OFFERING MEMORANDUM

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

STATE OF WISCONSIN

GENERAL OBLIGATION EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

Note Ratings	As of the date of this Offering Memorandum, the following rating agencies have provided these ratings on the Notes–*See pages 5-6.* 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 is 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 8-9*.
Original Maturity Date	From 1 to 180 days from the original issue date of each Note.
Extended Maturity Date	On the Original Maturity Date of a Note, the State has the option to extend the maturity date to the date that is 270 days after the original issue date. The option to extend the maturity date exists solely in case there is a disruption in market liquidity for the Notes–*See pages 4-5.*
Interest Payment Dates	Interest on each Note is payable on the Original Maturity Date. However, if the maturity date is extended, then interest is not payable on the Original Maturity Date but on the first Business Day of either the first or second month after the Original Maturity Date and then on a monthly basis and on any redemption date or the Extended Maturity Date–*See page 4.*
Redemption	A Note is not subject to redemption prior to its Original Maturity Date. If the maturity date of a Note is extended, then it is subject to redemption in whole but not in part, at the option of the State, prior to the Extended Maturity Date–*See page 5.*
Security	The Notes are general obligations of the State of Wisconsin–*See page 3.*
Rule 2a-7 Compliance	Hale and Dorr LLP has advised that the structure of the Notes is consistent with the maturity requirements of Rule 2a-7 under the Investment Company Act of 1940 and would not preclude a money market fund from determining that the Notes are eligible securities under Rule 2a-7. Each investor must make its own determination that the Notes are eligible securities–*See page 5.*
Purpose	Proceeds of the Notes are used for various governmental purposes–*See page 3.*
Denominations	$100,000 and $1,000 increments above $100,000
Bond Counsel	Foley & Lardner LLP
Issuing and Paying Agent	U.S. Bank Trust National Association
Issuer Contact	Wisconsin Capital Finance Office—(608) 266-2305; capfin@doa.state.wi.us
Book-Entry Form	The Depository Trust Company–*See pages 6-7.*
Annual Report	This Offering Memorandum incorporates by reference the State of Wisconsin Continuing Disclosure Annual Report most recently published pursuant to the State's continuing disclosure undertaking and any notice provided pursuant to that undertaking. The Annual Report most recently published before the date of this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003.

March 4, 2004

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

This document contains the only authorized—or official—information about the offering of the Notes. This document is not an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Notes by any person in any jurisdiction where it is unlawful for the person to make the offer, solicitation, or sale. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the Notes, and anything else related to the offering.

The purpose of this document is to provide prospective investors with information that may be important in making an investment decision. It may not be used for any other purpose without the State's permission. The State is the author of this document and is responsible for its accuracy and completeness.

The estimates, forecasts, projections, and opinions in this document are not hard facts, and no one guarantees them. Some of the people who prepared, compiled, or reviewed this information had specific functions that covered some aspects of the offering but not others. For example, financial staff focused on quantitative financial information, and legal counsel focused on specific documents or legal issues assigned to them.

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the Notes other than what is in this document. The information and expressions of opinion in this document may change without notice. Neither the delivery of this document nor any sale of the Notes implies that there has been no change in the other matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly included.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE 2004 SERIES A NOTES

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Jim Doyle, Chairperson	January 8, 2007
Senator Fred A. Risser, Vice-Chairperson	January 3, 2005
Senator Robert Cowles*	January 3, 2005
Senator Carol Roessler	January 3, 2005
Representative Spencer Black	January 3, 2005
Representative Jeff Fitzgerald	January 3, 2005
Representative Daniel Vrakas	January 3, 2005
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor

* On October 15, 2003, Senator Robert T. Welch replaced Senator Robert Cowles. On or about October 20, 2003, Senator Robert Cowles replaced Senator Robert T. Welch.

Nonvoting, Advisory Members	
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. Marc J. Marotta, Secretary Department of Administration	At the pleasure of the Governor
Ms. Peggy A. Lautenschlager State Attorney General	January 8, 2007

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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(608) 266-2305
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Mr. Lawrence K. Dallia
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Capital Finance Officer
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OFFERING MEMORANDUM

STATE OF WISCONSIN

GENERAL OBLIGATION
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

INTRODUCTION

This Offering Memorandum provides information about the General Obligation Extendible Municipal Commercial Paper **(Notes)** issued by the State of Wisconsin **(State)**.

Once issued, Notes are generally offered without being designated by series, although the State, for its own purposes, identifies each initial issuance of Notes with a series designation. Another initial issuance of Notes is expected to occur on March 9, 2004 **(2004 Series A Notes),** adding to the principal amount of Notes outstanding. The State expects to issue "roll-over" Notes, from time to time, to provide payment of previously issued and maturing Notes. The State may also add more to the principal amount of Notes outstanding through additional initial issuances.

With respect to Notes issued after the date of this Offering Memorandum and until such time as the State publishes a more current offering memorandum, this Offering Memorandum includes by reference the annual report most recently published pursuant to the State's continuing disclosure undertaking **(Annual Report)** and any notice provided pursuant to that undertaking. The annual report most recently published before this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003 **(2003 Annual Report)**. Parts I, II, and III of the 2003 Annual Report are expressly referred to in parts of this Offering Memorandum.

The Notes are authorized under the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes, as well as a Program Resolution for State of Wisconsin General Obligation Extendible Municipal Commercial Paper that the State of Wisconsin Building Commission **(Commission)** adopted on June 28, 2000 and amended on July 30, 2003 and March 4, 2004, **(Program Resolution)** and **Authorizing Resolutions** that the Commission has previously adopted.

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

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

THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 20th among the states in population and 26th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information about the State, its operations and financial condition, and its general obligations is included in the 2003 Annual Report and subsequent Annual Reports. Updates to the 2003 Annual Report are included in APPENDIX A, which also specifically incorporates by reference Parts II and III of 2003 Annual Report.

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

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

THE PROGRAM

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

The State has appointed Goldman, Sachs & Co. and Merrill Lynch & Co. to serve as **Dealers** for the Notes. Inquiries to the Dealers may be directed to the following:

Contact:	Goldman, Sachs & Co.	Merrill Lynch & Co.
Address:	85 Broad Street, FLR 26 New York, NY 10004	4 World Financial Center, FLR 9 New York, NY 10080
Phone:	(212) 902-6639	(212) 449-5101

The State has appointed U.S. Bank Trust National Association to serve as **Issuing and Paying Agent** for the Notes. Inquiries to the Issuing and Paying Agent may be directed to:

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

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

Authorized Notes

The following summarizes the series designation, principal amount issued, date of respective Authorizing Resolution, and date for each initial issuance of Notes that the State has issued or expects to issue on March 9, 2004:

Series Designation of Notes	Principal Amount Issued	Outstanding Principal Amount (March 4, 2004)	Date of Authorizing Resolution	Date of Initial Issuance
2000 Series A	$125,000,000	$52,170,000	6/28/2000	8/8 to 11/6/2000
2000 Series B	93,430,000	69,495,000	6/28/2000	8/8/2000
2000 Series C	80,390,000	78,293,000	10/24/2000	11/16/2000
2002 Series A	41,670,000	39,955,000	6/20/2001 and 8/8/2001	2/5/2002
2004 Series A	100,000,000	N/A	10/15/2003 and 11/19/2003	3/2/2004

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

Application of Proceeds

The Wisconsin Legislature has established the borrowing purposes and amounts for which public debt may be issued. APPENDIX B includes a summary of those purposes, including both the amount authorized and the amount previously issued for each purpose. APPENDIX B also identifies the borrowing purpose and amount for the initial issuance of the 2004 Series A Notes.

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

THE NOTES

Security

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

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

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

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

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

Description of the Notes

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

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

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

Extension of Maturity Date

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

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

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

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

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

The Note will bear interest from the Original Maturity Date at the **Reset Rate** and 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:

$$(1.35 \times BMA) + E$$

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

The Reset Rate applicable to a Note will be determined weekly by the Issuing and Paying Agent based on the *BMA* variable and the Prevailing Ratings as of 11:00 a.m. (New York time) on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday.

Redemption of Notes

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

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

Rule 2a-7 Compliance

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

Ratings

The State has requested several rating agencies to rate the Notes. The current ratings are shown below:

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

As of the date of this Offering Memorandum, the same rating agencies also currently rate the State's general obligation bonds, as shown below:

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

(1) Moody's Investors Service, Inc. has revised the rating outlook on the State's general obligation bonds from "stable" to "negative".

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

Acceleration Upon Default in Payment

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

Book-Entry-Only Form

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

DTC is a "limited purpose" trust company organized under the New York Banking Law, a "banking organization" within the meaning of the same law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**). The rules applicable to DTC and its Direct and Indirect Participants—that is, **Participants**—are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

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

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

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

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

NOTE FUND

The Program Resolution creates a **Note Fund** held by the Issuing and Paying Agent. The State may make periodic deposits into this Note Fund for payment of interest, principal, or redemption premium for the Notes. Moneys held in the Note Fund may be invested in **Permitted**

Investments, which include direct obligations of the United States government or a money market fund consisting solely of direct obligations of the United States government. Amounts deposited in the Note Fund will be spent within a thirteen-month period beginning on the date of deposit, and amounts received from investments of moneys held in the Note Fund will be spent within a one-year period beginning on the date of receipt. The State will have no legal or equitable interest in the amounts on deposit in the Note Fund or in any proceeds of any investment of the Note Fund, except as provided in the Program Resolution.

LEGAL OPINION

Legal matters incident to the authorization, issuance, and sale of the initial issuance of Notes on March 9, 2004 are subject to the approval of Foley & Lardner LLP **(Bond Counsel).** Bond Counsel will deliver an approving opinion on the date of issue of the initial issuance, in substantially the form shown in APPENDIX C.

As required by law, the office or 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.

Bond Counsel and the Attorney General have delivered similar opinions with respect to, and on the date of, each prior initial issuance of Notes.

