by October 15, 2002 the Annual Fiscal Report that will include the ending cash balance for FY02, which ended on June 30, 2002. The ending cash balance for FY02 may change from negative $422 million due to correcting or reconciling adjusting entries. The report also does NOT reflect the budget reform bill that has been signed into law by the Governor on July 26, 2002.

(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 were 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 were expected to average approximately $50 million during the 2001-02 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on the revised general fund condition statement provided by the Legislative Fiscal Bureau in January 2002, this amount was $569 million for fiscal year 2001-02. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect ($341 million) for a period of up to 30 days. See "Balances In Funds Available For Interfund Borrowing".

(d) Reflects receipt on May 23, 2002 of the $450 million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement.

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

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

PROJECTED GENERAL FUND CASH FLOW; JULY 1, 2002 TO JUNE 30, 2003[(a)]

(In Thousands of Dollars)

	July 2002	August 2002	September 2002	October 2002	November 2002	December 2002	January 2003	February 2003	March 2003	April 2003	May 2003	June 2003
BALANCES[(b)]												
Beginning Balance	-421,915	-707,950	-80,555	80,792	467,546	500,745	-69,441	654,971	843,574	-15,696	626,843	756,187
Ending Balance [(e)]	-707,950	-80,555	80,792	467,546	500,745	-69,441	654,971	843,574	-15,696	626,843	756,187	-188,469
Lowest Daily Balance [(e)]	-835,846	-672,373	-469,578	-94,366	346,100	-586,740	-99,474	489,230	-184,467	-214,332	310,487	-690,079
RECEIPTS												
TAX RECEIPTS												
Individual Income	460,095	376,931	561,418	455,993	406,649	422,952	801,978	421,220	434,106	772,721	419,624	596,086
Sales & Use	348,684	369,605	333,614	354,095	348,123	261,032	402,229	309,647	293,937	295,981	353,173	337,702
Corporate Income	18,697	16,528	115,454	24,656	14,442	129,070	21,589	10,866	139,619	25,385	15,475	113,814
Public Utility	185	8	255	2,198	131,354	821	319	10	358	11,550	110,080	260
Excise	32,837	34,192	34,550	29,379	33,113	31,604	29,169	27,873	26,762	29,331	28,279	31,817
Insurance	1,115	1,784	18,275	1,577	1,011	19,553	1,641	6,984	15,417	17,247	2,609	18,356
Inheritance	6,290	5,594	5,485	4,359	3,914	12,589	3,959	6,686	6,945	5,755	2,935	4,193
Subtotal Tax Receipts	867,903	804,642	1,069,051	872,257	938,606	877,621	1,260,884	783,286	917,144	1,157,970	932,175	1,102,228
NON-TAX RECEIPTS												
Federal	459,169	337,445	367,139	422,614	339,334	375,171	520,748	431,686	409,647	404,427	414,029	426,321
Other & Transfers [(d)]	298,608	562,528	385,568	260,762	267,865	245,459	365,139	329,873	298,147	352,668	274,763	330,888
Note Proceeds [(e)]	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	757,777	899,973	752,707	683,376	607,199	620,630	885,887	761,559	707,794	757,095	688,792	757,209
TOTAL RECEIPTS	1,625,680	1,704,615	1,821,758	1,555,633	1,545,805	1,498,251	2,146,771	1,544,845	1,624,938	1,915,065	1,620,967	1,859,437
DISBURSEMENTS												
Local Aids [(f)]	904,122	142,850	728,394	116,646	446,464	1,200,571	217,612	283,242	1,197,945	117,616	247,682	1,807,322
Income Maintenance	356,894	312,016	298,755	359,800	327,629	292,526	384,339	302,172	300,811	377,619	337,044	307,078
Payroll and Related	295,657	315,313	207,542	373,212	420,350	218,927	411,144	298,560	221,408	333,915	435,905	249,021
Tax Refunds	70,545	51,665	40,731	47,809	72,103	39,929	55,503	221,254	262,633	214,890	163,748	138,003
Debt Service	0	2,840	126,322	0	2,840	0	0	2,840	255,480	0	29,399	0
Miscellaneous	284,497	252,536	258,667	271,412	243,220	316,484	353,761	248,174	245,931	228,486	277,845	302,669
Note Repayment [(d)]	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	1,911,715	1,077,220	1,660,411	1,168,879	1,512,606	2,068,437	1,422,359	1,356,242	2,484,208	1,272,526	1,491,623	2,804,093

(a) Excludes interfund borrowing and is based on (1) the 2001-03 biennial budget signed into law by the Governor (2001 Wisconsin Act 16), (2) the revised general-fund revenue estimates and projected general fund closing balances that were released by the Legislative Fiscal Bureau on January 16, 2002, and (3) the budget reform bill for the 2001-03 biennium that Governor McCallum signed into law on July 26, 2002.

