<u>NOTICE OF BOND INSURANCE</u>

STATE OF WISCONSIN
CLEAN WATER REVENUE BONDS, 2004 SERIES 1
Maturing June 1, 2011-2017 and June 1, 2024

The Underwriter has provided for the delivery of a municipal bond insurance policy to be issued simultaneously with the delivery of the above captioned bonds by:

MBIA

Insuring the payment when due of the principal of and interest on State of Wisconsin Clean Water Revenue Bonds, 2004 Series 1 maturing on June 1, 2011 through 2017 and June 1, 2024 (Insured 2004 Series 1 Bonds). The State of Wisconsin Clean Water Revenue Bonds, 2004 Series 1 maturing on June 1, 2006 through 2010 and June 1, 2018 through 2023 are not insured by such policy.

This Notice includes certain information concerning MBIA Insurance Corporation (**MBIA**) and the terms of the Financial Guaranty Insurance Policy (**Policy**) relating to the Insured 2004 Series 1 Bonds. Information with respect to MBIA and the Policy has been supplied by MBIA. No representation is made by the Underwriter as to the accuracy or adequacy of such information. The Policy does not constitute a part of the contract between the State of Wisconsin **(State)** and the holders of Insured 2004 Series 1 Bonds. The Underwriter has the responsibility for paying the premium on and complying with the conditions for the issuance of the Policy, and the State has no responsibility with respect to such insurance in any way, including the maintenance and enforcement of the Policy or collection of a claim submitted under the Policy.

This Notice has been prepared by the Underwriter to provide certain information pertaining to MBIA. It has not been prepared or reviewed by the State, and the State makes no representation to the adequacy of the information contained in this Notice. Each purchaser should consult the Official Statement, dated February 10, 2004, for information about the Insured 2004 Series 1 Bonds.

The Underwriter has applied for, and upon issuance of the Policy there will be assigned to the Insured 2004 Series 1 Bonds, the AAA rating from Fitch Ratings, the Aaa rating from Moody's Investors Service, Inc., and the AAA rating from Standard & Poor's Ratings Services.

MERRILL LYNCH & CO.

February 10, 2004

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

____
President

Attest: ______________________
Assistant Secretary

SPECIMEN

STD-R-6
4/95

OFFICIAL STATEMENT

New Issue

This Official Statement has been prepared by the State of Wisconsin and provides information on the 2004 Series 1 Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision. Unless otherwise indicated, capitalized terms are defined in *APPENDIX C*.

$116,795,000
STATE OF WISCONSIN
CLEAN WATER REVENUE BONDS, 2004 SERIES 1

Dated: Date of Delivery **Due: June 1, as shown below**

Ratings	AA+ Fitch Ratings Aa2 Moody's Investors Service, Inc. AA+ Standard & Poor's Ratings Services
Tax Exemption	Interest on the 2004 Series 1 Bonds is, for federal income tax purposes, excluded from gross income and is not an item of tax preference. Interest on the 2004 Series 1 Bonds is subject to State of Wisconsin income and franchise taxes—*Pages 11-13*.
Redemption	The 2004 Series 1 Bonds maturing on or after June 1, 2015 are callable at par on or after June 1, 2014—*Page 3.*
Security	The 2004 Series 1 Bonds are payable solely from (1) Loan repayments, (2) the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund (which holds cash and general obligation bonds of the State), and (3) any other Pledged Receipts. One municipal entity is currently the source of nearly 20 percent of the cash flow servicing the Outstanding Bonds—*Pages 4-5*.
Priority	The 2004 Series 1 Bonds are issued on a parity with all other bonds previously or hereafter issued under the General Resolution —*Page 4.*
Purpose	Proceeds are being used to make loans to Municipalities primarily for construction or improvement of their wastewater treatment or other allowable facilities, to current refund previously issued and Outstanding Bonds, to make a deposit into the Loan Credit Reserve Fund, and to pay for costs of issuance—*Pages 1 and 6*.
Interest Payment Dates	June 1 and December 1, commencing June 1, 2004
Closing/Settlement	On or about March 3, 2004
Denominations	$5,000 or integral multiples thereof
Trustee/Registrar/Paying Agent	U.S. Bank National Association
Bond Counsel	Michael Best & Friedrich LLP
Issuer Contact	Wisconsin Capital Finance Office—(608) 266-2305; capfin@doa.state.wi.us
Book-Entry-Only Form	The Depository Trust Company—*Pages 6-8.*
2003 Annual Report	This Official Statement incorporates by reference Parts I, II, and VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003.

The Bonds were sold at competitive sale on February 10, 2004. The interest rates payable by the State, which are shown below, resulted from the award of the 2004 Series 1 Bonds.

CUSIP	Year (June 1)	Principal Amount	Interest Rate	First Optional Redemption Date	Call Price
977092 LX1	2006	$ 3,520,000	4.00%	Not Callable	-
977092 LY9	2007	3,630,000	4.00	Not Callable	-
977092 LZ6	2008	20,570,000	4.00	Not Callable	-
977092 MA0	2009	3,925,000	4.00	Not Callable	-
977092 MB8	2010	4,080,000	4.00	Not Callable	-
977092 MC6	2011	4,245,000	4.00	Not Callable	-
977092 MD4	2012	4,415,000	5.00	Not Callable	-
977092 ME2	2013	4,590,000	5.00	Not Callable	-
977092 MF9	2014	4,775,000	5.00	Not Callable	-
977092 MG7	2015	5,010,000	5.00	6/1/2014	100%
977092 MH5	2016	5,265,000	4.00	6/1/2014	100
977092 MJ1	2017	5,525,000	4.00	6/1/2014	100
977092 MK8	2018	5,805,000	4.75	6/1/2014	100
977092 ML6	2019	6,095,000	4.75	6/1/2014	100
977092 MM4	2020	6,395,000	4.75	6/1/2014	100
977092 MN2	2021	6,715,000	4.75	6/1/2014	100
977092 MP7	2022	7,055,000	4.75	6/1/2014	100
977092 MQ5	2023	7,405,000	4.75	6/1/2014	100
977092 MR3	2024	7,775,000	4.50	6/1/2014	100

Purchase Price: $123,164,770.78

February 10, 2004

Note: The State has been advised by the Underwriter that they have applied for and received a Commitment to Issue a Financial Guaranty Insurance Policy from MBIA Insurance Corporation (**MBIA**) for the 2004 Series 1 Bonds maturing on June 1, 2011 through 2017 and June 1, 2024. Further information on this Commitment and the Financial Guaranty Insurance Policy can be obtained from the Underwriter and MBIA.

This document is the "official" statement—that is, it contains the only authorized information about the offering of the 2004 Series 1 Bonds. This document is not an offer or solicitation for the 2004 Series 1 Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. 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 2004 Series 1 Bonds, 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 Underwriter is not the author of this document. In accordance with its responsibilities under federal securities laws, the Underwriter is required to review the information in this document and must have a reasonable basis for their belief in the accuracy and completeness of its key representations.

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 2004 Series 1 Bonds 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 2004 Series 1 Bonds 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 1 BONDS

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

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 State Facilities Department of Administration	At the pleasure of the Building Commission and Secretary of Administration

OTHER PARTICIPANTS

Ms. Peggy A. Lautenschlager State Attorney General	January 8, 2007
Mr. Marc J. Marotta, Secretary Department of Administration	At the pleasure of the Governor
Mr. P. Scott Hassett, Secretary Department of Natural Resources	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
P.O. Box 7864
101 E. Wilson Street, 10th Floor
Madison, WI 53707-7864
Telefax (608) 266-7645
capfin@doa.state.wi.us

Mr. Frank R. Hoadley
Capital Finance Director
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Mr. Lawrence K. Dallia
Assistant Capital Finance Director
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larry.dallia@doa.state.wi.us

Mr. Michael D. Wolff
Finance Programs Administrator
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michael.wolff@doa.state.wi.us

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

SUMMARY DESCRIPTION OF THE 2004 SERIES 1 BONDS

Selected information is presented on this page for the convenience of the user. A prospective investor should read the entire Official Statement to make an informed investment decision. Certain capitalized terms are defined in APPENDIX C.