On July 30, 2003, the Program Resolution was amended by a supplemental resolution to provide for the Secretary of Administration to perform certain duties relating to the issuance and administration of general obligation extendible municipal commercial paper, in conformity with statutory changes to Subchapter I of Chapter 18 of the Wisconsin Statutes **(Bond Issuance Act)**. On March 4, 2004, the Program Resolution was amended by a supplemental resolution to allow proceeds from the initial issuance of Notes to be deposited in the State's Bond Security and Redemption Fund if the initial issuance of Notes is for the purpose of refunding outstanding general obligation bonds, as provided for in Bond Issuance Act. Foley & Lardner LLP has provided opinions, pursuant to a requirement in the Program Resolution, that states that each amendment of the Program Resolution is authorized or permitted by the Program Resolution and the Bond Issuance Act, complies with their respective terms, is valid and binding upon the State in accordance with its terms, and does not adversely affect the exclusion of the interest payable on the Notes from gross income of the beneficial owners of the Notes for federal income tax purposes pursuant to the Internal Revenue Code **(Code).**

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 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 about 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 2003 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
www.doa.state.wi.us/capitalfinance

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

Certain provisions of the Program Resolution have been summarized in this Offering Memorandum. Reference should be made to the complete Program Resolution for a full and complete statement of the provisions of the Program Resolution. *A copy of the Program Resolution and Authorizing Resolutions may be obtained by contacting the State at the* *address provided on page 2* *of this Offering Memorandum.*

Dated: March 4, 2004

STATE OF WISCONSIN

/s/ JIM DOYLE

Governor Jim Doyle, Chairperson
State of Wisconsin Building Commission

/s/ MARC J. MAROTTA

Marc J. Marotta, Secretary
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER

Robert G. Cramer, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin **(State)**. Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003 **(2003 Annual Report)** are included by reference as part of this APPENDIX A.

This appendix also includes information recently released by the Legislative Fiscal Bureau (LFB), which includes (1) re-estimates of departmental revenues and expenditures, and (2) projected General Fund tax collections for the 2003-05 biennium and the effect on the General Fund balance at the end of the 2003-05 biennium.

Part II to the 2003 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 2002-03
- 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 2003 Annual Report are the audited general purpose external financial statements for the fiscal year ending June 30, 2003, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Government Accounting Standards Board, and the State Auditors' report.

Part III to the 2003 Annual Report contains information concerning general obligations issued by the State. That part presents a discussion of the security provisions for general obligation debt (including the flow of funds to pay debt service on general obligations), data pertaining to the State's outstanding general obligation debt, and the portion of that general obligation debt that is revenue-supported general obligation debt.

The 2003 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. As of the date of this Offering Memorandum, Parts II and III of the 2003 Annual Report are available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin". The Capital Finance Office web site is located at the following address:

www.doa.state.wi.us/capitalfinance

Copies of the 2003 Annual Report 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

Listed below, by reference to a particular section of the 2003 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes or additions 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 may not constitute listed material events under the State's Master Agreement on Continuing Disclosure.

State Budget; Budget for 2003-05 (Page 28). Update with the following:

LFB Re-Estimates of Departmental Revenues and Expenditures

On January 15, 2004, LFB released a re-estimate of departmental revenues and expenditures for the 2003-05 biennium. This re-estimate did not include tax collections and did not revise the General Fund condition statement. A complete copy of the January 15, 2004 letter from the LFB appears on pages A-15 to A-19 of this Offering Memorandum.

LFB Projected General Fund Tax Collections and General Fund Balance

On February 10, 2004, LFB released projections of General Fund tax collections for the 2003-05 biennium. This letter also included a projected gross ending General Fund balance of negative $32 million, not including the statutory required reserve, for the end of the biennium (June 30, 2005). This is approximately $219 million less than the balance that was indicated upon enactment of the State's 2003-05 biennial budget (2003 Wisconsin Act 33). The difference is the result of:

- An increase of $1 million in the 2003-04 fiscal year opening balance.
- A decrease of $222 million in estimated tax collections.
- A decrease of $3 million in net expenditures.

A complete copy of the letter from LFB appears on pages A-3 to A-14 of this Offering Memorandum.

The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, which did occur, and the Wisconsin Constitution also requires that if final expenses of any fiscal year exceed available revenues, then the Legislature must take actions to balance the budget in the succeeding fiscal year.

The projected gross ending General Fund balance for the end of the 2003-05 biennium does not include four sum-certain general program revenue (GPR) appropriation items that were identified in the January 15, 2004 letter from LFB. See pages A-15 to A-19. Unlike sum-sufficient appropriations, which are automatically adjusted, sum-certain appropriations cannot be adjusted unless changed by the Legislature. Thus, if a sum-certain appropriation requires a funding increase, the Legislature has the option of reducing parameters, increasing the appropriation, prorating available funding, or letting the funded program cease due to insufficient funds. The largest of these four sum-certain appropriations is medical assistance benefits. As outlined in the January 15, 2004 letter, it is estimated that, if the State were unable to secure additional federal medicaid revenues, then $311 million in State funds would be needed to support projected medical assistance benefits in the 2003-05 biennium. In addition, estimated State funding for caseload and other costs within the State's medical assistance program may be short by approximately $90 million in the 2003-05 biennium.

Legislative Fiscal Bureau Robert Wm. Lang, Director

One East Main, Suite 301 • Madison, WI 53703
Email: Fiscal.Bureau@legis.state.wi.us
Telephone: (608) 266-3847 • Fax: (608) 267-6873

State of Wisconsin

February 10, 2004

Representative Dean Kaufert, Assembly Chair
Senator Alberta Darling, Senate Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Representative Kaufert and Senator Darling:

On January 15, 2004, I sent a letter to you that discussed this office's review of general fund, non-tax revenues and expenditures for the 2003-05 biennium. That letter indicated that once the January, 2004, economic forecast of Global Insight, Inc., was available, we would prepare our projections of general fund tax collections and inform you of the results of our analysis. We have now completed our review.

Based upon our analysis, we project the closing, gross general fund balance at the end of the biennium to be -$32.2 million. This is $218.6 million below the level ($186.4 million) that was indicated upon enactment of the state's 2003-05 biennial budget (2003 Act 33).

The $218.6 million is the net result of an increase in the 2003-04 opening balance of $1.4 million, a decrease in estimated tax collections of $222.4 million, a decrease in departmental revenues of $0.3 million, and a reduction in net expenditures (sum sufficient appropriations and lapses) of $2.7 million. [With the exception of the estimated tax collections and a recent revision of debt service payments, these revenue and expenditure amounts are identified in the January 15 letter.]

In addition to the projected gross general fund deficit of $32.2 million, Act 33 requires that the state maintain a statutory balance in 2004-05 of $40.0 million. Thus, to address the projected deficit and maintain the required statutory balance, the general fund would need to be improved by $72.2 million.

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

TABLE 1

2003-05 General Fund Condition Statement

	2003-04	2004-05
Revenues		
Opening Balance, July 1	-$282,221,000	$74,542,200
Estimated Taxes	10,670,400,000	11,195,800,000
Departmental Revenues		
Tribal Gaming Revenues	79,158,400	80,595,400
Other	328,979,100	329,206,800
Total Available	$10,796,316,500	$11,680,144,400
Appropriations and Reserves		
Gross Appropriations	$10,849,730,300	$11,771,084,700
Compensation Reserves	109,152,900	163,019,600
Less Estimated Lapses	-237,108,900	-221,725,400
Total Expenditures	$10,721,774,300	$11,712,378,900
Balances		
Gross Balance	$74,542,200	-$32,234,500
Less Required Statutory Balance	-35,000,000	-40,000,000
Net Balance, June 30	$39,542,200	-$72,234,500

It is important to note that the above condition statement does not include the four sum certain GPR appropriation items that were identified in the January 15 letter. Unlike sum sufficient appropriations, which are automatically adjusted to fund selected programs, sum certain appropriations are those with a specific dollar amount that cannot be modified unless changed by the Legislature. Thus, if it is determined that a program under a sum certain appropriation will, unless modified, require a funding increase, the Legislature has the option of reducing the program's parameters, increasing the appropriation, prorating available funding, or letting the program cease due to insufficient funds.

The four sum certain appropriations are: (1) Elections Board federal matching funds ($1.3 million); (2) foster care adoption assistance ($5.1 million); (3) Office of the State Public Defender ($9.2 million); and (4) medical assistance (MA) benefits. If the state is unable to secure any additional federal MA matching funds, $401.0 million in state funds would be needed to support projected MA benefits in the 2003-05 biennium.

General Fund Taxes

The following section provides information on general fund tax revenues for the 2003-05 biennium, including a discussion of the national economic forecast for 2004 and 2005 and general fund tax revenue projections for fiscal years 2003-04 and 2004-05.

National Economic Forecast. This office first issued revenue estimates for the 2003-05 biennium in January, 2003, based on the January, 2003, forecast of the U.S. economy prepared by Global Insight, Inc. At that time, the recession that began in the first quarter of 2001 had ended and the economy had expanded during each of the four quarters of 2002. Although the economy was facing a great deal of uncertainty due to the possibility of war with Iraq, the resumption of a nuclear weapons program in North Korea, and the prospect of additional terrorist attacks, positive growth was expected to continue during calendar years 2003 through 2005, with growth in nominal (current-dollar) gross domestic product (GDP) estimated at 5.2% in 2003, 7.2% in 2004, and 5.7% in 2005. Global Insight, Inc. included the effects of a relatively brief war with Iraq in the first half of 2003 and new federal income tax cuts in its projections. The primary risk to the forecast was that a more protracted war would occur, leading to lower consumer confidence and continued reluctance by businesses to invest.

In considering the January, 2003, forecast, it was our judgment that Global Insight, Inc.'s projections may have been overly optimistic. Therefore, our estimates for the two largest tax sources (the individual income tax and sales tax) were based on lower estimates of economic growth.

In May, 2003, this office reviewed tax collections data and more recent economic forecasts to determine whether the revenue estimates should be adjusted prior to the Legislature's completion of work on the 2003-05 biennial budget bill. At that time, in the aggregate, collections were tracking closely with the 2002-03 estimates. In addition, while the new economic forecasts were less favorable than the January forecast, we believed they were still consistent with our January tax revenue estimates. Therefore, we concluded that a revision was not warranted.