(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 2002-03 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 2002-03 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on the budget reform bill for the 2001-03 biennium that Governor McCallum signed into law on July 26, 2002, this amount is approximately $551 million for fiscal year 2002-03. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately $331 million) for a period of up to 30 days. See "Balances In Funds Available For Interfund Borrowing". If the amount of inter-fund borrowing available to the general fund is not sufficient, the Secretary of Administration is authorized and ready to prorate and defer certain payments.

(d) Reflects receipt on August 1, 2002 of $231million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement.

(e) Does not include any proceeds from the issuance of operating notes and as a result does not include any impoundment payments.

(f) Reflects use in November 2002 of $600 million of proceeds from the sale and subsequent securitization of payments due the State from tobacco manufacturers under the Master Settlement Agreement to make a shared revenue payment.

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

GENERAL FUND MONTHLY CASH POSITION[a]
July 1, 2000 through June 30, 2002 — Actual
July 1, 2002 through June 30, 2003 — Estimated[b]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
2000	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		2,014,638	1,293,585
	February	1,104,720		1,570,087	1,705,687
	March	969,120		1,530,532	2,730,873
	April	(231,221)		2,070,342	1,573,434
	May	265,687		2,155,171	1,844,456
	June	576,402		1,753,300	2,751,617
	July	(421,915)	(d)	1,625,680	1,911,715
	August	(707,950)	(d)	1,704,615	1,077,220
	September	(80,555)	(d)	1,821,758	1,660,411
	October	80,792		1,555,633	1,168,879
	November	467,546		1,545,805	1,512,606
	December	500,745		1,498,251	2,068,437
	January	(69,441)	(d)	2,146,771	1,422,359
	February	654,971		1,544,845	1,356,242
	March	843,574		1,624,938	2,484,208
	April	(15,696)	(d)	1,915,065	1,272,526
	May	626,843		1,620,967	1,491,623
	June	756,187	(d)	1,859,437	2,804,093

(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 July 1, 2002 through June 30, 2003 are based on (1) the revised general-fund revenue estimates and projected general fund closing balances that were released by the Legislative Fiscal Bureau on January 16, 2002, and (2) the Budget Reform Bill that was signed into law by the Governor on July 26, 2002.

(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 2000-01 fiscal year and the amounts shown for the 2002-03 fiscal year do not include receipts or impoundment payments resulting from the issuance of operating notes.

(d) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. Based on the revised general fund condition statement provided by the Legislative Fiscal Bureau in January 2002, this amount was $569 million for fiscal year 2001-02 and based on the budget reform bill for the 2001-03 biennium, as signed into law, is approximately $551 million for fiscal year 2002-03. In addition, the Secretary of Administration may also temporarily reallocate an additional amount up to 3% of the general-purpose revenue appropriations then in effect ($341 million for fiscal year 2001-02 and approximately $331 million for fiscal year 2002-03) for a period of up to 30 days. See Page A-18.

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 31, 2000 to June 30, 2002 — Actual
July 31, 2002 to June 30, 2003— Estimated[(b)]
(Amounts in Millions)

Month (Last Day)	2000	2001	2002	2003
January		$ 4,435	$ 5,360	$ 1,887
February		4,786	5,463	1,976
March		5,213	5,628	2,011
April		4,952	5,135	1,825
May		4,680	4,819	1,809
June		4,925	5,001	1,882
July	$ 4,084	5,275	1,815[(b)]	
August	3,743	4,785	1,781	
September	3,796	4,897	1,777	
October	3,378	4,328	1,613	
November	3,489	4,242	1,601	
December	3,701	4,737	1,781	

[(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 June 30, 2002 and subsequent months include as an assumption 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 the past five years have ranged from a low of $2.096 million on November 14, 1997 to a high of $4.518 billion on August 9, 2001. Under Section 20.002 (11), Wisconsin Statutes, interfund borrowing is limited to 5% of the total general-purpose revenue appropriations then in effect and an additional 3% for a period of up to 30 days. Based on the revised general fund condition statement provided by the Legislative Fiscal Bureau in January 2002, the 5% amount was $569 million for fiscal year 2001-02, and based on the budget reform bill for the 2001-03 biennium, as signed into law, is approximately $551 million for fiscal year 2002-03. The additional 3% amount for a period of up to 30 days was $341 million for fiscal year 2001-02 and is approximately $331 million for fiscal year 2002-03.

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 June 30, 2002 compared with previous year
(Unaudited)

	Actual Revenues 2000-01FY[(b)]	Projected Revenues 2001-02 FY[(c)]	Actual Revenues July 1, 2000 to June 30, 2001	Actual Revenues July 1, 2001 to June 30, 2002
Individual Income Tax	$ 5,156,565,000	$ 5,211,800,000	$ 4,725,971,194	$ 4,509,662,599
General Sales and Use Tax	3,609,895,000	3,680,000,000	3,251,963,963	3,330,181,973
Corporate Franchise and Income Tax	537,159,000	479,700,000	542,395,802	508,899,944
Public Utility Taxes	239,238,000	253,700,000	239,628,753	251,854,265
Excise Taxes	299,775,000	354,850,000	271,939,928	316,034,464
Inheritance Taxes	77,084,000	85,000,000	77,348,470	82,710,488
Miscellaneous Taxes	159,615,000	144,600,000	65,446,092	73,827,005
SUBTOTAL	10,079,331,000	10,209,650,000	9,174,694,202	9,073,170,738
Federal Receipts[(d)]	5,472,647,000	4,764,099,400	5,428,367,738	6,391,020,318
Dedicated and Other Revenues[(e)]	3,733,756,000	3,857,472,400	3,755,628,673	4,281,333,414
TOTAL	$ 19,285,734,000	$ 18,831,221,800	$ 18,358,690,613	$ 19,745,524,470

