



STATE OF WISCONSIN

Notice of **Material Information** #2003-18
Dated March 31, 2003

This document provides information which may be material to financial evaluation of the State of Wisconsin, however neither the preparation nor submission of this document constitutes a Listed Event pursuant to the State's Master Agreement on Continuing Disclosure.

Issuer: State of Wisconsin

CUSIP Numbers: 977087 Prefix (All)
Master Lease Certificates of Participation

Type of Filing: Filed in both electronic and paper form with each Nationally Recognized Municipal Securities Information Repository.

Type of Information: Other Secondary Market Information-Rating Information

Fitch Ratings has placed the master lease certificates of participation (State of Wisconsin) on "Rating Watch Negative". The rating from Fitch Ratings on the master lease certificates of participation (State of Wisconsin) has not changed and remains at AA-. **Attached is a copy of the press release from Fitch Ratings.**

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

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Fitch Places \$4B Wisconsin GOs on Rating Watch Negative

26 Mar 2003 11:36 AM

Fitch Ratings-New York-March 26, 2003: Fitch Ratings places \$4 billion state of Wisconsin general obligation bonds on Rating Watch Negative and affirms the 'AA' rating on the outstanding general obligation bonds. Also placed on Rating Watch Negative, are the State of Wisconsin's master lease certificates of participation (COPS), rated 'AA-' and general obligation (GO) extendible commercial paper notes rated 'F1+'. Concurrently, Fitch assigns a 'AA' rating, Rating Watch Negative to \$13.7 million general obligation bonds of 2003, series 2 to be offered through negotiation by Robert W. Baird & Co. and Loop Capital Markets LLC on or about March 26.

Continued revenue weakness in fiscal 2003 is leading to a projected fiscal yearend deficit and adding to an already large projected structural funding imbalance for the next biennium beginning July 1. While the governor's proposed biennium budget would close the imbalance, largely through spending cuts, it also is premised on continued use of non-recurring resources and significantly improved revenue and economic growth.

Since the onset of the manufacturing recession with declining employment in that sector evidenced in the last quarter of 2000, Wisconsin's financial operations progressively weakened. The economic deterioration followed the state's assumption of two-thirds of local education costs and coincided with a major income tax cut, deepening the problem. Revenues in the current biennium continued to fall below downwardly revised estimates. The over \$1.1 billion 2001-03 budget gap (about 5% of biennium revenues) was patched principally from nonrecurring measures including the full use of the tobacco settlement bond proceeds, including about \$600 million applied to the current fiscal year. Nevertheless, revenues estimates continue to slide. The January forecast projected a biennium ending deficit on June 3, 2003 of \$373 million reduced now to \$284 million following legislated budget reductions. The January forecast also widened by \$656 million the 2003-05 biennium funding imbalance to \$3.2 billion, inclusive of \$373 million the June 30 projected deficit.

The governor's proposed budget continues to utilize about \$1.0 billion in non-recurring resources, including \$400 million from the transportation fund and \$408 million from obtaining an uncertain federal Medicaid waiver. While most of the temporizing measures occur in the first year of the biennium and can be viewed as transitional until economic and revenue recovery take hold, revenue projections remain uncertain. Income taxes are forecasted to increase 2.8% this year, and then 5.7% and 7.2% over the next two years; collections through seven months were up less than 2.0%. The sales tax, which has been flat year to date, is estimated to increase 1.7% this year improving to 4.0% and 4.9% in the next two years. Despite some economic firming during the second half of 2002, improvement has more recently leveled off.

Wisconsin's overall employment has not seriously suffered despite its manufacturing orientation and losses in that sector. Manufacturing declined 4.5% in 2001 although overall employment declined just 0.3%. January 2003 employment was flat with manufacturing down 2.1% for the same month the previous year. Fiscal 2002 revenues were 0.4% below actual fiscal 2001 collections, with balance retained through use of \$681 million in tobacco settlement bonds. The gross closing balance deteriorated from \$835.7 million at June 30, 2000, to \$54 million at June 30, 2002.

Although the state continues to be a frequent bond issuer, net tax-supported debt ratios continue to remain at moderate levels at about 3.9% of personal. While general obligation debt amounts to over 60% of the total, Wisconsin's debt structure includes several types of securities and recent emphasis has been on commercial paper.

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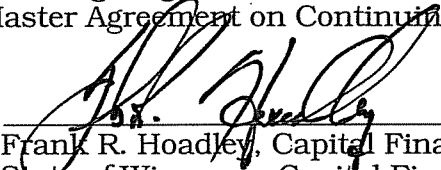
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