The economy continued to expand throughout 2003, with relatively slow growth during the first half of the year followed by a very strong third quarter, when real GDP increased by 8.2% and nominal GDP increased by 10.0% over the same period in 2002. It is believed that growth moderated to a more sustainable level in the fourth quarter so that nominal GDP growth for all of 2003 is now estimated at 4.8% and annual real growth is estimated at 3.2%. Other economic indicators (personal income, consumption, and business investment) have shown a similar pattern of slow initial growth followed by acceleration in the second half of the year. Corporate profits have shown strong increases throughout the year, with growth rates for before-tax profits in excess of 10% in three of the four quarters of 2003. If the effects of the federal bonus depreciation provisions are excluded, corporate earnings grew by approximately 25% in the second half of 2003. After declining in the first quarter, values of equity shares increased significantly throughout the remainder of the year. These gains were due, in part, to continued low interest rates and stimulative fiscal policy by the federal government.

Despite these positive developments, the economic growth experienced in 2003 was somewhat less than anticipated by Global Insight, Inc. last January. A continuing area of concern has been a slower than expected increase in employment. Following declines in 2001 and 2002, total employment (based on the survey of business establishments) continued to decrease slightly during the first three quarters of 2003, and began to rise in the fourth quarter. Total employment at the end of 2003 is now estimated at 130.1 million persons, virtually unchanged from the beginning of the year but 2.4 million lower than at the start of 2001, when employment peaked. It is believed that businesses have been able to take advantage of improvements in productivity and increased use of foreign contractors to boost production and achieve strong profits without significant increases in staff. However, it is possible that the official employment estimates generated by the business establishment survey may understate actual employment trends because they do not adequately account for business start-ups during the early stages of an economic recovery.

The current (January, 2004) economic forecast by Global Insight, Inc. is for continued positive growth in 2004 and 2005. Real growth is anticipated to be stronger than projected last January. However, with significantly lower rates of inflation, nominal growth is forecast to be somewhat weaker. Growth in real GDP is now estimated at 4.7% in 2004 and 4.0% in 2005, compared to projections of 4.7% and 3.3% last January. Nominal GDP, which is more relevant for tax revenue estimates, is now projected to increase by 6.1% in 2004 and 5.4% in 2005, compared to the previous estimates of 7.2% and 5.7%, respectively.

Global Insight, Inc. expects the main drivers of the economy to be continued low interest rates and federal tax cuts, which will result in higher refund checks this spring. The forecast anticipates that the Federal Reserve will not raise interest rates until June, 2004, when the federal funds rate will be increased from 1.0% to 1.5% (50 basis points). An additional 50 basis-point increase is expected by year-end. However, given the soft labor market and the expectation of continued low inflation, it is possible that the current rates will be maintained for a longer period of time. Further, even if rates are raised as projected by Global Insight, Inc., they would still be very low compared to historical levels. The forecast also assumes that Congress will not allow all of the recent federal income tax cuts to expire as scheduled, although it is anticipated that over time the tax code will be modified to bring the effective personal income tax rate closer to its historical average (8.3% of GDP). A weak dollar is also expected to contribute to significantly increased exports due to reduced real prices for American products overseas, and businesses are expected to replace equipment that has become obsolete.

These factors should lead to increased production and investment by manufacturing firms and other businesses and to higher levels of employment. After decreasing in 2001 and 2002 and growing slowly in 2003, overall industrial production (which includes manufacturing, mining, and utilities) is expected to increase by 5.1% in 2004 and 5.6% in 2005. If just the manufacturing sector is considered, output growth is expected to be even stronger, with projected increases of 5.6% and 6.2%, respectively. Business investment is estimated to increase by nearly 15% in 2004 and 10% in 2005. After declining in 2001 and 2002, exports of American products grew by an estimated 4.1% in 2003 and are projected to increase by more than 10% in each of the next two years.

The current low interest rates are also expected to boost residential construction to record levels in 2004; growth over 2003, which was also a record year, is estimated at 7.2%. As interest rates rise, residential construction is expected to decline slightly in 2005. Similarly, housing starts are also expected to peak in 2004. Following declines in the past two years, nonresidential construction is expected to rebound strongly, with growth of 4.5% in 2004 and 15.2% in 2005. It is believed that this sector will see small improvements during the next several months and then begin to increase rapidly as businesses gain confidence in the economy and commit to building offices, stores, and factories to support future operations.

In spite of the recent increases in economic output and corporate profits, job growth has not met prior expectations. As noted, Global Insight, Inc. now estimates total U.S. employment at the end of 2003 to be 130.1 million persons, which is 2.8 million (2.1%) fewer than was anticipated last January. The reduced jobs numbers are contributing to slower gains in personal income. The current forecast estimates personal income growth at 3.1% in 2003, 4.8% in 2004, and 5.6% in 2005. Compared to last January's forecast, these growth rates are significantly lower in 2003 and 2004 (-1.8%) and the same in 2005. The U.S. unemployment rate for 2003 is currently estimated at 6.0%, which is slightly lower than projected last January, but this reduction is due to people dropping out of the labor force rather than to additional jobs being created. The unemployment rate in 2004 and 2005 is projected to be 5.7% and 5.3%, respectively, which is somewhat higher than last year's forecast of 5.3% and 5.0%. Although hiring has picked up recently and is anticipated to increase more rapidly during the next two years, particularly in late 2004 and 2005, this growth will not be sufficient to raise personal income to the prior estimated levels. The forecast anticipates that total employment will reach its pre-recession level during the third quarter of 2004, and then continue increasing throughout 2005. Lost manufacturing jobs will be replaced with service-sector jobs, particularly in education and health services.

Growth in nominal personal consumption expenditures is now estimated at 5.0% in 2003, 4.9% in 2004, and 5.1% in 2005. The estimate for 2003 is 0.2% higher than projected last January, but the estimates for 2004 and 2005 are lower by 1.8% and 0.8%, respectively. Real spending is expected to be higher than estimated last January, but decreased estimates of personal income and prices result in the slower growth rates for current-dollar consumption. Car and light truck sales have grown continuously since 1996, and there is little pent-up demand for vehicles. In addition, the driving-age population will increase more slowly over the next five years than it has in recent years. Therefore, vehicle sales are expected to show relatively weak growth in 2004 (2.7%) and decline slightly in 2005 (-0.7%). However, sales of computers, software, and restaurant meals are projected to show strong increases in both years. Purchases of services, which have been increasing more rapidly than other types of consumption in recent years, are anticipated to grow at about the same rate as overall consumption in 2004 and slightly faster in 2005. Following a large increase in 2003 due to higher oil prices, expenditures for gasoline and heating fuel are expected to decline by 4.9% in 2004 and increase moderately (by 3.3%) in 2005 as prices fall.

Before-tax corporate book profits were strong in 2002 and 2003, with growth of 6.9% and 13.6% in those years. Growth is expected to moderate somewhat to 11.6% in 2004 and then increase sharply to 24.0% in 2005. It should be noted, however, that book profits are calculated based on federal tax law, which includes the temporary bonus depreciation provisions that were implemented beginning in 2001. In general, these provisions permit an increased first-year depreciation allowance for equipment acquired after September 10, 2001, and placed into service before January 1, 2005. For certain types of property produced by the taxpayer, the placed-into-service date is extended to January 1, 2006. The 24% growth rate projected for book profits in 2005 is due primarily to the termination of bonus depreciation for most types of equipment, which will significantly increase the amount of earnings reported to the Internal Revenue Service.

The bonus depreciation provisions were not adopted for state tax purposes in Wisconsin. Therefore, in the near-term, a better measure of corporate earnings for state tax purposes is economic profits, which is before-tax book profits with adjustments to make the treatment of depreciation more consistent over time and across industry sectors and to account for gains or losses due to changing prices of inventory. Growth in economic profits was even stronger than book profits in recent years (17.4% in 2002 and 17.5% in 2003), because book profits were understated due to the bonus depreciation deductions. Continued strong growth of 14.5% is projected for 2004, as businesses continue to take advantage of productivity gains and a soft labor market. Economic profits are expected to decrease slightly (by 2.3%) in 2005 as the labor market tightens and wages increase. However, the decline is not anticipated to begin until the second half of the year, and economic profits are still estimated to be significantly higher than the pre-recession peak achieved in 1997.

As mentioned, inflation is expected to remain low, with a projected increase in the consumer price index (CPI) of 1.4% in 2004 and 1.3% in 2005. These estimates, which reflect falling oil prices, excess capacity in the U.S. economy, and increases in global manufacturing capacity, are significantly lower than last January's projections of 2.4% and 2.6% for those years. These lower inflation estimates contribute to decreased projections of nominal personal income and consumption, compared to last January's forecast.

The primary risk to the forecast is that businesses will be able to continue to meet demand without significant staffing increases, by making increased use of technology and foreign labor. The resulting lower levels of employment would lead to slower growth in personal income and consumption. Another recession is not contemplated under this scenario, but economic growth (real GDP) would be about 1.0% lower in 2004 and 0.4% lower in 2005 than the baseline forecast. Global Insight, Inc. assigns a 20% probability to this sequence of events.

On the other hand, it is possible that the baseline forecast is too pessimistic regarding business investment, consumer spending, and foreign economic growth. Global Insight, Inc's. "optimistic scenario" (which is also assigned a 20% probability) assumes that each of these factors is more favorable than under the baseline forecast, resulting in increased demand, output, and employment. Under these circumstances, real GDP growth would be about 0.7% higher in 2004 and 0.3% higher in 2005 than under the baseline forecast.

Table 2 presents a summary of national economic indicators as estimated by Global Insight, Inc.