Description:	State of Wisconsin Clean Water Revenue Bonds, 2004 Series 1
Principal Amount:	$116,795,000
Denominations:	$5,000 or integral multiples thereof
Dated Date:	Date of Delivery
Interest Payment:	June 1 and December 1, commencing June 1, 2004
Maturities:	June 1, 2006-2024
Record Date:	May 15 and November 15
Redemption:	*Optional*—2004 Series 1 Bonds maturing on or after June 1, 2015 are subject to optional redemption at par (100%) on or after June 1, 2014—See "2004 SERIES 1 BONDS; Redemption Provisions".
Form:	Book-entry-only form.
Trustee/Paying Agent:	All payments of principal and interest on the 2004 Series 1 Bonds will be paid by U.S. Bank National Association, as successor to Firstar Trust Company.
Security for Bonds:	The 2004 Series 1 Bonds, and all other parity Bonds previously issued or to be issued in the future, are payable solely from: • Loan Repayments, • The Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund (which holds cash and general obligations of the State), each established by the General Resolution, and • Any other Pledged Receipts. Based on cash-flow calculations as of September 30, 2003, there is one municipal entity that is currently the source of nearly 20 percent of the cash flow servicing the Outstanding Bonds. This is the Milwaukee Metropolitan Sewerage District, which has issued Municipal Obligations to evidence repayment of Loans made from the Leveraged Loan Portfolio—See "2004 SERIES 1 BONDS; Security".
Bond Insurance	The State has been advised by the Underwriter that they have applied for and received a Commitment to Issue a Financial Guaranty Insurance Policy from MBIA Insurance Corporation (**MBIA**) for the 2004 Series 1 Bonds maturing on June 1, 2011 through 2017 and June 1, 2024. Further information on this Commitment and the Financial Guaranty Insurance Policy can be obtained from the Underwriter and MBIA.
Outstanding Parity Bonds:	$620,480,000 as of December 1, 2003.
Authority for Issuance:	The 2004 Series 1 Bonds are authorized under the Act and Chapter 18, Wisconsin Statutes.
Purpose:	The 2004 Series 1 Bonds are being issued to make loans to Municipalities primarily for construction or improvement of their wastewater treatment or other allowable facilities, to current refund one maturity of previously issued and Outstanding Bonds, to make a deposit into the Loan Credit Reserve Fund, and to pay for costs of issuance—See "PLAN OF FINANCE" and "2004 SERIES 1 BONDS; Sources and Uses of Funds".
Additional Bonds:	Additional Bonds may be issued without limitation as to the amount, subject to any applicable statutory limitation, payable on a parity with the 2004 Series 1 Bonds and all other Bonds previously issued, provided that the Loan Credit Reserve Fund Requirement and the Subsidy Bond Requirement is satisfied—See "2004 SERIES 1 BONDS; Security".

OFFICIAL STATEMENT

$116,795,000

STATE OF WISCONSIN

CLEAN WATER REVENUE BONDS, 2004 SERIES 1

INTRODUCTION

This Official Statement sets forth information about the $116,795,000 Clean Water Revenue Bonds, 2004 Series 1 (**2004 Series 1 Bonds**) issued by the State of Wisconsin **(State)**. This Official Statement includes by reference Parts I, II, and VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003 **(2003 Annual Report)**.

The 2004 Series 1 Bonds are authorized under the Wisconsin Statutes, a Clean Water Revenue Bond General Resolution adopted by the State of Wisconsin Building Commission (**Commission**) on March 7, 1991, as amended by a resolution adopted by the Commission on July 30, 2003 (**General Resolution**), and **Series Resolutions** adopted by the Commission on February 27, 2003 and November 19, 2003. The General Resolution and the Series Resolutions are collectively referred to as the **Resolution**.

The Commission has authorized the State Department of Administration (**DOA)** to prepare this Official Statement. This Official Statement contains information furnished by the State or obtained from the sources indicated. Requests for additional information 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

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

PLAN OF FINANCE

Most of the 2004 Series 1 Bond proceeds are being issued to make loans to Municipalities primarily for the construction or improvement of their wastewater treatment or other allowable facilities. $16,795,000 of the 2004 Series 1 Bond proceeds will be deposited into the Redemption Account of the Debt Service Fund created by the General Resolution, and expended on June 1, 2004 for the current refunding, at par, of the 1993 Series 2 Bonds maturing June 1, 2008 **(Refunded Bonds)**. The Refunded Bonds have an interest rate of 5.125% and a CUSIP number of 977092 CD5.

ENVIRONMENTAL IMPROVEMENT FUND

The Environmental Improvement Fund provides for three separate environmental financing programs.

- **Clean Water Fund Program**. The Clean Water Fund Program is a municipal financial assistance program for water pollution control projects, has been in existence since 1990, and includes the State's implementation of a Federal State Revolving Fund Program under the Federal Water Quality Act of 1987.
- **Safe Drinking Water Loan Program**. The Safe Drinking Water Loan Program is a municipal loan program for drinking water projects and includes the State's implementation of the federal Safe Drinking Water Act Amendments of 1996.
- **Land Recycling Loan Program**. The Land Recycling Loan Program is a municipal loan program for remediation of contaminated lands.

The State intends to use proceeds of the 2004 Series 1 Bonds to make loans under the Clean Water Fund Program (such loans having terms not exceeding 20 years and interest rates at or below market interest rates). Changes are needed to Wisconsin Statutes before Bond proceeds may be used to make loans under the Safe Drinking Water Loan Program. There is currently no legislation pending. The State does not intend to use Bond proceeds to make any loans under the Land Recycling Loan Program.

CLEAN WATER FUND PROGRAM

The Clean Water Fund Program makes loans to Municipalities for the construction or improvement of their water treatment facilities. The Clean Water Fund Program is composed of the following:

- **Leveraged Loan Portfolio**, which is funded with 2004 Series 1 Bond and other Bond proceeds,
- **Direct Loan Portfolio**, which is funded with federal capitalization grants and required State match along with repayments of principal and interest, and
- **Proprietary Loan Portfolio**, which is funded with State general obligation bond proceeds along with repayments of principal and interest.

Repayments from all Leveraged Loans (**Loans**), but not from Direct Loans or Proprietary Loans, are pledged to the repayment of the Bonds.

Information concerning the Clean Water Fund Program is included as APPENDIX A, which includes by reference Part VI of the 2003 Annual Report. Part VI of the 2003 Annual Report presents the following information on the Clean Water Fund Program; (1) overview, (2) plan of finance, (3) financial assistance, (4) funding levels, (5) capitalization grants, (6) management, and (7) operating agreement with the United States Environmental Protection Agency **(EPA)**. Part VI of the 2003 Annual Report also includes the financial statements and independent auditors' report on the financial statements for the Environmental Improvement Fund for the years ended June 30, 2003 and 2002, along with supplemental information as of June 30, 2003, and independent auditors' report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2003.

Direct Loans, Proprietary Loans, and Leveraged Loans are made to Municipalities pursuant to Financial Assistance Agreements. As evidence of each loan, the Municipality is required to issue and deliver to the State a bond or note of the Municipality (**Municipal Obligation**) obligating the Municipality to repay the loan on the maturity schedule and at the interest rate set forth in the Financial Assistance Agreement. Most loans have been and are expected to be made at interest rates that are below market rates.

2004 SERIES 1 BONDS

General

The cover of this Official Statement sets forth the maturity dates, amounts, and interest rates for the 2004 Series 1 Bonds.

The 2004 Series 1 Bonds will be dated the date of their delivery and will bear interest from that date, payable on June 1 and December 1 of each year, beginning on June 1, 2004.

Interest on the 2004 Series 1 Bonds will be computed on the basis of a 30-day month and a 360-day year. Payment of principal and interest for each 2004 Series 1 Bond will be paid to the registered owner of the 2004 Series 1 Bonds. The 2004 Series 1 Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository—initially, a nominee of The Depository Trust Company, New York, New York **(DTC)**.

The 2004 Series 1 Bonds are issued as fully registered bonds without coupons in principal denominations of $5,000 or integral multiples thereof.

U. S. Bank National Association, as successor to Firstar Trust Company, is the trustee for the Bonds (**Trustee**). In addition, the Trustee is the registrar **(Registrar)** and paying agent (**Paying Agent**) for the 2004 Series 1 Bonds.

Redemption Provisions

Optional Redemption

The 2004 Series 1 Bonds maturing on or after June 1, 2015 are subject to optional redemption on June 1, 2014 or any date after that date in whole or in part in multiples of $5,000, at a redemption price equal to par (100%) plus accrued interest to the redemption date. The Commission may decide whether to redeem the 2004 Series 1 Bonds, and it may direct the amounts and maturities of the 2004 Series 1 Bonds to be redeemed.

Selection of 2004 Series 1 Bonds

If less than all the 2004 Series 1 Bonds of a particular maturity are to be redeemed, the selection of 2004 Series 1 Bonds to be redeemed depends on whether the 2004 Series 1 Bonds are in book-entry-only form or in certificated form. See "2004 SERIES 1 BONDS; Book-Entry-Only Form". If in book-entry-only form, selection of the beneficial owners affected by the redemption will be made by the securities depository and its participants in accordance with their rules. If not in book-entry-only form, selection shall be by lot.

Notice of Redemption

The 2004 Series 1 Bonds are in book-entry-only form. Any redemption notice will be sent by the Trustee (by registered or first class mail, postage prepaid) to the securities depository between 30 and 60 days before the redemption date.