(a) The amounts do not reflect the State's ending balance for the fiscal year ended June 30, 2002. 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 30 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 are based on (1) the 2001-03 biennial budget (2001 Wisconsin Act 16), (2) the revised general-fund revenue estimates that were released by the Legislative Fiscal Bureau on January 16, 2002, and (3) the budget reform bill for the 2001-03 biennium that was initially proposed by the Governor, but not the version signed into law on July 26, 2002.

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

(e) 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 June 30, 2002 compared with previous year
(Unaudited)

	Actual Expenditures 2000-01 FY[b]	Appropriations 2001–02 FY[c]	Actual Expenditures July 1, 2000 to June 30, 2001	Actual Expenditures July 1, 2001 to June 30, 2002
Commerce	$ 221,297,000	$ 227,375,400	$ 198,769,259	$ 197,308,057
Education	8,353,243,000	8,628,320,500	8,260,686,345	8,543,302,073
Environmental Resources	272,918,000	256,733,500	263,226,746	218,978,589
Human Relations & Resources	7,287,626,000	7,404,489,100	7,421,203,809	8,491,437,223
General Executive	651,970,000	634,499,300	647,756,285	622,668,538
Judicial	108,676,000	103,047,200	105,763,121	103,511,795
Legislative	62,220,000	59,636,100	57,909,745	58,707,696
General Appropriations	2,490,467,000	1,953,566,300	2,470,911,322	2,850,427,151
TOTAL	$ 19,448,417,000	$ 19,267,667,400	$ 19,426,226,632	$ 21,086,341,122

(a) The amounts shown do not reflect the State's ending balance for the fiscal year ended June 30, 2002, The amounts are based on the statutory accounting basis and not on GAAP. The statutory accounting basis requires that some expenditures made after June 30 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 expenditures 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) Estimated appropriations based on the 2001-03 biennial budget (2001 Wisconsin Act 16) and also reflect the budget reform bill for the 2001-03 biennium that was initially proposed by the Governor, but not the version signed into law on July 26, 2002.

Source: Wisconsin Department of Administration.

APPENDIX B

INFORMATION ABOUT THE PETROLEUM INSPECTION FEE REVENUE OBLIGATIONS PROGRAM

This Appendix includes information concerning the Petroleum Inspection Fee Revenue Obligations Program. Part VII of the State of Wisconsin Continuing Disclosure Annual Report, dated December 19, 2001 (**2001 Annual Report**) is included by reference as part of this APPENDIX B.

Part VII to the 2001 Annual Report contains information concerning the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program, security for the Bonds, including information on Petroleum Inspection Fees, Additional Senior Bonds, Variable Rate Take-Out Capacity Test, and summary of the Program Resolution.

Included as APPENDIX A to Part VII are the audited financial statements for the State of Wisconsin Petroleum Inspection Fee Revenue Obligations Program for the fiscal year ending June 30, 2001.

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 official statement, Part VII of the 2001 Annual Report is available from the Capital Finance Office web site at the following address:

http://www.doa.state.wi.us/debf/capfin/01dis7.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.

Table VII-5; Total Petroleum Inspection Fees 1995-2002 (Page 234). Update the table with the following:

The following are the amount of Petroleum Inspection Fees collected in each of the eleven months since June 30, 2001. No amount is shown for the month of July 2001 since the collections in that month were accrued and reported for the month of June 2001, which is part of Table VII-5 of the 2001 Annual Report.

Month	Fees
August 2001	$ 10,548,627
September 2001	9,764,092
October 2001	10,183,431
November 2001	8,632,607
December 2001	9,890,802
January 2002	8,400,417
February 2002	9,699,880
March 2002	9,306,455
April 2002	8,160,396
May 2002	8,908,468
June 2002	8,884,652
Total (August-June)	$102,156,794

APPENDIX C

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to capitalized terms used in this Offering Memorandum.

"2000 Series A Bonds" means the $170,250,000 State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2000 Series A, issued on March 2, 2000.

"2001 Series A Bonds" means the $30,000,000 State of Wisconsin Petroleum Inspection Fee Revenue Bonds, 2001 Series A, expected to be issued on December 18, 2001.

"Account" means any of the accounts in the Funds.