TABLE 2

Summary of National Economic Indicators
Global Insight, Inc.
January, 2004
($ in Billions)

	2002	2003	2004	2005
Nominal Gross Domestic Product	$10,480.8	$10,985.9	$11,653.0	$12,285.3
Percent Change	3.8%	4.8%	6.1%	5.4%
Real Gross Domestic Product	10,083.1	10,401.6	10,895.1	11,325.9
Percent Change	2.2%	3.2%	4.7%	4.0%
Consumer Price Index	1.6%	2.3%	1.4%	1.3%
Personal Income	8,910.3	9,190.0	9,627.1	10,169.6
Percent Change	2.3%	3.1%	4.8%	5.6%
Personal Consumption Expenditures	7,385.4	7,752.5	8,131.4	8,543.0
Percent Change	4.8%	5.0%	4.9%	5.1%
Corporate Profits Before Tax	745.0	846.3	944.2	1,171.0
Percent Change	6.9%	13.6%	11.6%	24.0%
Unemployment Rate	5.8%	6.0%	5.7%	5.3%

General Fund Tax Projections. In total, general fund tax collections in 2002-03 were approximately $24 million less than the amount estimated last January, a variance of -0.2%. However, for individual taxes, the differences between actual collections and the estimates were more pronounced. Individual income tax collections were $68 million lower than estimated and sales tax collections were $22 million lower. These reductions were partially offset by increased revenues from the corporate income and franchise tax ($37 million), public utility taxes ($16 million), and insurance company taxes ($10 million). In total, revenues from the remaining taxes were about $3 million higher than estimated.

The following table shows revised estimates of general fund tax revenues for the 2003-05 biennium. These estimates are based on actual collections last year, current-year collections data, and the January, 2004, Global Insight, Inc. forecast of national economic growth. In addition, the estimates reflect all of the tax law changes included in Act 33 and subsequent enacted legislation.

TABLE 3

Projected General Fund Tax Collections
($ in Millions)

Source	2002-03 Tax Collections	Budget Estimates (Act 33) 2003-04	Budget Estimates (Act 33) 2004-05	Revised Estimates January, 2004 2003-04	Revised Estimates January, 2004 2004-05
Individual Income	$5,052.5	$5,405.8	$5,795.8	$5,220.0	$5,560.0
General Sales and Use	3,738.0	3,915.4	4,107.2	3,900.0	4,095.0
Corporate Income & Franchise	526.5	539.8	554.4	650.0	630.0
Public Utility	276.8	268.0	278.0	261.0	271.0
Excise					
Cigarette	293.7	288.4	284.7	290.0	286.0
Liquor and Wine	36.0	37.2	38.5	39.0	40.0
Tobacco Products	15.5	16.8	17.9	15.6	16.0
Beer	9.5	9.8	9.9	9.7	9.8
Insurance Company	114.9	105.0	95.0	125.0	120.0
Estate	68.7	85.0	90.0	85.0	90.0
Miscellaneous Taxes	67.5	71.3	74.7	75.1	78.0
TOTAL	$10,199.6	$10,742.5	$11,346.1	$10,670.4	$11,195.8
Change from Prior Year					
Amount		$542.9	$603.6	$470.8	$525.4
Percent		5.3%	5.6%	4.6%	4.9%

As shown in Table 3, general fund tax collections are estimated to total $10,670.4 million in 2003-04 and $11,195.8 million in 2004-05. These amounts are lower than the Act 33 estimates by $72.1 million in 2003-04 and $150.3 million in 2004-05, which is a biennial decrease of 1.0% from the prior estimates. The reduction reflects a significant downward revision to the individual income tax and small decreases for the sales tax and utility taxes. These reductions are partially offset by a sizable upward revision for the corporate income and franchise tax and smaller increases for insurance company, excise, and miscellaneous taxes.

Individual Income Tax. The current estimates of individual income tax collections are $5,220.0 million in 2003-04 and $5,560.0 million in 2004-05, which are lower than the estimates under Act 33 by $185.8 million in the first year and $235.8 million in the second year. The revised estimates reflect growth of 3.3% in 2003-04 and 6.5% in 2004-05. The decreases in the estimates compared to those under Act 33 are due primarily to lower than expected collections last year and reduced projections of growth in personal income. Last January, the Global Insight, Inc. forecast was for personal income growth of 5.0% in 2003 and 6.5% in 2004. As noted, the current forecast for personal income growth is 3.1% for 2003 and 4.8% for 2004.

Through January, 2004, both income tax collections and withholding tax payments (the largest component of income tax revenues) were 1.1% higher than last year at this time. However, approximately $77 million in withholding tax payments that were deposited on Monday, February 2, had been received on the weekend and were associated with January collections. If this amount is added to actual withholding tax payments received through January 31, then such payments are 4.1% higher than at this time last year, and the adjusted total of income tax collections is 3.6% higher than income tax collections through January, 2003. The lower rate of growth for total collections, as compared to withholding, is a result of offsetting rates of growth in some of the other components of the individual income tax (for example, estimated tax payments, which reflect non-wage income, are 1.1% lower than at this time last year). An adjusted, year-to-date growth rate in individual income tax collections of 3.6% is consistent with the revised estimate for 2003-04, which assumes 3.3% growth.

General Sales and Use Tax. In 2002-03, state sales and use tax revenues amounted to $3,738.0 million, which was an increase of 1.1% over the prior year. State sales and use tax revenues are currently estimated at $3,900.0 million in 2003-04 and $4,095.0 million in 2004-05. These figures are lower than the estimates under Act 33 by $15.4 million and $12.2 million in 2003-04 and 2004-05, respectively. The revised projections are based on current collections 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.

The revised estimates represent projected growth of 4.3% for 2003-04 and 5.0% for 2004-05. Through January, year-to-date sales tax collections were 3.7% higher than the level collected during the same period of the prior fiscal year. This year-to-date growth rate is 0.8% lower than the 4.3% growth rate currently projected for the 2003-04 fiscal year. However, growth in sales tax revenues is expected to increase in the second half of the fiscal year, based in part on continued improvement in the economy, generally, and in part on economic stimulus anticipated from federal tax refunds (which should be higher than in recent years as a result of federal tax law changes).

The sales tax estimates for the 2003-05 biennium do not reflect a December 1, 2003, decision of the Tax Appeals Commission in the case of Menasha Corporation vs. Wisconsin Department of

Revenue (DOR) with respect to sales and use taxes on computer software. While pre-written computer software is subject to the state sales tax on tangible personal property, sales of custom computer software are not subject to tax. The Commission ruling, which DOR has appealed to the Circuit Court, broadens the interpretation of what computer software is considered to be nontaxable custom software.

DOR has estimated that, were the Circuit Court (and any subsequent courts on appeal) to uphold the Commission's decision, state sales and use taxes would be reduced by $55 million associated with such sales during 2003-04 and $59 million for sales during 2004-05. In addition, DOR projects that the state would be required to pay up to $228 million in refunds and interest for prior fiscal years. Generally, the statutes authorize claims for refunds to be filed for up to four years from the unextended due date of the claimant's income tax return for the year to which the claim relates. However, shorter or longer periods may apply under certain conditions. In the case of refund claims based on the taxability of computer software in the Menasha Corporation case, for example, a taxpayer may enter into an agreement with the Department under which the time to file a claim, for the years specified in the agreement, would be extended to six months after a final determination has been made.

Based on the Department's projections, the net effect of a final court decision upholding the Commission's ruling would be a reduction in the general fund of an estimated $342 million. The timing of any effect on the general fund would depend on the timing of the Circuit Court decision, whether any subsequent appeals were filed, and the timing of the receipt by the Department of associated refund requests. It is possible that final resolution of the case will occur after the current biennium.

Corporate Income and Franchise Tax. Corporate income and franchise tax collections were $526.5 million in 2002-03, which was approximately $37 million more than estimated in January, 2003. The increase reflected the early stages of economic recovery, productivity gains, and a related growth in corporate profits. Collections are projected to be $650 million in 2003-04 and $630 million in 2004-05. These amounts represent an annual increase of 23.5% in 2003-04 and a decrease of 3.1% in 2004-05, and are higher than the January, 2003, estimates by $110.2 million in 2003-04 and $75.6 million in 2004-05.

The new estimates reflect the effects of long-run productivity growth, elements of the recession and recent recovery, and corporate income and franchise tax collections. Through January, collections were 42.6% higher than 2002-03 collections for the same period. It should be noted that about $46 million of the increase is due to one-time payments from delinquencies and audit activities conducted by the Department of Revenue. Declaration payments, which exclude these one-time monies, are up by more than 11% over a year ago. Productivity has been strong since the mid-1990s as a result of the incorporation of computer and communications technologies into business operations. This has led to improved corporate earnings, and since the economic downturn and resulting layoffs, the corporate share of earnings has increased relative to the share allocated to labor. The current forecast projects relatively strong exports, investment in equipment, and industrial production over the next few years, which should continue earnings increases. However, productivity growth is expected to moderate and employment is projected to increase, so that the long-term corporate share of profits should decline somewhat. In addition, the estimate is adjusted to reflect the one-time funds that are included in 2003-04 collections.

Public Utility Taxes. Public utility taxes were $276.8 million in 2002-03. Approximately $10.0 million of this amount represented one-time revenues following an audit and a property value dispute settlement, in each case related to telecommunications property. Utility taxes are currently estimated at $261.0 million in 2003-04 and $271.0 million in 2004-05. These projections are $7.0 million lower in both 2003-04 and 2004-05 than had previously been projected. These reductions primarily reflect decreased estimates of the taxes on utilities paying the ad valorem tax, particularly telecommunications companies and pipelines. The downward revisions are based on: (a) actual and anticipated decreases in the value of, and investment in, such utility property; and (b) a decrease in projected property tax rates compared to prior estimates.

Excise Taxes. Cigarette excise tax revenues, which were $293.7 million in 2002-03, are estimated to be $290.0 million in 2003-04 and $286.0 million in 2004-05. The current estimates represent increases of $1.6 million and $1.3 million over prior estimates for 2003-04 and 2004-05, respectively. The adjustments are based primarily on collections through January.