If the 2004 Series 1 Bonds are not in book-entry-only form, any redemption notice will be sent by the Trustee (by registered or first class mail, postage prepaid) to the owners of the 2004 Series 1 Bonds being redeemed between 30 and 60 days before the redemption date.

All redemption notices will also be sent to the Information Services. Failure to give any required notice of redemption as to any particular 2004 Series 1 Bonds will not affect the validity of the call for redemption of any 2004 Series 1 Bonds in respect of which no such failure has occurred.

Any notice mailed as provided in the General Resolution shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Interest on any 2004 Series 1 Bond called for redemption will cease to accrue on the redemption date so long as the 2004 Series 1 Bond is paid or money is provided for its payment.

Ratings

At the State's request, three rating agencies have rated the 2004 Series 1 Bonds:

Rating	**Rating Agency**
AA+	Fitch Ratings
Aa2	Moody's Investors Service, Inc.
AA+	Standard & Poor's Ratings Services

Any explanation of the significance of a rating may only be obtained from the rating service furnishing that rating. No one can offer any assurance that a rating given to the 2004 Series 1 Bonds will be maintained for any period of time; a rating agency may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any such downgrade or withdrawal of a rating may adversely affect the market price of the 2004 Series 1 Bonds.

Security

The 2004 Series 1 Bonds are issued on a parity with all other bonds previously or to be issued pursuant to the General Resolution. The 2004 Series 1 Bonds and all other bonds issued under the General Resolution are collectively referred to as the **Bonds**.

The 2004 Series 1 Bonds are the twelfth Series of Bonds to be issued under the General Resolution. The legislature has authorized the issuance of $1.616 billion of revenue bonds (not including refunding bonds) for the Clean Water Fund Program. The State has previously issued $809 million of Bonds and an additional $272 million of refunding Bonds. As of December 1, 2003, $620 million of Bonds were outstanding.

The Bonds are special obligations of the State, payable solely from the revenues, receipts, funds, and moneys pledged under the General Resolution. Debt service on the 2004 Series 1 Bonds and all other parity Bonds is secured by a pledge of:

- Repayment of Loans made to Municipalities.
- Amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund (which holds cash and State general obligation bonds), each established pursuant to the General Resolution.
- Any other Pledged Receipts.

The State is not obligated to pay the principal of, interest on, or redemption price of the 2004 Series 1 Bonds and all other parity Bonds from any funds of the State other than those pledged pursuant to the General Resolution, and neither the full faith and credit nor the taxing power of the State or any agency, instrumentality, or political subdivision thereof is pledged to the payment of the principal of, interest on, or redemption price of the Bonds.

Prior to the issuance of additional parity Bonds the State must certify that, upon the delivery of such Bonds, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement, and in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

Further information on the security and source of payment for the Bonds, including information on (1) Pledged Receipts, (2) Loans, (3) Subsidy Fund, (4) Loan Credit Reserve Fund, (5) Statutory Powers, (6) State financial participation, (7) Additional Bonds, and (8) the General Resolution, is included as APPENDIX A, which incorporates by reference Part VI of the 2003 Annual Report.

Loan Credit Reserve Fund

The General Resolution establishes the amount and timing of funds and securities required to be deposited or on deposit in the Loan Credit Reserve Fund, based on Loan Credit Reserve Fund Schedules reviewed by no less than two Rating Agencies. To the extent the amount of deposit required by the Schedule approved by one Rating Agency differs from the amount required by another Rating Agency, the larger amount is required. As of September 30, 2003 the amount held in the Loan Credit Reserve Fund was $73 million, and the amount required on such date was $65 million. See APPENDIX D.

Subsidy Fund Requirement

Since most Loans are made at interest rates below the Clean Water Fund Program's cost of borrowing, the General Resolution creates a Subsidy Fund, Subsidy Fund Requirement, and Subsidy Fund Transfer Amount. Prior to disbursement from the Loan Fund the State is required by the Resolution, to meet the Subsidy Fund Requirement by depositing cash, Subsidy Funds, or loan assets in the appropriate funds and accounts. As of September 30, 2003, the Environmental Improvement Fund had purchased $137 million of State general obligation bonds that were deposited into the Subsidy Fund, and the amortized balance as of this date was $100 million. The State may transfer funds from the Loan Fund to the Revenue Fund to pay a portion of Debt Service on the Bonds, provided that following such transfer the Subsidy Fund Requirement is met.

Milwaukee Metropolitan Sewerage District

Based on cash-flow calculations as of September 30, 2003, the Milwaukee Metropolitan Sewerage District **(MMSD)** was the source of nearly 20 percent of the gross cash flow servicing the Outstanding Bonds. MMSD has issued Municipal Obligations to evidence repayments of Loans made from the Leveraged Loan Portfolio. The Municipal Obligations issued by MMSD are general obligations, for which MMSD has made an irrevocable levy of ad valorem property taxes sufficient to pay debt service when due.

Information concerning MMSD is included in APPENDIX A, which as part of Part VI of the 2003 Annual Report, incorporates by reference the MMSD Comprehensive Annual Financial Report for the period ending December 31, 2002 **(MMSD CAFR)**.

The State

The Subsidy Fund currently holds general obligation bonds of the State. Based on Subsidy Fund levels and cash flow calculations as of September 30, 2003, the State was the source of approximately 19 percent of the gross cash flow servicing the Outstanding Bonds. This percentage will not change significantly as a result of the issuance of the 2004 Series 1 Bonds.

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 concerning the State and its financial condition is included as APPENDIX B, which includes by reference Part II of the 2003 Annual Report.

Sources and Uses of Funds

It is anticipated that the proceeds of the 2004 Series 1 Bonds, and other funds provided by the State, shall be applied as follows.

Sources	
Principal Amount of 2004 Series 1 Bonds	$116,795,000.00
Net Original Issue Premium	6,703,099.15
State Funds*	4,000,000.00
Total Sources	$127,498,099.15
Uses	
Deposit to Loan Fund	$ 97,797,432.79
Deposit to Debt Service Fund—Interest Account	4,297,462.99
Deposit to Debt Service Fund—Redemption Account	16,795,000.00
Deposit to Loan Credit Reserve Fund	8,124,875.00
Underwriters' Discount	333,328.37
Costs of Issuance	150,000.00
Total Uses	$127,498,099.15

* The state funds will be deposited into funds and accounts of the Trustee as needed to satisfy requirements of the Resolution.

Moneys for Leveraged Loan Portfolio

2004 Series 1 Bond proceeds deposited into the Loan Fund will be used to make Loans in the Leveraged Loan Portfolio. The Leveraged Loan Portfolio and the Loans are more fully described in "CLEAN WATER FUND PROGRAM" and "LOANS". The State may use funds deposited in the Loan Fund to purchase existing loans from the Proprietary or Direct Loan Portfolios, but is not obligated to do so.

Book-Entry-Only Form

Initially, DTC will act as securities depository for the 2004 Series 1 Bonds. The Registrar will register all 2004 Series 1 Bonds in the name of Cede & Co. (DTC's partnership nominee). DTC will receive one fully registered certificate for each maturity.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, 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 the 2004 Series 1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2004 Series 1 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2004 Series 1 Bond (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the 2004 Series 1 Bonds 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 the 2004 Series 1 Bonds, except in the event that use of the book-entry system for the 2004 Series 1 Bonds is discontinued.

To facilitate subsequent transfers, all 2004 Series 1 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the 2004 Series 1 Bonds 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 2004 Series 1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2004 Series 1 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices, if any, shall be sent to Cede & Co. If less than all of the 2004 Series 1 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2004 Series 1 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2004 Series 1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2004 Series 1 Bonds will be made to DTC by the Trustee, as Paying Agent. 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 such Participant and not of the State or the Trustee or DTC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2004 Series 1 Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

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

No assurance can be given by the State or the Trustee that DTC, Direct Participants and Indirect Participants will promptly transfer payments or notices received with respect to the 2004 Series 1 Bonds. The State and the Trustee assume no liability for the failure of DTC, Direct Participants or Indirect Participants to transfer to the Beneficial Owner payments or notices received with respect to the 2004 Series 1 Bonds.

Similarly, no assurance can be given by the State that DTC will abide by its procedures or that such procedures will not be changed from time to time. In the event that a successor securities depository is designated, it may establish different procedures.

Payment and Registration of 2004 Series 1 Bonds

How the 2004 Series 1 Bonds are paid depends on whether or not they are in book-entry-only form.

If the 2004 Series 1 Bonds are in book-entry-only form, payment of principal will be made by wire transfer to the securities depository or its nominee upon the presentation and surrender of the 2004 Series 1 Bonds at the principal office of the Paying Agent–which is the Trustee. Payment of interest will be made by wire transfer on the payment date to the securities depository or its nominee.