"Acting Beneficiaries Upon Default" means:

- for purposes of the provisions of the Program Resolution concerning acceleration of maturity, the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds are Outstanding and otherwise the Holders of not less than the specified percentage of the most senior class of Bonds Outstanding, and
- for all other purposes under the Program Resolution, any Senior Other Beneficiary or the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds or Senior Other Obligations are Outstanding and otherwise the Holders of not less than the specified percentage of Bonds of the most senior class of any Bonds or Other Obligations of which are Outstanding and any Other Beneficiary of such class.

"Authorized Commission Representative" means any person at the time designated to act on behalf of the State by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the State by the Capital Finance Director, and also includes the Capital Finance Director.

"Authorized Department Representative" means any person at the time designated to act on behalf of the Department by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Department by the Secretary of the Department, and also includes the Secretary.

"Beneficial Owner" means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository, Participant, or Indirect Participant, as the case may be.

"*Beneficial Ownership Interest"* means the right to receive payments and notices with respect to Bonds which are held by the Securities Depository under a Book-Entry System and for which the Securities Depository does not act on behalf of the Beneficial Owner in connection with the optional or mandatory tender of Bonds on a Tender Date.

"Beneficiary" means any Holder of Bonds, any Swap Counterparty, and any Credit Facility Provider.

"Bond Anticipation Notes" means obligations for the funding of which the Building Commission has authorized the issuance of Bonds in a Supplemental Resolution.

"Bond Counsel" means any Independent Counsel selected by the State and nationally recognized as an attorney or firm of attorneys whose opinions are generally accepted in the municipal bond market and who is familiar with the transactions contemplated under the Program Resolution.

Unless specifically otherwise provided, any opinion of Bond Counsel required by the Program Resolution shall be in writing.

"Bonds" means revenue obligations of the State, however designated and whether Senior, Subordinate, or Junior Subordinate, that are issued pursuant to the Program Resolution and payable, in whole or in part, from the Petroleum Inspection Fees and does not include Bond Anticipation Notes that are payable solely from the proceeds of Bonds authorized in a Supplemental Resolution.

"The Bond Buyer Revenue Bond Index" means the 25-Bond Revenue Bond Index as published by The Bond Buyer.

"Book-Entry System" means a book-entry system established and operated for the recordation of Beneficial Owners of Bonds.

"Building Commission" means the State of Wisconsin Building Commission.

"Business Day" or *"business day"* means, with respect to any series of Bonds, a day on which (a) banks located in the city in which the Principal Office of any Fiduciary with responsibilities for that series of Bonds is located are not required or authorized by law or executive order to close for business, and (b) the New York Stock Exchange is not closed; *provided,* that a Supplemental Resolution may provide for a different meaning with respect to Bonds of any series issued pursuant thereto.

"Capitalized Interest Account" means the Capitalized Interest Account created within the Proceeds Fund.

"Claims Account" means the Claims Account created within the Proceeds Fund.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

"Counterparty Swap Payment" means a payment due to or received by the State from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the State under any related Swap Counterparty Guaranty.

"Credit Enhancement Facility" means, if and to the extent provided for in a Supplemental Resolution, with respect to Bonds of one or more series, (1) an insurance policy insuring, or a letter of credit, surety bond, or other guaranty providing a direct or indirect source of funds for, the payment of principal of and interest on such Bonds (but not necessarily principal due upon acceleration of maturity) or (2) a letter of credit, standby purchase agreement, or similar instrument, providing for the purchase of such Bonds (or the Beneficial Ownership Interests therein) on a Tender Date, and in either case, all agreements entered into by the State or the Trustee and the Credit Facility Provider with respect thereto.

"Credit Facility Provider" means any Person or Persons engaged by the State pursuant to a Credit Enhancement Facility, to provide credit enhancement or liquidity for the payment of the principal of and interest on Bonds or the State's obligation to purchase Bonds (or the Beneficial Ownership Interests therein) on a Tender Date.

"Debt Service" means the aggregate principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap

Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities); *provided,* however, that for purposes of calculating such amount:

- Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at the Projected Interest Rate.
- All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to such Bond Anticipation Notes, bearing interest at the Projected Interest Rate, and maturing according to such amortization schedule as the State may determine; *provided* that the final maturity must not be later than 20 years from the original issuance of the Bond Anticipation Notes.
- Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the State or the Trustee (including, without limitation, amounts in an Escrow Account established in the Redemption Fund or amounts in the Capitalized Interest Account of the Proceeds Fund).
- State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Certificate provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility.
- For purposes of applying the additional bonds test in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.
- Except to the extent provided in a Supplemental Resolution to provide for a subordinate class of Bonds or other obligations with respect to the determination of Debt Service for purposes of limitations relating to Subordinate or Junior Subordinate Bonds or Subordinate or Junior Subordinate Other Obligations, debt service payments with respect to Subordinate or Junior Subordinate Bonds and Subordinate or Junior Subordinate Other Obligations shall not be taken into account.

"Debt Service Coverage Ratio" means the ratio of Projected Annual Revenues to Maximum Annual Debt Service.