Excise tax revenues from liquor sales were $36.0 million in 2002-03, and are estimated at $39.0 million in 2003-04 and $40.0 million in 2004-05. The estimates for liquor excise tax revenues have been increased by $1.8 million in 2003-04 and $1.5 million in 2004-05 over the estimates under Act 33, based on year-to-date collections through January.

Also based on year-to-date collections, it is anticipated that tax revenues from tobacco products (excluding cigarettes) and beer will be slightly lower than the Act 33 estimates. Excise tax revenues from tobacco are currently estimated at $15.6 million in 2003-04 and $16.0 million in 2004-05, which are $1.2 million lower for 2003-04 and $1.9 million lower for 2004-05 than the previous estimates. State tax revenues from the occupational tax on beer are estimated at $9.7 million in 2003-04 and $9.8 million in 2004-05, which are $100,000 lower in each year than the estimates under Act 33.

Insurance Premiums Taxes. Insurance premiums taxes increased from $96.1 million in 2001-02 to $114.9 million in 2002-03, which reflected strong increases in written premiums throughout the insurance industry in 2002 and 2003. Premiums taxes are projected to increase to $125 million in 2003-04 and then decrease to $120 million in 2004-05. The projected increase in 2003-04 reflects year-to-date monthly premiums tax collections through January, which are higher than 2002-03 for the same period. The decrease in premium tax revenues in 2004-05 is based on expected moderation in the growth in life insurance and property and casualty insurance premium payments.

Estate Tax. Estate tax revenues totaled $68.7 million in 2002-03, and are estimated at $85.0 million in 2003-04 and $90.0 million in 2004-05. The estimates, which are unchanged from those under Act 33, represent growth of 23.7% and 5.9% for 2003-04 and 2004-05, respectively. The expected increase of 23.7% over the base year reflects a state law change under 2001 Act 16 (the 2001-03 biennial budget) that decoupled the state estate tax from current federal law for deaths occurring from October 1, 2002, through December 31, 2007.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee, certain court-related fees, and the occupational tax on coal. In 2002-03, the state collected $67.5 million in miscellaneous taxes, with over 80% coming from the real estate transfer fee. The current estimates for miscellaneous tax revenues are $75.1 million in 2003-04 and $78.0 million in 2004-05, which exceed the Act 33 estimates by $3.8 million in the first year and $3.3 million in the second year. The increases reflect year-to-date collections as well as construction forecasts (which are relevant for projections of the real estate transfer fee) over the remainder of the biennium.

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

Legislative Fiscal Bureau

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State of Wisconsin

January 15, 2004

Senator Alberta Darling, Senate Chair
Representative Dean Kaufert, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Darling and Representative Kaufert:

In January of each year, this office typically conducts a review of the status of the state's general fund and presents its findings to the Legislature. In the even-numbered year, the analysis includes an examination of economic forecasts and tax collection and expenditure data for the first six months of the current fiscal year. Our intention has been to complete that review and issue our findings prior to commencement of the January floorperiod (January 20 in 2004).

The economic forecast that we use as a primary resource in determining tax collection projections is prepared by Global Insight, Inc. In prior years, the January forecast has been available in the beginning of the month. This year, however, due to recent comprehensive revisions to the national income and product accounts by the U.S. Bureau of Economic Analysis, the January forecast has not yet been completed and will most likely not be available until later in the month. Therefore, we will not prepare our tax collection estimate until that report is completed.

We have, however, completed our review of departmental revenues and expenditures for the 2003-05 biennium. The purpose of this letter is to present our conclusions on those items. Following the identification of the reestimates is a discussion of the status of four programs that are funded with sum certain appropriations: (1) Elections Board federal HAVA matching funds; (2) foster care and adoption assistance; (3) the Office of the State Public Defender; and (4) medical assistance.

Reestimates

In summary, departmental revenues, sum sufficient appropriations, and lapses to the general fund are, in aggregate, virtually the same as those contained in the 2003-05 budget (2003 Wisconsin Act 33). Although there are a number of reestimates in each of these categories, the net effect on the general fund balance is a reduction of $4.9 million. (The gross general fund balance of Act 33 is $186.4 million. After consideration of the $40.0 million required statutory balance, the net balance of Act 33 is $146.4 million.)

2003-04 Opening Balance. Act 33 anticipated an opening general fund balance of -$283.6 million for 2003-04. The actual balance at the close of the 2002-03 fiscal year was -$282.2 million. Thus, the opening balance for 2003-04 is $1.4 million higher than shown in Act 33.

Departmental Revenues. Act 33 estimates departmental revenues at $409.6 million in 2003-04 and $408.6 million in 2004-05. Departmental revenues are non-tax receipts (including tribal gaming amounts) that are deposited into the general fund. Our review indicates that there is little change to the Act 33 estimates. The 2003-04 projection is now $408.1 million ($1.5 million below the Act 33 estimate) and the projection for 2004-05 is $409.8 million ($1.2 million above that of Act 33).

Sum Sufficient Appropriations. In aggregate, expenditures from sum sufficient, general purpose revenue (GPR) appropriations are expected to be slightly lower ($1.8 million in 2003-04 and $1.0 million in 2004-05) than those of Act 33. Some appropriations (such as the homestead and farmland preservation tax credits) require an upward revision, while others (such as payments for debt service and the income tax reciprocity programs) are less than amounts budgeted under Act 33.

Lapses. Lapses are amounts from sum certain, GPR appropriations that are not expected to be fully expended and then "lapse" or revert, to the general fund at the close of each fiscal year. Act 33 contains general fund lapse estimates of $237.1 million in 2003-04 and $224.6 million in 2004-05. Our review indicates that the Act 33 lapses should be adjusted downward by $2.9 million in 2003-04 and by $5.9 million in 2004-05.

Sum Certain Appropriations

Unlike sum sufficient appropriations, which are automatically adjusted to fund selected programs, sum certain appropriations are those with a specific dollar amount that cannot be modified unless changed by the Legislature. Thus, if it is determined that a program under a sum certain appropriation will, unless modified, require a funding increase, the Legislature has the option of reducing the program's parameters, increasing the appropriation, prorating available funding, or letting the program cease due to insufficient funds.

In the course of our review, we have identified the following four programs funded from sum certain appropriations that merit attention.

Elections Board Federal HAVA Matching Funds. The new federal Help America Vote Act (HAVA) requires Wisconsin to create an official centralized computerized statewide voter registration list system (at an estimated five-year cost of $21.2 to $42.9 million) and to equip all polling stations with voting systems accessible to individuals with disabilities, including non-visual accessibility for the blind and visually impaired (at an estimated cost of $8.2 to $16.4 million). HAVA requires these changes to be in place by January 1, 2006.

Most of these costs will be supported with federal funds under Title II of HAVA, subject to a 5% state match. It is estimated that Wisconsin will be eligible to receive $15,390,000 FED in Title II funds in 2003-04, requiring a state match totaling $810,000 GPR. Provisions of Act 33 have already reserved $333,000 GPR of this amount. Provisions of 2003 Assembly Bill 601, currently pending in the Senate, would appropriate the remaining match requirement of $477,000 GPR in 2003-04.

Subject to congressional appropriation, the Elections Board estimates that Wisconsin will be eligible for an additional $26 million FED in Title II funds in 2004-05, requiring the Legislature to appropriate an additional state match of $1.3 million GPR in that fiscal year.

Foster Care and Adoption Assistance. Act 33 provides $35.4 million GPR in 2003-04 and $39.5 million GPR in 2004-05 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 agencies that provide foster care to children for whom the state serves as guardian. Based on a review of actual payments through December, 2003, it is estimated that an additional $2.2 million GPR in 2003-04 and $2.9 million GPR in 2004-05 will be needed to fully fund state foster care and adoption assistance payments in the 2003-05 biennium. Compared to the Act 33 estimate, the current estimate primarily reflects a decrease in the estimated percentage of total costs that can be supported by federal matching funds available under Title IV-E of the Social Security Act.

Office of the State Public Defender. Act 33 provides $16.5 million GPR in 2003-04 and $19.5 million GPR in 2004-05 to the Office of the State Public Defender (SPD) for its private bar and investigator reimbursement appropriation. This biennial appropriation funds private bar attorneys who accept assignment of defense cases for indigent persons qualifying for SPD representation. Based on actual payments and caseload through December, 2003, and caseload projections through the remainder of the 2003-05 biennium, it is estimated that an additional $9.2 million GPR in 2004-05 will be required to fully fund SPD private bar reimbursement costs.

Medical Assistance. Based on a review of 2002-03 actual expenditures and average costs and a review of caseload information through December, 2003, it is estimated that an additional $90.4 million GPR ($51.3 million in 2003-04 and $39.1 million in 2004-05) will be needed to support services provided under the medical assistance (MA) program in the 2003-05 biennium, above the amounts budgeted in Act 33.

One of the primary differences between the current estimate and the Act 33 estimate is that actual 2002-03 average costs per person were greater than projected in Act 33, resulting in a higher base of expenditures on which future costs are projected. In addition, the average cost of drugs is projected to be higher than estimated in Act 33 and actual caseload increases are not slowing as quickly as anticipated in Act 33. As of the end of December, there were approximately 4,400 more individuals enrolled in MA than had been projected under Act 33.

In addition to the projected increase in benefits costs identified above, it is likely that additional GPR will be needed to support MA benefits costs in the 2003-05 biennium. Act 33 anticipated the receipt of additional federal MA funds under two new initiatives that have yet to be approved by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS).

Under an intergovernmental transfer (IGT) initiative, it was assumed that the state would receive an estimated $213 million in 2003-04 in additional federal revenue for certain services counties provide under MA home- and community-based waiver programs. This additional revenue was to be deposited to the MA trust fund to support a portion of the state's share of MA base costs. In the spring of 2003, DHFS submitted a description of this proposal to CMS. CMS has expressed support for the long-term care reforms proposed by DHFS, but has questioned the creation or expansion of IGT programs as the means for states to increase federal support for their MA programs. DHFS is waiting for final resolution to proposed state plan amendments regarding MA claims for certain services provided by local governments, which are described below, before it prepares and submits a formal long-term care proposal for CMS approval.