If the 2004 Series 1 Bonds are not in book-entry-only form, payment of principal will be made by check or draft issued upon the presentation and surrender of the Bonds at the principal office of the Paying Agent. Payment of interest due on the 2004 Series 1 Bonds will be made by check or draft mailed to the registered owner shown in the registration book at the close of business on the 15th day preceding such interest payment date or, if such day shall not be a business day, the immediately preceding business day (**Record Date**), or with respect to the owner of $1 million principal amount or more of 2004 Series 1 Bonds outstanding, by wire transfer to such account as the owner may designate.

LOANS

The Wisconsin Statutes set forth some of the requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Additional information concerning the loan application process, lending criteria, levy limit for counties, commitments, and financial assistance agreements is described under "LOANS" in Part VI of the 2003 Annual Report. See APPENDIX A.

OTHER MATTERS

Borrowing Plans for 2004

This is the first series of Clean Water Revenue Bonds to be issued in this calendar year. The State does not expect to issue any additional Bonds in this calendar year that would be used for the same purposes as the 2004 Series 1 Bonds. However, the Commission has authorized up to

$108 million of additional clean water revenue Bonds to refund previously issued Bonds. The timing and amount of any additional refunding bonds depends on market conditions.

Underwriting

The 2004 Series 1 Bonds were purchased at competitive bidding on February 10, 2004 by Merrill Lynch & Co. **(Underwriter).**

The Underwriter paid $123,164,770.78, and their bid resulted in a true interest cost rate to the State of 3.931740%.

Reference Information About 2004 Series 1 Bonds

The following table—as well as the table on the cover— includes information about the 2004 Series 1 Bonds and is provided for reference. The CUSIP number for each maturity has been obtained from sources believed to be reliable, but the State is not responsible for the correctness of the CUSIP numbers. The reoffering yields and prices have been provided by the Underwriter in order to allow the computation of yield for federal tax law compliance. For each of the 2004 Series 1 Bonds maturing on or after June 1, 2015, the dollar price at issuance is computed to the lower of the first optional redemption date or the nominal maturity date.

$116,795,000
State of Wisconsin
Clean Water Revenue Bonds, 2004 Series 1

Dated Date: Delivery Date
First Interest Date: June 1, 2004
Delivery Date: On or About March 3, 2004

CUSIP	Year (June 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance		First Optional Redemption Date	Call Price
977092 LX1	2006	$ 3,520,000	4.00%	1.53%	105.427%		Not Callable	-
977092 LY9	2007	3,630,000	4.00	1.79	106.933		Not Callable	-
977092 LZ6	2008	20,570,000	4.00	2.15	107.463		Not Callable	-
977092 MA0	2009	3,925,000	4.00	2.45	107.581		Not Callable	-
977092 MB8	2010	4,080,000	4.00	2.70	107.421		Not Callable	-
977092 MC6	2011	4,245,000	4.00	2.93	106.934		Not Callable	-
977092 MD4	2012	4,415,000	5.00	3.19	113.025		Not Callable	-
977092 ME2	2013	4,590,000	5.00	3.39	112.680		Not Callable	-
977092 MF9	2014	4,775,000	5.00	3.56	112.265		Not Callable	-
977092 MG7	2015	5,010,000	5.00	3.64	111.537	(a)	6/1/2014	100%
977092 MH5	2016	5,265,000	4.00	3.83	101.424	(a)	6/1/2014	100
977092 MJ1	2017	5,525,000	4.00	3.95	100.413	(a)	6/1/2014	100
977092 MK8	2018	5,805,000	4.75	4.06	105.730	(a)	6/1/2014	100
977092 ML6	2019	6,095,000	4.75	4.16	104.874	(a)	6/1/2014	100
977092 MM4	2020	6,395,000	4.75	4.25	104.111	(a)	6/1/2014	100
977092 MN2	2021	6,715,000	4.75	4.34	103.355	(a)	6/1/2014	100
977092 MP7	2022	7,055,000	4.75	4.42	102.688	(a)	6/1/2014	100
977092 MQ5	2023	7,405,000	4.75	4.49	102.109	(a)	6/1/2014	100
977092 MR3	2024	7,775,000	4.50	4.55	99.336		6/1/2014	100

[a] These bonds are priced to the June 1, 2014 call date.

Note: The State has been advised by the Underwriter that they have applied for and received a Commitment to Issue a Financial Guaranty Insurance Policy from MBIA Insurance Corporation (MBIA) for the 2004 Series 1 Bonds maturing on June 1, 2011 through 2017 and June 1, 2024. Further information on this Commitment and the Financial Guaranty Insurance Policy can be obtained from the Underwriter and MBIA.

Legal Investment

State law provides that the 2004 Series 1 Bonds are legal investments for the following:

- Banks, trust companies, savings banks and institutions, savings and loan associations, credit unions, investment companies, insurance companies, insurance associations, and other persons or entities carrying on a banking or insurance business.
- Executors, administrators, guardians, trustees, and other fiduciaries.
- The State and all public officers, municipal corporations, political subdivisions and public bodies.

Certain Legal Matters

Legal matters incident to the authorization, issuance and sale of the 2004 Series 1 Bonds are subject to the approval of Michael Best & Friedrich LLP **(Bond Counsel)**, whose approving opinion, substantially in the form shown in APPENDIX E, will be delivered on the date of issue of the 2004 Series 1 Bonds. In the event certificated 2004 Series 1 Bonds are issued, the opinion will be printed on the reverse side of each 2004 Series 1 Bond.

As a condition to making a Loan, the State will require an opinion of counsel (which counsel need not be a nationally recognized bond counsel) to the effect that (subject to certain exceptions for bankruptcy, insolvency and similar laws affecting creditors' rights or remedies and equitable principles), among other things, the Financial Assistance Agreement and the Municipal Obligation constitute legal, valid and binding obligations of the Municipality enforceable against the Municipality in accordance with their respective terms.

Absence of Litigation

Upon delivery of the 2004 Series 1 Bonds, the State shall furnish an opinion of the Attorney General of the State, dated the date of delivery of the 2004 Series 1 Bonds, to the effect that there is no controversy or litigation of any nature pending or, to the best of the State's knowledge, threatened in writing, to prohibit, restrain or enjoin the issuance, sale, execution or delivery of the 2004 Series 1 Bonds, or in any way contesting or affecting the validity or enforceability of the 2004 Series 1 Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the 2004 Series 1 Bonds. In addition, such opinion shall state that there is no controversy or litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse impact on the power of the State to collect and enforce the collection of the Pledged Receipts or other revenues, receipts, funds or moneys pledged for the payment of the 2004 Series 1 Bonds which has not been disclosed in this Official Statement.

Each Municipality entering into a Financial Assistance Agreement is required, as a condition of the Loan, to deliver a certificate to the effect that there is no controversy or litigation of any nature pending or, to its knowledge, threatened against the Municipality contesting or affecting the validity or enforceability of the Financial Assistance Agreement or the Municipal Obligation or the use of the proceeds of the Municipal Obligation. In addition, such certificate shall state that there is no controversy or litigation of any nature now pending or, to its knowledge, threatened by or against the Municipality wherein an adverse ruling could have a material adverse impact on the financial condition of the Municipality or adversely affect the power of the Municipality to levy, collect and enforce the levying or collection of taxes, the imposition of rates or charges, or the collection of any of the foregoing, as applicable, for the payment of its Municipal Obligation which has not been disclosed to the State.

TAX MATTERS

Certain Requirements of Code

The Internal Revenue Code of 1986, as amended **(Code)** establishes certain requirements which must be met subsequent to the issuance and delivery of the 2004 Series 1 Bonds in order that the interest on the 2004 Series 1 Bonds be and remain excluded from gross income pursuant to Section 103 of the Code. Noncompliance could cause interest on the 2004 Series 1 Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. The Tax Regulatory Agreement entered into by the State describes the application to be made of certain funds held under the General Resolution and sets forth certain representations, statements of intention, conditions and covenants relating to the use of proceeds of the 2004 Series 1 Bonds necessary for, or related to, compliance with the requirements of Section 103 and related provisions of the Code including the arbitrage limitations imposed with respect to the investment of 2004 Series 1 Bond proceeds pursuant to Section 148 of the Code. The State agrees generally that it will take such actions as may be necessary and within its reasonable control to ensure that the 2004 Series 1 Bonds will continue to be obligations described in Section 103(a) of the Code. The Financial Assistance Agreement for each Loan contains a provision that the Municipality will not take any action or fail to take any action, which action or failure to act would cause the 2004 Series 1 bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or cause the 2004 Series 1 bonds to be "advance refunding" bonds under Section 149 of the Code.

Opinion of Bond Counsel

Federal Taxes

In the opinion of Bond Counsel, whose approving opinion is substantially in the form shown in APPENDIX E, under existing statutes and court decisions, interest on the 2004 Series 1 Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Code and such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations. As summarized in "TAX MATTERS; Certain Additional Federal Tax Consequences", such interest, however, is to be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax and the foreign branch profits tax.