"Department" means the State of Wisconsin Department of Commerce.

"Escrow Account" means a separate and distinct Account created within the Redemption Fund or the Junior Subordinate Redemption Fund hereof in connection with the defeasance of any Bonds.

"EMCP" or *"Notes"* means, collectively, the State of Wisconsin Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of all series issued pursuant to the Notes Resolution.

"*Event of Default*" means one of the events described as such in the Program Resolution.

"Extended Maturity Date" means, for each Bond designated as EMCP, the date that is 270 days after the original issue date.

"Federal Securities" means noncallable, direct obligations of the United States of America.

"Fiduciary" means each of the Trustee, and any co-trustee, Registrar, Issuing Agent, Paying Agent, or other fiscal agent and includes any agent designated by or on behalf of the Building Commission or a Fiduciary to perform the functions of a Fiduciary. One entity may perform multiple Fiduciary functions, and multiple entities may perform a particular Fiduciary function.

"Fiscal Year" means the annual period beginning on July 1 of each year and ending on June 30 of the following year.

"Fund" means any of the funds created by the Program Resolution.

"Holder" means the registered owner of any Bond (which shall be the Securities Depository Nominee so long as a Book-Entry System is being used), as shown on the registration books of the State maintained by the Registrar, except that to the extent and for the purposes provided in a Supplemental Resolution for a series of Bonds (including, without limitation, for purposes of the definition of "Acting Beneficiaries Upon Default"), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Bonds may instead be treated as the Holder of the Bonds of such series.

"Independent Counsel" means an Independent Person duly admitted to practice law before the highest court of any state of the United States of America or the highest court of the District of Columbia, or with respect to opinions relating to the law of a country other than the United States of America, an Independent Person duly admitted to the practice of law in such country. Unless specifically otherwise provided, any opinion of Independent Counsel required by the Program Resolution shall be in writing.

"Independent Person" means a Person designated by the State and not an employee of the State.

"Indirect Participant" means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

"Interest Account" means the Interest Account created within the Redemption Fund.

"Interest Payment Date" means any date on which interest is due on any Bond pursuant to the Program Resolution.

"Interest Subaccount" means the Interest Subaccount of the Interest Account of the Redemption Fund, created by the Notes Resolution and held by the Issuing and Paying Agent.

"Issuance and Administrative Account" means the Issuance and Administrative Account created within the Proceeds Fund.

"Issuing Agent" means the entity designated by or on behalf of the Building Commission to perform such duties as may be required of the Issuing Agent under the Program Resolution or any Supplemental Resolution.

"Issuing and Paying Agent" means, for purposes of Bonds issued as EMCP, the issuing and paying agent for EMCP as appointed by the Notes Resolution.

"Junior Subordinate" means, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit

Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

"Junior Subordinate Principal Account" means the Junior Subordinate Principal Account created within the Junior Subordinate Redemption Fund.

"Junior Subordinate Redemption Fund" means the Junior Subordinate Redemption Fund created under the Program Resolution.

"Master Bond" means one or more Bonds registered in the name of the Securities Depository Nominee, which shall cover all maturities of Bonds identified in the records of the State as being so covered.

"Maximum Annual Debt Service" means, as of the date of determination, the maximum annual Debt Service, as computed for the then current or any future Fiscal Year.

"Notes" or *"EMCP"* means, collectively, the State of Wisconsin Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of all series issued pursuant to the Notes Resolution.

"Note Redemption Accounts" means the Interest Subaccount and the Junior Subordinate Principal Account.

"Notes Resolution" means 2000 State of Wisconsin Building Commission Resolution 6, adopted on May 2, 2000.

"Original Maturity Date" means, for each Bond designated as EMCP, the date that is from 1 to 180 days from the original issue date, specified as such in the confirmation sent to the Holder of the EMCP.

"Other Beneficiary" shall mean a Person who is a Beneficiary of an Other Obligation.

"Other Obligation" shall mean the State's obligations to pay any amounts under any Swap Agreements and any Credit Enhancement Facilities.

"Outstanding" means, (1) when used in reference to the Bonds as at any given date, all Bonds which have been duly authenticated and delivered by the Registrar or Issuing Agent under the Program Resolution *except*:

- Bonds which have been canceled by the Registrar at or before such date or which have been delivered to the Registrar at or before such date for cancellation;
- Bonds deemed to be paid because their payment has been provided for;
- Bonds in lieu of which other Bonds have been authenticated;
- Bonds not surrendered for payment when due (unless the State shall default in the payment thereof); and
- Bonds which are otherwise not treated as Outstanding pursuant to the terms of the Supplemental Resolution providing for their issuance; and

(2) when used with respect to Other Obligations, means any Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

"Participant" means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository.

"Paying Agent" means an agent of the State designated by or on behalf of the Building Commission to process payments to Holders of the Bonds.

"PECFA Program" means the Petroleum Environmental Cleanup Fund Award Program, which is a petroleum storage remedial program provided for in the Wisconsin Statutes.