Under the proposed state plan amendments, the state expected to receive $119 million ($71.6 million in 2003-04 and $47.4 million in 2004-05) in federal MA matching funds from increased payments to local governments for non-institutional services, including home health, case management, emergency transportation, and school-based services. Some of this revenue would be deposited to the MA trust fund to support a portion of MA base costs, and the remainder would be used to support local government costs previously funded under shared revenue and school aid payments. DHFS is currently negotiating with CMS regarding these amendments. If CMS does not approve the amendments, DHFS would continue to pay local governments federal MA matching funds under the community services deficit reduction benefit (CSDRB) program. This program would be eliminated if the state plan amendments are approved. Consequently, $17 million that is budgeted from the MA trust fund in 2004-05 to replace the CSDRB program would not be expended and would be available to partially offset any shortfall.

Several adjustments have been made to projected revenues to the MA trust fund, including reestimates of the amount of enhanced federal funding provided to the state under P.L. 108-27 that is available to support MA benefits in 2003-04 and interest earnings on the fund's cash balance.

The net effect of these adjustments is to increase the projected 2003-05 ending balance of the MA trust fund by approximately $2.4 million. Finally, if CMS does not approve these initiatives, approximately $2 million budgeted for administrative costs associated with them would not be expended for this purpose and would be available to partially offset any shortfall.

In summary, if the state is unable to secure any additional federal MA matching funds under these initiatives, approximately $310.6 million GPR would be needed ($213.0 + $119.0 - $17.0 - $2.4 - $2.0 = $310.6), in addition to the $90.4 million GPR identified above, to fully support projected MA benefits in the 2003-05 biennium. Any additional federal MA funds the state receives under these or other initiatives would reduce the necessity to provide GPR funding by a corresponding amount.

Once Global Insight, Inc. has completed its economic forecast for January, 2004, we will prepare our tax collection report and distribute it to you and your colleagues in the Legislature. The report will also include a general fund condition statement for 2003-05 that will incorporate our tax collection projections and the departmental revenue, sum sufficient, and lapse reestimates contained in this letter. Depending upon the timing of the Global Insight, Inc. forecast, we hope to complete our report by the end of January or early February.

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas

cc: Members, Wisconsin Legislature

General Fund Information; General Fund Cash Flow (Part II–Pages 38-46).

The following provide updates to various tables containing General Fund information that is presented on either a cash basis or agency recorded basis. Unless noted, the following information is through January 31, 2004 and reflects the information released by LFB on January 15, 2004 and February 10, 2004.

The following tables may show negative balances on a cash basis. Wisconsin Statutes provide certain administrative remedies, such as interfund borrowing, to deal with periods when the balance, on a cash basis, is negative. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

The State is not prohibited from having a negative cash balance at the end of a fiscal year. This is different than budgetary requirements, in which the Wisconsin Constitution requires the Legislature to enact a balanced biennial budget.

Table II-7; State Budget-General Fund (Part II–Page 41). Replace the table with the following:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2003 TO JANUARY 31, 2004
PROJECTED GENERAL FUND CASH FLOW; FEBRUARY 1, 2004 TO JUNE 30, 2004[(a)]

(In Thousands of Dollars)

	July 2003	August 2003	September 2003	October 2003	November 2003	December 2003	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004
BALANCES[(b)]												
Beginning Balance	($301,120)	($622,418)	($400,502)	$418,507	$907,811	$863,882	$1,013,762	$1,191,403	$1,403,849	$326,266	$784,240	$878,301
Ending Balance [(c)]	($622,418)	($400,502)	$418,507	$907,811	$863,882	$1,013,762	$1,191,403	$1,403,849	$326,266	$784,240	$878,301	$151,788
Lowest Daily Balance [(c)]	($762,702)	($757,258)	($654,756)	$289,720	$648,269	($200,315)	$1,013,762	$907,183	$274,455	$133,861	$578,347	($67,933)
RECEIPTS												
TAX RECEIPTS												
Individual Income [(d)]	$535,668	$361,664	$632,800	$495,028	$390,357	$431,441	$815,263	$463,900	$459,600	$841,900	$331,900	$645,200
Sales & Use	368,518	363,614	375,775	374,113	350,192	321,577	394,456	317,800	286,900	323,600	343,900	353,100
Corporate Income	15,220	19,228	126,009	28,093	26,301	160,444	20,170	14,500	192,500	30,100	19,700	137,500
Public Utility	296	0	325	4,994	129,422	337	69	3,600	200	5,000	114,900	1,600
Excise	38,152	34,660	28,651	32,261	28,631	28,784	32,244	30,000	25,100	27,700	30,900	30,500
Insurance	828	1,375	25,541	293	1,334	28,444	2,696	14,300	22,700	28,700	4,600	27,600
Inheritance	5,660	11,035	7,017	6,607	6,089	9,493	4,990	5,500	6,200	10,300	6,300	5,600
Subtotal Tax Receipts	$964,342	$791,576	$1,196,118	$941,389	$932,326	$980,520	$1,269,888	$849,600	$993,200	$1,267,300	$852,200	$1,201,100
NON-TAX RECEIPTS												
Federal	$420,678	$479,004	$507,840	$618,086	$454,026	$534,209	$543,037	$525,300	$471,600	$533,500	$518,900	$553,400
Other & Transfers [(d)]	291,431	190,445	519,577	270,496	197,625	912,951	329,290	387,400	328,300	330,000	312,500	411,300
Note Proceeds [(e)]	0	0	400,000	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	$712,109	$669,449	$1,427,417	$888,582	$651,651	$1,447,160	$872,327	$912,700	$799,900	$863,500	$831,400	$964,700
TOTAL RECEIPTS	$1,676,451	$1,461,025	$2,623,535	$1,829,971	$1,583,977	$2,427,680	$2,142,215	$1,762,300	$1,793,100	$2,130,800	$1,683,600	$2,165,800
DISBURSEMENTS												
Local Aids	$890,876	$172,578	$741,814	$109,530	$781,331	$1,178,138	$211,010	$256,886	$1,179,936	$123,589	$247,081	$1,774,181
Income Maintenance	439,565	373,987	352,115	385,040	293,337	363,184	189,065	335,896	391,678	360,479	340,741	310,329
Payroll and Related	317,741	312,301	225,424	462,397	252,453	305,623	439,081	225,616	305,368	476,187	255,458	302,883
Tax Refunds	68,585	50,293	54,656	50,624	58,967	122,179	69,625	328,299	329,897	294,996	221,000	196,100
Debt Service	0	984	118,305	441	441	0	0	3,892	263,998	0	36,394	0
Miscellaneous	280,982	328,966	312,212	332,635	241,377	308,676	1,055,793	300,863	298,137	315,906	387,197	308,820
Note Repayment [(e)]	0	0	0	0	0	0	0	98,402	101,669	101,669	101,668	0
TOTAL DISBURSEMENTS	$1,997,749	$1,239,109	$1,804,526	$1,340,667	$1,627,906	$2,277,800	$1,964,574	$1,549,854	$2,870,683	$1,672,826	$1,589,539	$2,892,313

(a) Projections reflect the reestimates of departmental revenues and expenditures provided by the Legislative Fiscal Bureau on January 15, 2004 and the general fund tax collection estimates provided by the Legislative Fiscal Bureau on February 10, 2004. While the projections are based on budgetary assumptions, they are presented on a cash basis and not a budgetary basis. Projections do not include interfund borrowings.

(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 2003-04 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 2003-04 fiscal year.

(c) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount is approximately $542 million for the 2003-04 fiscal year. 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 $325 million for the 2003-04 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, the Secretary of Administration is authorized to prorate and defer certain payments.

(d) The July Individual Income Tax Receipts and Non-Tax Receipts for Other & Transfers were restated in September, 2003 due to a reporting reclassification by the Department of Revenue.

(e) Includes $400 million in operating note proceeds received in September, 2003 and impoundment payments due on February 27, March 31, April 30, and May 28, 2004. The February 27, 2004 impoundment payment excludes the premium deposited on September 18, 2003 into the operating note redemption fund.

Table II-8; General Fund Cash Receipts and Disbursements Year To Date; Compared to Estimates and Previous Fiscal Year. (Page 42). Update the table with the following:

2003-04 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[(a)]
(Cash Basis)
As of January 31, 2004
(Amounts in Thousands)

	FY03 through January 2003	FY04 through January 2004				
	Actual	Actual	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY03 Actual to FY04 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 3,617,669	$ 3,662,221	$ 3,829,800	$ (167,579)	$ (104,979)	$ 44,552
Sales	2,455,267	2,548,245	2,551,700	(3,455)	(3,455)	92,978
Corporate Income	317,942	395,465	357,500	37,965	37,965	77,523
Public Utility	152,582	135,443	146,800	(11,357)	(11,357)	(17,139)
Excise	218,734	223,383	219,000	4,383	4,383	4,649
Insurance	52,819	60,511	51,100	9,411	9,411	7,692
Inheritance	48,646	50,891	49,800	1,091	1,091	2,245
Total Tax Receipts	$ 6,863,659	$ 7,076,159	$ 7,205,700	$ (129,541)	$ (66,941)	$ 212,500
Non-Tax Receipts						
Federal	$ 3,373,381	$ 3,556,880	$ 3,444,700	$ 112,180	$ 112,180	$ 183,499
Other and Transfers	2,027,001	2,711,815	2,070,000	641,815	(63,319)	684,814
Note Proceeds	-	400,000	400,000	-	-	400,000 [(d)]
Total Non-Tax Receipts	$ 5,400,382	$ 6,668,695	$ 5,914,700	$ 753,995	$ 48,861	$ 1,268,313
TOTAL RECEIPTS	$ 12,264,041	$ 13,744,854	$ 13,120,400	$ 624,454	$ (18,080)	$ 1,480,813
DISBURSEMENTS						
Local Aids	$ 3,684,644	$ 4,085,277	$ 4,118,900	$ 33,623	$ 33,623	$ 400,633
Income Maintenance	2,458,689	2,396,293	2,378,710	(17,583)	(17,583)	(62,396)
Payroll & Related	2,224,435	2,315,020	2,301,520	(13,500)	(13,500)	90,585
Tax Refunds	463,413	474,929	491,355	16,426	16,426	11,516
Debt Service	123,182	120,171	133,120	12,949	12,949	(3,011)
Miscellaneous	2,054,036	2,860,641	2,931,771	71,130	71,130	806,605
Note Repayment	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 11,008,399	$ 12,252,331	$ 12,355,376	$ 103,045	$ 103,045	$ 1,243,932
VARIANCE FY04 YEAR-TO-DATE				$ 727,499	$ 84,965	

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments. In addition, comparison of monthly General Fund financial information has many inherent problems. Unforeseen events (including even a change in weather conditions) or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month.