State Taxes

Interest on the 2004 Series 1 Bonds is subject to State of Wisconsin income and franchise taxes.

Basis of Federal Income Tax Opinion

In rendering the foregoing opinion, Bond Counsel has relied upon and assumed compliance by the State and the Municipalities with the procedures and covenants set forth respectively in the Tax Regulatory Agreement entered into by the State and the Financial Assistance Agreement executed by each Municipality.

Certain Additional Federal Tax Consequences

General

The following is a discussion of certain federal income tax matters under existing statutes. It is for general information only and does not purport to deal with all aspects of federal taxation that may be relevant to particular owners of the 2004 Series 1 Bonds. Prospective investors, particularly those who may be subject to special tax rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2004 Series 1

Bonds, as well as any tax consequences arising under the laws of any foreign state or other taxing jurisdiction.

Alternative Minimum Tax

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the 2004 Series 1 Bonds is not treated as a preference item in calculating alternative minimum taxable income.

Social Security and Railroad Retirement Payments

The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement payments is to be included in taxable income of individuals.

Branch Profits Tax

The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds

The Code provides that interest paid on borrowed funds to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Financial Institutions

The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct their cost of carrying certain obligations (other than certain “qualified” obligations), effective for obligations acquired after August 7, 1986. The 2004 Series 1 Bonds are not “qualified” obligations for this purpose.

Property and Casualty Companies

The Code contains provisions relating to property and casualty companies whereunder the amount of certain cost deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

S Corporations

The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Passive investments include interest on tax-exempt obligations.

Original Issue Discount

The 2004 Series 1 Bonds maturing on June 1, 2024 **(Discount Bonds)** are being sold subject to original issue discount. The original issue discount is the excess of the stated redemption price at maturity of the Discount Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond who acquires the Discount Bond in this offering during any accrual period generally equals

(1) the issue price of the Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity of the Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (3) any interest payable on the Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in the Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of the Discount Bond.

Original Issue Premium

Each of the 2004 Series 1 Bonds maturing on June 1, 2006 through 2023 **(Premium Bonds)** are being sold at an amount in excess of the amount payable on maturity. Such excess constitutes bond premium under Section 171 of the Code. Under Section 171 of the Code, amortizable bond premium on a Premium Bond is determined on a constant yield basis (except to the extent regulations may provide otherwise) over the term of the Premium Bond. No deduction from the income of an owner of a Premium Bond is allowed with respect to the amount of amortizable bond premium. The basis of each Premium Bond will be reduced by the amount of amortizable bond premium for a taxable year required to be taken into account by an owner.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the 2004 Series 1 Bonds, 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 Annual Report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any state information depository (**SID**). The State will also provide notices of occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (**MSRB**), and any SID. As of the date of this Official Statement, 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 Official Statement.

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
capfin@doa.state.wi.us
www.doa.state.wi.us/capitalfinance

The undertaking also describes the consequences of any failure to provide the required information. The State must report the failure to the NRMSIRs, or the MSRB, and to any SID. In the last five years, there has been no failure to comply in any material respect with this or any similar undertaking.

FURTHER INFORMATION

The State has covenanted to file with the Trustee, and to make available from DOA upon request, a copy of the audited financial statements for the Environmental Improvement Fund. The independent auditors' report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2003 and 2002, along with supplemental information as of June 30, 2003, and independent auditors' report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2003 are included by reference as part of APPENDIX A. Copies of the General Resolution, any Series Resolution, the Financial Assistance Agreements, and the Municipal Obligations are available for inspection during normal business hours at the offices of DOA. The State has not otherwise committed to update information in this Official Statement or to provide any other continuing disclosure concerning the Environmental Improvement Fund or the Clean Water Fund Program, except as provided in "CONTINUING DISCLOSURE".

Dated: February 10, 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 CLEAN WATER FUND PROGRAM

This appendix includes information concerning the State of Wisconsin Clean Water Fund Program. Part VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003 **(2003 Annual Report)** is included by reference as part of this APPENDIX A.

Part VI to the 2003 Annual Report contains certain general information on the Environmental Improvement Fund and the Clean Water Fund Program. This part also presents information on the following:

- Security and Source of Payment of the Bonds
- Pledged Revenues
- Loans
- Subsidy Fund
- Loan Credit Reserve Fund (including the Loan Credit Reserve Fund Schedule for each Rating Agency)
- Statutory Powers
- State financial participation
- Additional Bonds
- Municipalities
- General Resolution.

Included as APPENDIX A to Part VI of the 2003 Annual Report are the independent auditors' report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2003 and 2002, along with supplemental information as of June 30, 2003, and independent auditors' report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2003.

The 2003 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. As of the date of this Official Statement, Part VI of the 2003 Annual Report is 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

APPENDIX B

INFORMATION ABOUT THE STATE

T his appendix includes information concerning the State of Wisconsin **(State)**. Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2003 **(2003 Annual Report)** is included by reference as part of this APPENDIX B.

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.

The 2003 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. As of the date of this Official Statement, Part II of the 2003 Annual Report is 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 B-15 to B-19 of this Official Statement.

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 B-3 to B-14 of this Official Statement.

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 B-15 to B-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 $310 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

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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)

	2002-03	Budget Estimates (Act 33)		Revised Estimates January, 2004	
Source	Tax Collections	2003-04	2004-05	2003-04	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

Robert Wm. Lang, Director

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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.)

<u>2003-04 Opening Balance</u>. 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.

<u>Departmental Revenues</u>. 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).

<u>Sum Sufficient Appropriations</u>. 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.

<u>Lapses</u>. 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 December 31, 2003 and reflects the budget bill (2003 Wisconsin Act 33) for the 2003-04 and 2004-05 fiscal years but does not reflect 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 DECEMBER 31, 2003
PROJECTED GENERAL FUND CASH FLOW; JANUARY 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	$1,250,312	$1,460,250	$349,279	$813,537	$909,898
Ending Balance [(c)]	($622,418)	($400,502)	$418,507	$907,811	$863,882	$1,013,762	$1,250,312	$1,460,250	$349,279	$813,537	$909,898	$163,585
Lowest Daily Balance [(c)]	($762,702)	($757,258)	($654,756)	$289,720	$648,269	($200,315)	$962,743	$1,138,054	$297,783	$157,855	$607,951	($56,804)
RECEIPTS												
TAX RECEIPTS												
Individual Income [(d)]	$535,668	$361,664	$632,800	$495,028	$390,357	$431,441	$800,000	$464,400	$460,900	$855,700	$332,900	$651,300
Sales & Use	368,518	363,614	375,775	374,113	350,192	321,577	408,000	318,600	287,700	324,400	344,800	354,000
Corporate Income	15,220	19,228	126,009	28,093	26,301	160,444	23,000	12,000	159,900	25,000	16,400	114,200
Public Utility	296	0	325	4,994	129,422	337	0	3,700	200	5,200	118,000	1,700
Excise	38,152	34,660	28,651	32,261	28,631	28,784	28,200	29,900	25,000	27,500	30,800	30,400
Insurance	828	1,375	25,541	293	1,334	28,444	1,800	12,000	19,100	24,100	3,900	23,200
Inheritance	5,660	11,035	7,017	6,607	6,089	9,493	8,200	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	$1,269,200	$846,100	$959,000	$1,272,200	$853,100	$1,180,400
NON-TAX RECEIPTS												
Federal	$420,678	$479,004	$507,840	$618,086	$454,026	$534,209	$610,800	$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	385,600	387,100	328,100	329,800	312,300	411,100
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	$996,400	$912,400	$799,700	$863,300	$831,200	$964,500
TOTAL RECEIPTS	$1,676,451	$1,461,025	$2,623,535	$1,829,971	$1,583,977	$2,427,680	$2,265,600	$1,758,500	$1,758,700	$2,135,500	$1,684,300	$2,144,900
DISBURSEMENTS												
Local Aids	$890,876	$172,578	$741,814	$109,530	$781,331	$1,178,138	$205,865	$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	217,407	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	415,696	225,616	305,368	476,187	255,458	302,883
Tax Refunds	68,585	50,293	54,656	50,624	58,967	122,179	57,200	327,007	328,885	293,412	219,400	195,000
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	1,132,882	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	$2,029,050	$1,548,562	$2,869,671	$1,671,242	$1,587,939	$2,891,213

(a) Projections reflect the 2003-05 biennial budget bill that Governor Doyle signed into law with some partial vetoes on July 24, 2003 (2003 Wisconsin Act 33). The projections also reflect adjustments made starting in September 2003 to better reflect end-of-month electronic fund transfers. The projections do not reflect the reestimates of departmental revenues and expenditures provided by the Legislative Fiscal Bureau on January 15, 2004, nor the general fund tax collection projections 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 have been restated due to a subsequent 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 December 31, 2003
(Amounts in Thousands)