"Permitted Investments" means any of the following:

- Direct obligations of the United States and of agencies of and corporations wholly owned by the United States, and direct obligations of federal land banks, federal home loan banks, central bank for cooperatives and banks for cooperatives, international bank for reconstruction and development, the international finance corporation, inter-American development bank, African development bank and Asian development bank, in each case maturing within one year or less from the date of investment;
- Commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's Investors Service Inc., Standard & Poor's Ratings Services, or Fitch, Inc.;
- Certificates of deposit maturing within one year or less from the date of investment, issued by banks, credit unions, savings banks or savings and loan associations located in the United States and having capital and surplus of at least $40,000,000; and
- Any other investment permitted by law, so long as each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of such investment, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to such investment, as evidenced in writing to the Trustee by each such Beneficiary.

"Person" means any natural person, firm, association, corporation, company, trust, partnership, public body, or other entity.

"Petroleum Inspection Fees" means the fees imposed under Section 168.12 (l) of the Wisconsin Statutes, the payments under Section 101.143 (4) (h) lm. of the Wisconsin Statutes, the payments under Section 101.143 (5) (a) of the Wisconsin Statutes, and the net recoveries under Section 101.143 (5) (c) of the Wisconsin Statutes.

"Petroleum Inspection Fund" means the separate nonlapsible trust fund created under Section 25.47, Wisconsin Statutes, which includes all the funds and accounts created under the Program Resolution and a separate fund held in the state treasury.

"Principal Account" means the Principal Account created within the Redemption Fund.

"Principal Amount" when used with respect to a Bond, shall mean the then outstanding principal amount of such Bond; *provided,* that to the extent provided in the Supplemental Resolution for Bonds of such series that pay interest less frequently than semiannually, accrued interest or amortized original issue discount with respect to such Bond shall be treated as principal, and to the extent provided in the Supplemental Resolution for Bonds of such series that bear no interest, only the purchase price plus amortized original issue discount shall be treated as principal.

"Principal Office" means, with respect to any Fiduciary, the office which may be designated as such, from time to time, by the Fiduciary in writing to the State and (in the case of any Fiduciary which is not the Trustee) to the Trustee.

"Principal Payment Date" means the stated maturity date of principal of any Serial Bond, the Sinking Fund Payment Date for any Term Bond, and any other Redemption Date for any Bond.

"Proceeds Fund" means the Proceeds Fund created under the Program Resolution.

"Program Expense Account" means the Program Expense Account created within the Program Fund.

"Program Fund" means the Program Fund created under the Program Resolution.

"Program Resolution" means the Program Resolution for State of Wisconsin Petroleum Inspection Fee Revenue Obligations, as adopted by the Building Commission on January 19, 2000, as amended and restated by the Notes Resolution as adopted by the Building Commission on May 2, 2000, together with any and all Supplemental Resolutions.

"Projected Annual Revenues" means the largest amount of Petroleum Inspection Fees collected in any twelve consecutive months during the eighteen most recent months for which such information is available; *provided,* that if, as a result of legislation enacted prior to the time of determination, the rate of the Petroleum Inspection Fee for any future month will be higher or lower than the rate of Petroleum Inspection Fee in effect for any corresponding prior month, "Projected Annual Revenues" shall be adjusted to take such change into account.

"Projected Interest Rate" means the sum of the Bond Buyer Revenue Bond Index, as most recently compiled and published in *The Bond Buyer* as of the date of determination, plus 3% per annum, or if such index is no longer published, "Projected Interest Rate" shall mean an interest rate determined in such alternate manner as the State may establish by State Certificate or Supplemental Resolution; *provided,* that each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Unenhanced Bonds will be reduced or withdrawn as a result of the use of such alternate manner of determination, as evidenced by written confirmations thereof delivered from each Rating Agency, or if no Unenhanced Bonds are then Outstanding, but Other Obligations are Outstanding, the Beneficiaries holding such Other Obligations consent to the use of such alternate manner of determination, as evidenced in writing by each such Beneficiary.

"Rate Stabilization Fund" means the Rate Stabilization Fund created under the Program Resolution.

"Rating Agency" means, at any time, any nationally recognized securities rating agency that is then maintaining a rating on the Bonds at the request of the State. *"Rating Agency"* includes the successors and assigns of such agency.

"Rebate Fund" means the Rebate Fund created under the Program Resolution.

"Redemption Date" means the date fixed for redemption of any Bond pursuant to the Program Resolution.

"Redemption Fund" means the Redemption Fund created under the Program Resolution.

"Refunding Bonds" means Bonds issued or to be issued to provide for the payment of principal of (and, to the extent provided by the Supplemental Resolution authorizing the issuance thereof, premium, if any, and interest on) Bonds previously issued under the Program Resolution or to fund Bond Anticipation Notes.

"Registrar" means the State Treasurer or an agent of the State designated by or on behalf of the State Treasurer to maintain the registration books for the Bonds.

"Reserve Fund" means the Reserve Fund created under the Program Resolution.