(b) Estimates include the reestimates of departmental revenues and expenditures provided by LFB on January 15, 2004 and the General Fund tax collection projections provided by LFB on February 10, 2004.

(c) Changes were made, after the beginning of the fiscal year, to the estimates of receipts starting in September 2003. These changes were made to better reflect the timing of end-of-month electronic fund transfers. Because the changes were made starting in September 2003, the July and August 2003 estimates could not be changed. Since the timing of end-of-month electronic fund transfers impacted August and September 2003, the changes to the estimates of receipts include an increase in September 2003 but could not include any decrease in August 2003. As a result, the variance has been adjusted by $63 million to show the result if the August 2003 estimate were changed. In addition, the variance reflects $705 million of pension obligation bond proceeds that were received into the General Fund in December 2003 that were subsequently disbursed in January 2004.

(d) Operating Notes were issued in the 2003-04 fiscal year but were not issued in the 2002-03 fiscal year.

Table II-9; General Fund Monthly Position (Page 43). Update the table with the following:

GENERAL FUND MONTHLY CASH POSITION[a]
July 1, 2001 through January 31, 2004 — Actual
February 1, 2004 through June 30, 2004 — Estimated[b]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
2001	July..................	$ 281,565	(d)	$ 1,575,450	$ 1,853,617
	August................	3,398	(d)	1,497,565	1,103,304
	September..........	397,659	(d)	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	(d)	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	(d)	1,530,532	2,730,873
	April...................	(231,221)	(d)	2,070,342	1,573,434
	May....................	265,687	(d)	2,155,171	1,844,456
	June....................	576,402	(d)	1,753,300	2,751,617
	July..................	(421,915)	(d)	1,700,476	1,895,272
	August................	(616,711)	(d)	1,637,001	1,171,887
	September..........	(151,597)	(d)	2,025,879	1,562,196
	October...............	312,086		1,606,014	1,280,382
	November...........	637,718		1,482,326	1,488,485
	December...........	631,559	(d)	1,706,488	2,178,341
2003	January...............	159,706		2,105,857	1,431,836
	February.............	833,727		1,721,792	1,615,352
	March.................	940,167		1,652,274	2,383,386
	April...................	209,055	(d)	2,101,401	1,712,702
	May....................	597,754		1,485,340	1,566,243
	June....................	516,851	(d)	2,030,380	2,848,351
	July..................	(301,120)	(d)	1,676,451	1,997,749
	August................	(622,418)	(d)	1,461,025	1,239,109
	September..........	(400,502)	(d)	2,623,535	1,804,526
	October...............	418,507		1,829,971	1,340,667
	November...........	907,811		1,583,977	1,627,906
	December...........	863,882	(d)	2,427,680	2,277,800
2004	January...............	1,013,762		2,142,215	1,964,574
	February.............	1,191,403		1,762,300	1,549,854
	March.................	1,403,849		1,793,100	2,870,683
	April...................	326,266		2,130,800	1,672,826
	May....................	784,240		1,683,600	1,589,539
	June....................	878,301	(d)	2,165,800	2,892,313

(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 February 1, 2004 through June 30, 2004 are based on the re-estimates of departmental revenues and expenditures provided by LFB on January 15, 2004 and the General Fund tax collection projections provided by LFB on February 10, 2004.

(c) The amounts shown in October 2001 and September 2003 include receipts from the issuance of operating notes, and amounts shown in February through May 2002 and February through May 2004 include disbursements for impoundment payments required in connection with the issuance of operating notes. No operating notes were issued for the 2002-03 fiscal year.

(d) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount was $556 million for the 2002-03 fiscal year and is approximately $542 million for the 2003-04 fiscal year. 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 ($334 million for the 2002-03 fiscal year and approximately $325 million for the 2003-04 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, the Secretary of Administration is authorized to prorate and defer certain payments.

Source: Wisconsin Department of Administration.

Table II-10; Balances in Funds Available for Interfund Borrowing (Page 44). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[(a)]
July 31, 2001 to January 31, 2004 — Actual
February 29, 2004 to June 30, 2004— Estimated[(b)]
(Amounts in Millions)

Month (Last Day)	2001	2002	2003	2004
January		$ 5,360	$ 5,025	$ 4,673
February		5,463	5,235	1,802[(b)]
March		5,628	5,438	1,917
April		5,135	5,113	1,765
May		4,819	4,674	1,724
June		5,001	4,835	1,819
July	$ 5,275	5,401	5,135	
August	4,785	4,785	4,580	
September	4,897	4,898	4,378	
October	4,328	4,328	3,922	
November	4,242	4,242	3,797	
December	4,737	4,737	4,090	

(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 February 29, 2004 and subsequent months include as an assumption that only 20% of the amount will 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 billion on November 14, 1997 to a high of $4.684 billion on March 26, 2002. Under Section 20.002 (11), Wisconsin Statutes, 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. This amount was $556 million for the 2002-03 fiscal year and is approximately $542 million for the 2003-04 fiscal year. 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 ($334 million for the 2002-03 fiscal year and approximately $325 million for the 2003-04 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, the Secretary of Administration is authorized to prorate and defer certain payments.

Source: Wisconsin Department of Administration.

Table II-11; General Fund Recorded Revenues (Page 45). Update the table with the following:

General Fund Recorded Revenues
(Agency Recorded Basis)
July 1, 2003 to January 31, 2004 compared with previous year [(a)]

	Annual Fiscal Report Revenues 2002-03 FY[(b)]	Projected Revenues 2003-04 FY[(c)]	Recorded Revenues July 1, 2002 to January 31, 2003 [(d)]	Recorded Revenues July 1, 2003 to January 31, 2004 [(e)]
Individual Income Tax	$ 5,052,500,000	$ 5,220,000,000	$ 3,041,029,148	$ 3,071,294,865
General Sales and Use Tax	3,738,000,000	3,900,000,000	1,935,342,273	2,007,797,827
Corporate Franchise and Income Tax	526,500,000	650,000,000	216,777,785	308,827,066
Public Utility Taxes	276,800,000	261,000,000	144,157,710	130,835,758
Excise Taxes	354,800,000	354,300,000	183,400,058	183,456,400
Inheritance Taxes	68,700,000	85,000,000	47,718,570	49,780,113
Insurance Company Taxes	114,900,000	125,000,000	49,271,763	55,584,438
Miscellaneous Taxes	67,500,000	75,100,000	49,262,847	47,910,599
SUBTOTAL........................	$ 10,199,700,000	$ 10,670,400,000	5,666,960,154	5,855,487,067
Federal and Other Inter-Governmental Revenues[(f)]	$ 6,668,346,000	$ 5,707,551,000	3,973,306,418	3,583,457,197
Dedicated and Other Revenues[(g)]	3,815,875,000	1,931,197,500	2,488,837,959	3,502,485,615
TOTAL.............................	$ 20,683,921,000	$ 18,309,148,500	$ 12,129,104,531	$ 12,941,429,879

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2002-03 fiscal year, dated October 10, 2003.

(c) Projected revenues are based on the 2003-05 budget signed into law, with some partial vetoes, on July 24, 2003 by Governor Doyle (2003 Wisconsin Act 33). The projected revenues also reflect the re-estimates of departmental revenues that LFB released on January 15, 2004 and the General Fund tax collection projections provided by LFB on February 10, 2004

(d) The amounts shown are fiscal year 2002-03 revenues as recorded by state agencies.

(e) The amounts shown are fiscal year 2003-04 revenues as recorded by state agencies.

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

(g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore, this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration.

Table II-12; General Fund Recorded Expenditures By Function (Page 46). Update the table with the following:

General Fund Recorded Expenditures By Function
(Agency Recorded Basis)
July 1, 2003 to January 31, 2004 compared with previous year [(a)]

	Annual Fiscal Report Expenditures 2002–03 FY[(b)]	Appropriations 2003–04 FY[(c)]	Recorded Expenditures July 1, 2002 to January 31, 2003[(d)]	Recorded Expenditures July 1, 2003 to January 31, 2004[(e)]
Commerce	$ 222,143,000	$ 267,951,200	$ 129,881,234	$ 155,870,751
Education	9,087,026,000	7,372,173,100	4,531,421,795	4,602,254,116
Environmental Resources	264,282,000	252,915,200	122,840,966	110,426,287
Human Relations & Resources	8,630,020,000	7,704,344,000	5,106,602,041	4,596,579,261
General Executive	646,171,000	622,251,300	361,147,982	1,828,599,634
Judicial	109,697,000	110,945,700	70,648,221	70,227,946
Legislative	61,219,000	62,468,300	31,864,261	30,261,744
General Appropriations	1,935,927,000	1,687,946,100	1,623,435,931	1,392,115,522
TOTAL	$ 20,956,485,000	$ 18,080,994,900	$ 11,977,842,430	$ 12,786,335,262

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2002-03 fiscal year, dated October 10, 2003.

(c) Estimated appropriations based on the 2003-05 budget signed into law, with some partial vetoes, on July 24, 2003 by Governor Doyle (2003 Wisconsin Act 33). The estimated appropriations do not reflect the re-estimates of expenditures that LFB released on January 15, 2004.

(d) The amounts shown are fiscal year 2002-03 expenditures as recorded by state agencies.

(e) The amounts shown are fiscal year 2003-04 expenditures as recorded by state agencies.