	FY03 through December 2002	FY04 through December 2003				
	Actual	Actual	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY03 Actual to FY04 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 2,863,965	$ 2,846,958	$ 3,029,800	$ (182,842)	$ (4,863)	$ (17,007)
Sales	2,088,374	2,153,789	2,143,700	10,089	10,089	65,415
Corporate Income	296,448	375,295	334,500	40,795	40,795	78,847
Public Utility	155,355	135,374	146,800	(11,426)	(11,426)	(19,981)
Excise	189,772	191,139	190,800	339	339	1,367
Insurance	50,930	57,815	49,300	8,515	8,515	6,885
Inheritance	40,847	45,901	41,600	4,301	4,301	5,054
Total Tax Receipts	$ 5,685,691	$ 5,806,271	$ 5,936,500	$ (130,229)	$ 47,750	$ 120,580
Non-Tax Receipts						
Federal	$ 2,744,414	$ 3,013,843	$ 2,833,900	$ 179,943	$ 179,943	$ 269,429
Other and Transfers	1,728,079	2,382,525	1,684,400	698,125	(7,009)	654,446
Note Proceeds	-	400,000	400,000	-	-	400,000 [(d)]
Total Non-Tax Receipts	$ 4,472,493	$ 5,796,368	$ 4,918,300	$ 878,068	$ 172,934	$ 1,323,875
TOTAL RECEIPTS	$ 10,158,184	$ 11,602,639	$ 10,854,800	$ 747,839	$ 220,684	$ 1,444,455
DISBURSEMENTS						
Local Aids	$ 3,461,393	$ 3,874,267	$ 3,913,035	$ 38,768	$ 38,768	$ 412,874
Income Maintenance	2,101,499	2,207,228	2,161,303	(45,925)	(45,925)	105,729
Payroll & Related	1,814,100	1,875,939	1,885,824	9,885	9,885	61,839
Tax Refunds	393,039	405,304	434,155	28,851	28,851	12,265
Debt Service	123,182	120,171	133,120	12,949	12,949	(3,011)
Miscellaneous	1,638,350	1,804,848	1,798,889	(5,959)	(5,959)	166,498
Note Repayment	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 9,531,563	$ 10,287,757	$ 10,326,326	$ 38,569	$ 38,569	$ 756,194
VARIANCE FY04 YEAR-TO-DATE				$ 786,408	$ 259,253	

(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 assumptions from the 2003-05 biennial budget bill, as signed into law with some partial vetoes by Governor Doyle on July 24, 2003 (2003 Wisconsin Act 33), but are presented on a cash basis and not a budgetary basis. The projections do not reflect the re-estimates of departmental revenues and expenditures provided by LFB on January 15, 2004, nor 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 (1) approximately $115 million of tax receipts that were received in December but not recorded in the State's accounting system in December due to the New Year's Eve holiday, and (2) $705 million of pension obligation bond proceeds that were received into the General Fund in December 2003 but will be 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 December 31, 2003 — Actual
January 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		2,265,600	2,029,050
	February	1,250,312		1,758,500	1,548,562
	March	1,460,250		1,758,700	2,869,671
	April	349,279		2,135,500	1,671,242
	May	813,537		1,684,300	1,587,939
	June	909,898	[d]	2,144,900	2,891,213

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

[b] The monthly receipt and disbursement projections for January 1, 2004 through June 30, 2004 are based on the revenue estimates released by LFB on January 23, 2003 and the budget for the 2003-05 biennium as signed into law with some partial vetoes by Governor Doyle on July 24, 2003 (2003 Wisconsin Act 33). Adjustments have been made to the cash flow projections to better reflect end-of-month electronic fund transfers. The projections do not reflect the re-estimates of departmental revenues and expenditures provided by LFB on January 15, 2004, nor 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 December 31, 2003 — Actual
January 31, 2004 to June 30, 2004— Estimated[(b)]
(Amounts in Millions)

Month (Last Day)	2001	2002	2003	2004
January		$ 5,360	$ 5,025	$ 1,738[(b)]
February		5,463	5,235	1,802
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 January 31, 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 December 31, 2003 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 December 31, 2002 [(d)]	Recorded Revenues July 1, 2003 to December 31, 2003 [(e)]
Individual Income Tax	$ 5,052,500,000	$ 5,405,800,000	$ 2,223,071,915	$ 2,295,597,178
General Sales and Use Tax	3,738,000,000	3,915,400,000	1,581,433,351	1,641,600,639
Corporate Franchise and Income Tax	526,500,000	539,750,000	201,158,576	296,449,201
Public Utility Taxes	276,800,000	268,000,000	143,938,029	130,835,383
Excise Taxes	354,800,000	352,200,000	154,727,447	151,819,713
Inheritance Taxes	68,700,000	105,000,000	40,084,881	44,070,743
Insurance Company Taxes	114,900,000	85,000,000	26,354,171	28,365,947
Miscellaneous Taxes	67,500,000	71,300,000	43,316,046	41,178,040
SUBTOTAL........................	$ 10,199,700,000	$ 10,742,450,000	4,414,084,417	4,629,916,844
Federal and Other Inter-Governmental Revenues[(f)]	$ 6,668,346,000	$ 5,707,551,000	3,347,044,175	2,996,708,355
Dedicated and Other Revenues[(g)]	3,815,875,000	1,931,197,500	2,063,709,291	3,436,899,752
TOTAL.............................	$ 20,683,921,000	$ 18,381,198,500	$ 9,824,837,883	$ 11,063,524,951

(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 do not reflect the re-estimates of departmental revenues that LFB released on January 15, 2004, nor 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 December 31, 2003 compared with previous year [(a)]

	Annual Fiscal Report Expenditures 2002–03 FY[(b)]	Appropriations 2003–04 FY[(c)]	Recorded Expenditures July 1, 2002 to December 31, 2002[(d)]	Recorded Expenditures July 1, 2003 to December 31, 2003[(e)]
Commerce	$ 222,143,000	$ 267,951,200	$ 111,274,746	$ 137,088,382
Education	9,087,026,000	7,372,173,100	3,958,397,160	4,070,937,053
Environmental Resources	264,282,000	252,915,200	106,057,675	93,282,374
Human Relations & Resources	8,630,020,000	7,704,344,000	4,411,531,828	3,937,446,510
General Executive	646,171,000	622,251,300	308,362,555	1,079,239,010
Judicial	109,697,000	110,945,700	63,613,703	64,035,482
Legislative	61,219,000	62,468,300	26,606,872	25,469,595
General Appropriations	1,935,927,000	1,687,946,100	1,613,424,503	1,608,351,481
TOTAL	$ 20,956,485,000	$ 18,080,994,900	$ 10,599,269,041	$ 11,015,849,888

(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 C

DEFINITION OF CERTAIN TERMS

The following definitions apply to capitalized terms used in this Official Statement.

Accreted Value means, with respect to any Capital Appreciation Bond, the initial principal amount at which such Capital Appreciation Bond is sold to the initial purchaser by the State without reduction to reflect underwriter's discount, compounded from the date of delivery of such Bonds semiannually on each interest payment date prior to the date of calculation (and including such date of calculation if such date of calculation shall be an interest payment date) at the original issue yield to maturity less, with respect to Bonds with interest payable on a current basis, interest paid and payable during such period plus, if such date of calculation shall not be an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date and the Accreted Value as of the immediately succeeding interest payment date calculated based upon an assumption that Accreted Value accrues during any semiannual period in equal daily amounts (based on a 360-day year of twelve 30-day months); provided, however, that the calculation of Accreted Value for purposes of determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution shall be based upon the Accreted Value calculated as of the interest payment date immediately preceding such date of calculation (unless such date of calculation shall be an interest payment date, in which case shall be calculated as of the date of calculation).

Act means Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended.

Administrative Fund means the fund of that name established by the General Resolution.

Aggregate Debt Service for any period means, with respect to the Bonds, as of any date of calculation, the sum of the amounts of Debt Service for such period.

Authorized Officer means the Capital Finance Director of the State and any other person designated in writing to the Trustee by the Capital Finance Director or by the Commission as an Authorized Officer.

Bond or **Bonds** means any bond or bonds, as the case may be, authenticated and delivered under the General Resolution pursuant to a Series Resolution.

Bond Depository means, initially, The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York or any other bond depository appointed by the Commission to act as bond depository for the Bonds in connection with a book-entry-only system of distributing Bonds.

Bondowners or **Owner of Bonds** or **Owner** (when used with reference to Bonds) or any term of similar import means the person or party in whose name the Bond is registered.