"Reserve Fund Requirement" means, at any time, an amount equal to the greatest amount established as such in any Supplemental Resolution, which may be expressed as a percentage of Outstanding Bonds, as a stated dollar amount, or in any other manner. In calculating the Reserve Fund Requirement, all Bonds to be redeemed or defeased by a series of Refunding Bonds shall be deemed not Outstanding as of the date of calculation.

"Revenue Fund" means the Revenue Fund created under the Program Resolution.

"Revenue Obligations Act" means Subchapter II of Chapter 18, Wisconsin Statutes.

"Revenue Payment Date" shall mean each Business Day on which Petroleum Revenue Fees are received by the Trustee.

"Securities Depository" means the securities depository and any substitute for or successor to such securities depository that shall, at the request of the Building Commission, maintain a Book-Entry System with respect to the Bonds.

"Securities Depository Nominee" means the Securities Depository or the nominee of the Securities Depository in whose name the Bonds are registered during the continuation with such Securities Depository of participation in its Book-Entry System.

"Senior" means (1) when used with respect to a Bond, a Bond of a series designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated (or deemed to have been designated) as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

"Serial Bonds" means all Bonds other than Term Bonds.

"Sinking Fund Payment Date" means the date on which any Term Bond is to be called for redemption pursuant to the sinking fund requirements of the Supplemental Resolution providing for the issuance thereof or, if not redeemed, the stated maturity date thereof.

"State" means the State of Wisconsin.

"State Certificate" means a certificate signed by an Authorized Commission Representative and delivered to the Trustee or, if required by the context in which such term is used, to any other Fiduciary.

"State Direction" means a direction to the Trustee or, if required by the context in which such term is used, to any other Fiduciary and signed by an Authorized Commission Representative.

"State Swap Payment" shall mean a payment due to a Swap Counterparty from the State pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

"Subordinate" means, after the adoption of a Supplemental Resolution to provide for the creation of a subordinate class of Bonds or Other Obligations that is subordinate to Senior Bonds and prior to Junior Subordinate Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant to the Supplemental Resolution pursuant to which such series of

Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State.

"Supplemental Resolution" means a resolution adopted by the Building Commission to supplement or amend the Program Resolution.

"Swap Agreement" means an interest rate exchange agreement or other interest rate hedge agreement between the State and a Swap Counterparty, as originally executed and as amended or supplemented, for the purpose of (1) converting, in whole or in part, (a) the State's fixed interest rate liability on all or a portion of any Bonds to a variable interest rate liability, (b) the State's variable interest rate liability on all or a portion of any Bonds to a fixed interest rate liability, or (c) the State's variable interest rate liability on all or a portion of any Bonds to a different variable interest rate liability, or (2) providing a maximum or minimum with respect to the State's variable interest rate liability on all or a portion of any Bonds.

"Swap Counterparty" means any Person with whom the State shall, from time to time, enter into a Swap Agreement.

"Swap Counterparty Guaranty" means a guaranty in favor of the State given in connection with the execution and delivery of a Swap Agreement under the Program Resolution.

"Tender Date" means, with respect to any Bond or Beneficial Ownership Interest, a date on which such Bond or Beneficial Ownership Interest is required to be tendered for purchase by or on behalf of the State, or has been tendered for purchase by or on behalf of the State pursuant to a right given the Holder or Beneficial Owner of such Bond, in accordance with the provisions in the Supplemental Resolution providing for the issuance thereof.

"Term Bonds" means Bonds that are subject to mandatory redemption on Sinking Fund Payment Dates according to a schedule provided in or pursuant to the Supplemental Resolution providing for the issuance of such Bonds.

"Trustee" means the entity designated by or on behalf of the Building Commission to have custody of the Funds and Accounts and to perform such other duties as may be required of the Trustee under the Program Resolution or any Supplemental Resolution. The Building Commission has designated The Bank of New York to serve as Trustee.

"Unenhanced Bond" means a Bond the payment of the principal of and interest on which is not provided for or secured by a Credit Enhancement Facility.

"Variable Rate Bonds" means Bonds whose interest rate is not fixed for the entire remaining term of such Bonds, but varies on a periodic basis as specified in the Supplemental Resolution providing for the issuance thereof.

"Variable Rate Debt" means (1) all Senior Variable Rate Bonds and Senior Bond Anticipation Notes, and (2) includes any Principal Amount of Bonds with respect to the which the State shall have entered into Senior Swap Agreements that have the effect of shifting the State's fixed rate liability to a variable rate liability.

"Variable Rate Debt Exposure" means the difference, if any, of (1) the actual aggregate Outstanding Principal Amount of Variable Rate Debt, less (2) the sum of the balance in the Principal Account allocable to Variable Rate Debt plus the balance of the Rate Stabilization Fund.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of additional Notes on August 1, 2002, it is expected that Foley & Lardner will deliver a legal opinion in substantially the following form:

(Letterhead of Foley & Lardner)

STATE OF WISCONSIN
PETROLEUM INSPECTION FEE REVENUE
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER OF 2002, SERIES A

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its Petroleum Inspection Fee Revenue Extendible Municipal Commercial Paper of 2002, Series A to an amount not to exceed $62,300,000 (**2002 Series A Notes**).