Source: Wisconsin Department of Administration.

APPENDIX B

State of Wisconsin
General Obligation Issuance Status Report
February 1, 2004

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[(a)]	G.O. Extendible Muni. Commercial Paper Notes of 2004, Series A	Total Authorized Unissued Debt
University of Wisconsin; academic facilities...........................	$ 1,107,898,000	$ 924,992,229	$ 12,046,136		$ 170,859,635
University of Wisconsin; self-amortizing facilities................	992,385,200	551,147,621	1,643,606		439,593,973
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.................…………	572,000,000	150,550,000	13,392		421,436,608
Natural resources; municipal clean drinking water grants....................................	9,800,000	9,518,744	141,818		139,438
Clean water fund program..................	637,743,200	425,334,053			212,409,147
Safe drinking water loan program………………………	26,210,000	22,186,520			4,023,480
Natural resources; nonpoint source grants..................	85,310,400	64,130,658	132,570		21,047,172
Natural resources; nonpoint source compliance……….	2,000,000	2,000,000			
Natural resources; environmental repair.......................	48,000,000	39,114,900	161,017		8,724,083
Natural resources; urban nonpoint source cost-sharing…………………………	22,400,000	10,565,000			11,835,000
Natural resources; environmental segregated fund supported administrative facilities…………….	6,770,400	2,131,100			4,639,300
Natural resources; segregated revenue supported dam safety projects…………………	6,600,000	5,993,000			607,000
Natural resources; pollution abatement and sewage collection facilities, ORAP funding................	145,060,325	145,010,325	50,000		
Natural resources; pollution abatement and sewage collection facilities.............	893,493,400	874,914,888	18,513,076		65,436
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow..............	200,600,000	194,312,599	6,287,401		
Natural resources; recreation projects..........................	56,055,000	56,053,994	1,006		
Natural resources: local parks land acquisition and development............................	2,490,000	2,447,741	42,259		
Natural resources; recreation development..................	23,061,500	22,863,110	141,227		57,163
Natural resources; land acquisition..............................	45,608,600	45,116,930	491,671		

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
February 1, 2004

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Extendible Muni. Commercial Paper Notes of 2004, Series A	Total Authorized Unissued Debt
Natural resources; Wisconsin natural areas heritage program............................	2,500,000	2,445,793	17,174		37,032
Natural resources; segregated revenue supported facilities.......................	45,296,900	21,244,722	45,287		24,006,891
Natural resources; general fund supported administrative facilities..................	10,882,400	10,186,075	21,432		674,893
Natural resources; ice age trail.....................................	750,000	730,000			20,000
Natural resources; dam safety projects…………………	5,500,000	5,417,000	49,701		33,299
Natural resources; segregated revenue supported land acquisition............	2,500,000	2,500,000			
Natural resources; Warren Knowles - Gaylord Nelson stewardship program............	231,000,000	224,435,000	1,293,404		5,271,596
Transportation; administrative facilities..................	8,890,400	8,759,479	33,943		96,978
Transportation; accelerated bridge improvements.................................	46,849,800	46,849,800			
Transportation; rail passenger route development...	50,000,000	1,410,000			48,590,000
Transportation; accelerated highway improvements................................	185,000,000	185,000,000			
Transportation; connecting highway improvements................................	15,000,000	15,000,000			
Transportation; federally aided highway facilities...........................	10,000,000	10,000,000			
Transportation; highway projects...........................	41,000,000	41,000,000			
Transportation; major highway and rehabilitation projects.......................	565,480,400	100,000,000		100,000,000	365,480,400
Transportation; harbor improvements....................	28,000,000	19,738,000	232,605		8,029,395
Transportation; rail acquisitions and improvements.........................	32,500,000	20,635,000	16		11,864,984
Transportation; local roads for job preservation, state funds...................	2,000,000	1,210,000			790,000
Corrections; correctional facilities......................	793,787,700	751,452,362	11,467,003		30,868,335
Corrections; self-amortizing facilities and equipment…………………….	7,337,000	2,115,000	99		5,221,901
Corrections; juvenile correctional facilities……..	27,726,500	25,448,556	102,026		2,175,918
Health and family services; mental health and secure treatment facilities...........…	129,057,200	119,855,268	895,124		8,306,808

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
February 1, 2004

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings[a]	G.O. Extendible Muni. Commercial Paper Notes of 2004, Series A	Total Authorized Unissued Debt
Agriculture; soil and water……………………..	20,575,000	7,763,000	1,248		12,810,752
Agriculture; conservation reserve enhancement…	40,000,000	5,955,000			34,045,000
Administration; Black Point Estate…………………	1,600,000				1,600,000
Building commission; previous lease rental authority.............................…	143,071,600	143,068,654			2,946
Building commission; refunding corporation self-amortizing debt......................…	870,000				870,000
Building commission; refunding tax-supported general obligation debt..................…	2,102,086,430	2,102,086,530 [b]			
Building commission; refunding self-amortizing general obligation debt..................…	272,863,034	272,863,033 [b]			
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2003…	75,000,000	75,000,000			
Building commission; refunding tax-supported and self-amortizing general obligation debt…………………………………	440,000,000	322,800,000			117,200,000
Building commission; housing state departments and agencies..................................…	480,088,500	399,954,121	2,329,712		77,804,667
Building commission; 1 West Wilson street parking ramp.................................…	15,100,000	14,805,521	294,479		
Building commission; project contingencies....................…	47,961,200	32,290,000	62,251		15,608,949
Building commission; capital equipment acquisition.......…	117,042,900	96,254,191	729,518		20,059,191
Building commission; discount sale of debt.....................…	90,000,000	66,758,598			23,241,402
Building commission; discount sale of debt (higher education bonds)..............…	100,000,000	99,988,833 [b]			11,167
Building commission; other public purposes..................…	1,513,901,000	1,069,738,317	6,188,961		437,973,722
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities….	10,000,000	10,000,000			
HR Academy, Inc.…………………	1,500,000				1,500,000
Medical College of Wisconsin, Inc.; biomedical research and technology incubator………………..	25,000,000				25,000,000
Marquette University; dental clinic and education facility…	15,000,000	14,999,182	818		
Swiss cultural center……………….	1,000,000				1,000,000
Racine County; Discovery Place museum………….	1,000,000				1,000,000
Milwaukee Police Athletic League; youth activities center………………	1,000,000	1,000,000			

GENERAL OBLIGATION ISSUANCE STATUS REPORT–CONTINUED
February 1, 2004

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Interest Earnings [(a)]	G.O. Extendible Muni. Commercial Paper Notes of 2004, Series A	Total Authorized Unissued Debt
Administration; school educational technology infrastructure financial assistance	90,200,000	64,985,000	431,066		24,783,934
Administration; public library educational technology infrastructure financial assistance	300,000	268,918	41		31,041
Educational communications board; educational communications facilities	22,858,100	15,939,539	37,069		6,881,492
Historical society; self-amortizing facilities	3,173,600	1,029,156	3,896		2,140,547
Historical society; historic records	400,000				400,000
Historical society; historic sites	1,839,000	1,825,756			13,244
Historical society; museum facility	4,384,400	4,362,469			21,931
Historical society; Wisconsin history center	131,500,000				131,500,000
Public instruction; state school, state center and library facilities	7,367,700	7,330,612	32,508		4,579
Military affairs; armories and military facilities	24,393,800	19,912,526	192,632		4,288,642
Veterans affairs; veterans facilities	10,090,100	9,448,065	50,593		591,442
Veterans affairs; self-amortizing mortgage loans	2,120,840,000	2,023,652,395	2,133,000		95,054,605
Veterans affairs; refunding bonds	840,000,000	721,169,245			118,830,755
Veterans affairs; self-amortizing facilities	34,412,600	3,885,000	501		30,527,099
State fair park board; board facilities	13,587,100	12,470,000			1,117,100
State fair park board; housing facilities	11,000,000	10,999,000	13		987
State fair park board; self-amortizing facilities	56,787,100	50,963,800	22,328		5,800,972
Total	$16,012,337,489	$12,847,381,928	$66,333,628	$100,000,000	$2,998,622,032

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

[(b)] Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Wisconsin Department of Administration.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the initial issuance of Notes on March 9, 2004, it is expected that Foley & Lardner LLP will deliver a legal opinion in substantially the following form:

(Letterhead of Foley & Lardner LLP)

STATE OF WISCONSIN

$100,000,000
GENERAL OBLIGATION
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER OF 2004, SERIES A

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its $100,000,000 General Obligation Extendible Municipal Commercial Paper of 2004, Series A (**Notes**). The Notes are being issued pursuant to Chapter 18, Wisconsin Statutes **(Act)** and a resolution adopted by the State of Wisconsin Building Commission **(Commission)** on June 28, 2000 and amended on July 30, 2003 and March 4, 2004 **(Program Resolution)**, as supplemented by a resolution adopted by the Commission on October 15, 2003 and amended on November 19, 2003 **(Supplemental Resolution)**.

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

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

1. The Program Resolution has been duly adopted by the Commission, and is valid and binding upon the State in accordance with its terms.

2. The Supplemental Resolution is authorized or permitted by the Program Resolution and the Act, complies with their respective terms, has been duly adopted by the Commission, and is valid and binding upon the State in accordance with its terms.

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

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

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

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

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

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

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Offering Memorandum, dated March 4, 2004 **(Offering Memorandum)** or other offering material relating to the Notes (except to the extent, if any, stated in the Offering Memorandum), and we express no opinion relating thereto (except only the matters set forth as our opinion in the Offering Memorandum). However, in serving as bond counsel, nothing has come to our attention that would lead us to believe that the Offering Memorandum (except for the financial statements and other financial or statistical data included therein, as to which we express no view), as of the date of delivery of the Notes, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

Unless otherwise notified by us, you may continue to rely on this opinion to the extent that (1) there is no change in pertinent existing state or federal law, (2) the Program Resolution and the Supplemental 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 Notes is pending or threatened at the time of delivery of any such Notes.

Very truly yours,

FOLEY & LARDNER LLP