Business Day means any day other than a Saturday or Sunday or other day on which commercial banks in the city in which the principal office of the Trustee is located are not open for business, except as may be provided in a Series or Supplemental Resolution.

Capital Appreciation Bond means Bonds that provide for the addition of all or any part of accrued and unpaid interest thereon to the principal due thereon upon such terms and for such periods of time as may be determined by the applicable Series Resolution.

Capitalized Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Clean Water Fund Program means the program established pursuant to the Act and operated and administered as part of the Environmental Improvement Fund.

Code means the Internal Revenue Code of 1986, as amended from time to time, and all regulations promulgated thereunder to the extent applicable to any Bonds, Loans or Municipal Obligations, as the case may be.

Commission means the State of Wisconsin Building Commission or any successor body having the power under the Subchapter II of Chapter 18, as amended, of the Statutes to authorize and direct the issuance of Bonds.

Commitment means a notice of financial assistance commitment entered into between DNR, DOA and a Municipality.

Contribution Amount has the meaning set forth in the definition of "Loan Credit Reserve Fund Requirement."

Costs of Issuance means, except as limited in any Series Resolution, any items of expense directly or indirectly payable by or reimbursable to the State and related to the authorization, sale and issuance of Bonds or Notes and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, legal fees and charges, professional consultants' fees, costs of credit ratings, premiums for insurance of the payment of Bonds or Notes, or any fees and expenses payable in connection with any entity insuring the State, the Trustee or the owners of the Bonds or Notes against loss on Loans or Municipal Obligations, fees and charges for execution, transportation and safekeeping of Bonds or Notes, costs and expenses of refunding of Bonds or Notes, fees and expenses payable in connection with any Credit Facility, remarketing agreements, tender agent agreements or interest rate indexing agreements, and other costs, charges and fees in connection with the original issuance of Bonds or Notes.

Costs of Issuance Account means the account of that name established within the Administrative Fund by the General Resolution.

Counsel's Opinion means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the State (who may be counsel to the State); provided, however, that for the purposes of Article II of the General Resolution (addressing authorization and issuance of Bonds) such term means an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the State and provided, further, that for the purposes of Section 8.08 of the General Resolution (addressing conditions for delivery of Municipal Obligations), such term means an opinion signed by an attorney or firm of attorneys selected by the Municipality and approved by the State.

Credit Facility means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy, guaranty or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution or the federal government or an agency thereof which (1) provides for payment of all or a portion of the principal of, Redemption Price of, or interest on any Series of Bonds, (2) provides funds for the purchase of such Bonds or portions thereof, (3) provides deposits for a fund or account under the General Resolution, or (4) provides for or further secures payment of Loans or Municipal Obligations, provided that with respect to (3) above, the issuer of which Credit Facility is rated, or the effect of which Credit

Facility would cause bonds insured or secured thereby to be rated, in a rating category by each Rating Agency no lower than the then current rating on the Bonds (without such Credit Facility).

Debt Service for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (1) interest payable during such period on Bonds of such Series, (2) that portion of the Principal Installments for such Series which are payable during such period, and (3) any "Reimbursement Obligation" or "Parity Reimbursement Obligation" as defined in the General Resolution. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

Debt Service Fund means the fund of that name established by the General Resolution.

Depository means any bank, trust company, or national banking association, which may be the Trustee, selected by the Commission and approved by the Trustee as a depository of moneys and securities held under the provisions of the General Resolution and its successor or successors.

Direct Loan means loans made primarily from the proceeds of federal Capitalization Grants, the State Match, or repayments of Direct Loans, and excludes any Leveraged Loan or Proprietary Loan.

DNR means the State of Wisconsin Department of Natural Resources.

DOA means the State of Wisconsin Department of Administration.

DTC means The Depository Trust Company, New York, New York.

Environmental Improvement Fund means the nonlapsible trust fund of that name created by Section 25.43 of the Statutes.

EPA means the United States Environmental Protection Agency.

Expense Account means the account of that name established within the Administrative Fund established by the General Resolution.

Fees and Charges means all fees and charges, if any, charged by the State to Municipalities pursuant to the terms and provisions of Loans or Municipal Obligations but does not include principal of and interest on such Municipal Obligations.

Fiduciary or **Fiduciaries** means the Trustee, any Paying Agent, any Depository or any or all of them, as may be appropriate.

Financial Assistance Agreement means any agreement entered into between DNR, DOA, and a Municipality for financial assistance.

Fiscal Year means any 12 consecutive calendar months commencing with the second day of June and ending on the first day of the following June.

General Resolution means the Clean Water Revenue Bond General Resolution adopted by the Commission on March 7, 1991, as amended by a resolution adopted by the Commission on July 30, 2003, as the same may be amended and supplemented from time to time.

Information Services means an institution or other service providing information with respect to called bonds, which shall include but not be limited to those identified in the General Resolution and others designated by an Authorized Officer.

Interest Account means the account of that name established within the Debt Service Fund by the General Resolution.

Investment Obligation means any of the following that at the time are legal investments for moneys of the State:

(1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as at the time of their purchase such investments will not adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (1);

(2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (1) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (1) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (2), as appropriate, and (d) which at the time of their purchase under the General Resolution bear the highest rating available from each Rating Agency;

(3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding “stripped” securities), Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority;

(4) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; provided, however, that any investment purchased pursuant to this clause shall be rated

at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(5) obligations of any state of the United States of America or of any political subdivision or public agency or instrumentality thereof, including the State, provided that at the time of their purchase under the General Resolution such obligations are rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(6) direct obligations of the State or obligations guaranteed by the State that have the same rating as direct obligations of the State;

(7) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of their purchase under the General Resolution the highest rating available from each Rating Agency;

(8) interest-bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Fiduciary), provided such deposits are made with banks rated by each Rating Agency at the time the deposit is made no lower than the rating assigned to the Bonds by such Rating Agency;

(9) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which are rated at the time of their purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(10) repurchase agreements for obligations of the type specified in clauses (1) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the counterparty and such counterparty is rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or (b) the repurchase agreement is an obligation of a counterparty that is rated at the time of its purchase by each Rating Agency in an investment grade category and is collateralized by obligations which are marked to market daily and have a value equal to not less than the percentage of the amount thereby secured specified by each Rating Agency, taking into account the maturity of such obligations;

(11) any investment obligation or deposit the investment in which will not, at the time such investment is made, adversely affect the then current ratings, if any, assigned to the Bonds by each Rating Agency;

(12) any investment agreement with a bank, bank holding company, insurance company or other financial institution rated at the time such investment is made by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or guaranteed by an entity rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency; and

(13) the Local Government Pooled–investment Fund of the State established under Chapter 25 of the Wisconsin Statutes.

Loan or Leveraged Loan means a loan heretofore or hereafter made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act and funded from the Loan Fund.

Loan Credit Reserve Fund means the fund of that name established by the General Resolution.

Loan Credit Reserve Fund Requirement means and is calculated as follows:

(1) Upon the issuance of the initial Series of Bonds, an Authorized Officer delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories and loan credit reserve fund requirements (**Loan Credit Reserve Fund Schedule** or **Schedule**) approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency.

(2) The amount required in the Schedules for each Loan disbursement from the Loan Fund (and if the Schedules provide for different amounts, then the higher amount) is the "**Contribution Amount**".

(3) The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for a different total Contribution Amount, then the higher total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

Loan Fund means the fund of that name established by the General Resolution.

Loan Repayments or Leveraged Loan Repayments means any payment on a Loan pursuant to a Financial Assistance Agreement, or on the Municipal Obligations evidencing and securing the same, on account of the principal, interest, and premium, if any, due on such Loan, including without limitation scheduled payments of principal and interest on such Loan or Municipal Obligation, any payment made to cure a default, prepayments of principal or interest, and any additional amounts payable upon prepayment of such Loan or Municipal Obligations, and any amounts paid with respect to such Loan or Municipal Obligation on account of (1) acceleration of the due date of such Loan or such Municipal Obligation, (2) the sale or other disposition of such Loan or the Municipal Obligations and other collateral securing such Loan, (3) the receipt of proceeds of any insurance or guaranty of such Loan or Municipal Obligations or any Credit Facility applicable to such Loan or Municipal Obligations, and (4) the exercise of any right or remedy granted to the State and available under law or the applicable Financial Assistance Agreement upon default on such Loan or Municipal Obligations but specifically excluding Fees and Charges.

Municipal Obligations means the bonds, notes, or other evidence of debt issued by any Municipality and authorized by law and which have heretofore been or will hereafter be acquired by the State as evidence of indebtedness of a Loan, Direct Loan, or Proprietary Loan to the Municipality pursuant to the Act. Municipal Obligations may constitute any of a combination of the following: a revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues, a revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, a general obligation secured by a tax levy and a pledge of all available financial resources of the Municipality.