The 2002 Series A Notes are authorized to be issued and sold from time to time pursuant to the provisions of Subchapter II of Chapter 18, Wisconsin Statutes (**Revenue Obligations Act**) and resolutions adopted by the State of Wisconsin Building Commission (**Building Commission**), including the amended and restated Program Resolution for the State's Petroleum Inspection Fee Revenue Obligations (**Program Resolution**), adopted by the Building Commission on May 2, 2000, a supplement to the Program Resolution that established the terms and provisions of notes issued under the Program Resolution (**Notes Resolution**), adopted by the Building Commission on May 2, 2000, and a resolution authorizing the 2002 Series A Notes, adopted by the Building Commission on September 19, 2001 (**Supplemental Resolution**). Under the Program Resolution, the Building Commission has pledged the fees imposed under Section 168.12 (l) of the Wisconsin Statutes, the payments under Section 101.143 (4) (h) lm. of the Wisconsin Statutes, the payments under Section 101.143 (5) (a) of the Wisconsin Statutes, and the net recoveries under Section 101.143 (5) (c) of the Wisconsin Statutes (**Pledged Revenues**) for the payment, when due, of the principal of, premium, if any, and interest on the 2002 Series A Notes and other obligations issued or to be issued under the Program Resolution.

Under the Program Resolution, the Building Commission has also established various funds and accounts and designated The Bank of New York, as trustee (**Trustee**), to be the custodian of the funds and accounts. Under the Notes Resolution, the Building Commission has directed the Trustee to transfer certain of those accounts that constitute the redemption fund for the 2002 Series A Notes (**Note Redemption Accounts**) to U.S. Bank Trust National Association, the issuing and paying agent for the 2002 Series A Notes (**Issuing and Paying Agent**). The 2002 Series A Notes are payable solely from cash and securities constituting part of the Pledged Revenues that are held from time to time in the Note Redemption Accounts. The payment of interest from Pledged Revenues is on a parity with or prior to payments with respect to all other obligations issued or to be issued under the Program Resolution; the payment of principal from Pledged Revenues, on the other hand, is junior and subordinate to payments with respect to certain other obligations issued or to be issued under the Program Resolution.

We investigated the law and examined such certified proceedings and other papers as we deemed necessary to render this opinion. We also reviewed the Issuing and Paying Agency Agreement, dated as of May 9, 2000, between the State and the Issuing and Paying Agent (**Issuing and Paying Agency Agreement**), and separate Dealer Agreements, each dated as of May 9, 2000, between the State and Goldman, Sachs & Co. and Merrill Lynch & Co. (**Dealer Agreements**). As to questions of fact material to our opinion, we relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigations.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Offering Memorandum, dated July 29, 2002 (**Offering Memorandum**), or other offering material relating to the 2002 Series A Notes (except to the extent, if any, stated in the Offering Memorandum), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Offering Memorandum). However, in connection with the rendering of our opinion as to the validity of the 2002 Series A Notes, 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 2002 Series A 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.

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

1. The Program Resolution, the Notes Resolution, and the Supplemental Resolution have each been duly adopted by the Building Commission.
2. The Supplemental Resolution is authorized or permitted by the Program Resolution, the Notes Resolution, and the Revenue Obligations Act, complies with their respective terms, and is valid and binding upon the State in accordance with its terms.
3. The Program Resolution creates a valid lien on the Pledged Revenues for the security of the 2002 Series A Notes; it should be noted, however, that payment of principal of the 2002 Series A Notes is junior and subordinate to payments with respect to certain other obligations issued or to be issued under the Program Resolution.
4. The 2002 Series A Notes have been duly and validly authorized, and when duly executed in the form and manner provided in the Program Resolution, the Notes Resolution, and the Supplemental Resolution, duly authenticated by the Issuing and Paying Agent, delivered, and paid for, will constitute valid and binding limited obligations of the State, payable solely from the Pledged Revenues.
5. The interest on the 2002 Series A Notes is excluded from gross income for federal income tax purposes, and the interest on the 2002 Series A Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; it should be noted, however, that with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentences of this paragraph are subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended, and other federal tax legislation that must be satisfied subsequent to the issuance of the 2002 Series A Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with each such requirement to the extent it may lawfully do so. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2002 Series A Notes in gross income for federal income tax purposes retroactively to the date of issuance of the 2002 Series A Notes. We express no opinion regarding other federal tax consequences arising with respect to the 2002 Series A Notes.

It is to be understood that the rights of the owners of the 2002 Series A Notes and the enforceability of the 2002 Series A Notes may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable, and that their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

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, the Notes Resolution, and the Supplemental Resolution, in the forms 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 2002 Series A Notes is pending or threatened at the time of delivery of any such 2002 Series A Notes.

Very truly yours,

FOLEY & LARDNER