Municipality means a political subdivision of the State constituting a "municipality" within the meaning of the Act, duly organized and existing under the laws of the State and any successor entity or a Federally recognized American Indian tribe or band in the State.

Non-SRF Account means account of that name established within the Loan Credit Reserve Fund.

Notes means any bond anticipation notes issued by the State pursuant to the Act.

NRMSIR means nationally recognized municipal securities information repository.

Outstanding, when used with reference to Bonds, other than Bonds referred to in Section 10.05 of the General Resolution (addressing Bonds owned or held by or for the account of the State), means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Resolution, except: (1) any bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (2) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in Trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (3) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Resolution, and (4) Bonds deemed to have been paid as provided in Article 12 of the General Resolution (addressing defeasance). In determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution, the principal amount of a Capital Appreciation Bond that shall be deemed Outstanding for such purposes shall be the Accreted Value thereof.

Paying Agent for the Bonds of any Series means the bank, trust company, or national banking association, which may be the Trustee, and its successor or successors, appointed pursuant to the provisions of the General Resolution and a Series Resolution or any other resolution of the Commission adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Pledged Receipts means:

(1) all Loan Repayments, including both timely and delinquent payments,

(2) Fees and Charges held or collected by the State,

(3) any moneys received by the State under Section 281.59 (11)(b) of the Wisconsin Statutes (that is, State payments intercepted by DOA, and taxes collected by county treasurers) upon a default under a Municipal Obligation,

(4) any moneys made available to the Clean Water Fund Program pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, the State "moral obligation" for individual Loans),

(5) any moneys collected by recourse to collateral and security devices under the Municipal Obligations, and

(6) any other moneys held or received by the State or the Trustee relating to the Municipal Obligations.

Principal Account means the account of that name established within the Debt Service Fund by the General Resolution.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds Outstanding, (1) the principal amount or Accreted Value of Bonds of such Series due on any payment date for which no Sinking Fund Installments have been established, or (2) the Sinking Fund Installment due on a date for Bonds of such Series, or (3) if such dates coincide, the sum of such principal amount or Accreted Value of Bonds and of such Sinking Fund

Installment(s) due on such future date; in each case in the amounts and on the dates as provided in the Series Resolution authorizing such Series of Bonds; provided, however, that Principal Installments shall not include the principal of Notes.

Project means any municipal project for the design, acquisition, construction, improvement, repair, reconstruction, renovation, or expansion of any municipal wastewater collection or treatment system or water supply system that is eligible for financing by the State pursuant to the Act.

Proprietary Loan means financial assistance made primarily from the proceeds of State general obligation bonds or repayment of Proprietary Loans, and excludes any Direct Loan or Leveraged Loan.

Rating Agency means a credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and which has assigned and currently maintains a rating on any Outstanding Bonds at the request of the State (which request may be withdrawn by the State so long as following such withdrawal of request, the Bonds are rated by at least two Rating Agencies), and any successor to any such agency by merger, consolidation or otherwise.

Rebate Fund means the fund of that name established by the General Resolution.

Record Date means, unless otherwise determined by a Series Resolution for a Series of Bonds, the close of business on the 15th day proceeding a payment date or, if such day shall not be a business day, the immediately preceding business day.

Redemption Account means the account of that name established within the Debt Service Fund by the General Resolution.

Redemption Price, when used with respect to a Bond other than a Capital Appreciation Bond, or a portion thereof to be redeemed, means the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, plus interest to the redemption date, pursuant to the General Resolution and the applicable Series Resolution, but, when used with respect to a Capital Appreciation Bond, “Redemption Price” means the Accreted Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any.

Refunding Bonds means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance to refund other Bonds.

Revenue Fund means the fund of that name established by the General Resolution.

Series of Bonds or Bonds of a Series or words of similar meaning means the series of Bonds authorized by a Series Resolution.

Series Resolution means a resolution of the Building Commission authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Resolution.

Sinking Fund Installment means, as of any particular date of calculation, (i) the amount required by the General Resolution and a Series Resolution to be deposited by the State for the retirement of Bonds which are stated to mature subsequent to such date or (ii) the amount required by the General Resolution and a Series Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

SRF Account means the account of that name established within the Loan Credit Reserve Fund by the General Resolution.

State means the State of Wisconsin.

State Equity Fund means the fund of that name established by the General Resolution.

Subsidy Fund means the fund of that name established by the General Resolution.

Subsidy Fund Requirement means that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing immediately following the dated date of the initial Series of Bonds and thereafter an interest payment date and ending on the next interest payment date **(Period)** which is at least equal to the amount by which Aggregate Debt Service payable during the period exceeds the sum of (1) scheduled disbursements from the Capitalized Interest Account and (2) Loan Repayments scheduled to be received during the Period from sources other than transfers of Loan capitalized interest from the Loan Fund. In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if (a) such undisbursed amounts are invested at an appropriate rate of interest to the final maturity of Bonds and (b) such undisbursed amounts and the earnings thereon are transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Loan Repayments made pursuant to clause (2) above; provided that prior to each Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State refrains from making a requisition for the disbursement.

Subsidy Fund Transfer Amount means that amount equal to the amount by which Aggregate Debt Service payable during the Period (as such term is used in the definition of Subsidy Fund Requirement) exceeds the sum of (1) Loan Repayments scheduled to be received and delinquent Loan Repayments actually received during the Period, (2) earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period, (3) any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period, (4) any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and (5) amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during such Period.

Supplemental Resolution means a resolution supplemental to or amendatory of the General Resolution, adopted by the Commission in accordance with the General Resolution.

Trustee means U. S. Bank National Association, as successor to Firstar Trust Company, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the General Resolution.

APPENDIX D

LOAN CREDIT RESERVE FUND SCHEDULES

Introduction

The General Resolution establishes the amount and timing of funds and securities required to be deposited or on deposit in the Loan Credit Reserve Fund, based on Schedules reviewed by no less than two Rating Agencies. The State, with the consent of a Rating Agency, may from time to time change the Schedule previously approved by such Rating Agency so long as the change does not adversely affect the then-current rating on the Bonds. To the extent the amount of the deposit or amount on deposit required by the Schedule approved by one Rating Agency differs from the amount required by the Schedule approved by another Rating Agency, the larger amount is required. As of September 30, 2003 the amount held in the Loan Credit Reserve Fund was $73 million, and the amount required on such date was $65 million.

Current Schedules

The Bonds are currently rated AA+ by Fitch Ratings (**Fitch**), Aa2 by Moody's Investors Service, Inc. (**Moody's**) and AA+ by Standard & Poor's Ratings Services (**S&P**). Each of the following Schedules has been approved by the respective Rating Agency indicated.

Fitch Ratings

Based on certain credit characteristics, each Loan will be assigned to one of six credit categories, which are explained below. Any assignment of a Loan to a credit category other than "Not Rated; Interceptable State Aid Factor 2.0 or Greater" or "Not Rated; Interceptable State Aid Factor Less Than 2.0" is subject to review by Fitch. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund with respect to a particular Loan and any amounts disbursed under that Loan differs, depending on the borrower. The Municipality with total outstanding General Resolution Leveraged Loans in a credit category below that of the Bonds, such that the Municipality's outstanding Loan amount is larger than that of any other Municipality with outstanding Loans in credit categories below that of the Bonds, is the "Largest Borrower Below Bond Credit Quality". The required deposit attributable to the Largest Borrower Below Bond Credit Quality shall equal the total of all debt service payments attributable to the Loan or Loans to that Borrower over the four-year period in which such debt service payments are the greatest. For any Loans to borrowers other than the Largest Borrower Below Bond Credit Quality, the required deposit shall equal the product of the total of all debt service payments attributable to such Loans over the four-year period in which such debt service payments are the greatest times the factor, described below, assigned to Loans of the applicable credit category.

Loans are currently assigned to credit categories based on one or more of the following characteristics, (1) the Fitch rating given to the Municipal Obligation (or its lack of a Fitch rating), (2) the credit quality estimate for the Municipal Obligation based on information available to Fitch from sources it believes to be reliable, or (3) the anticipated amount of annual State payments that can potentially be intercepted by DOA.

The State recognizes that the credit quality estimate, or "shadow rating", is not necessarily the official or public Fitch ratings for the Municipal Obligation and are used solely for purposes of analyzing the credit quality of the Bonds. The intercept power is described under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; State Aid Intercept" in Part VI of the State's Continuing Disclosure Annual Report, dated December 23, 2003 **(2003 Annual Report)**. If the Municipal

Obligation is not rated by Fitch, the State may request that Fitch assign a credit quality estimate, or "shadow rating", for the Municipal Obligation.

Credit categories to which Loans may be assigned by Fitch currently include the following:

"AAA" Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of the highest credit quality, denoting the lowest expectation of credit risk. Assignments to this category are made only in cases of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

"AA" Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of very high credit quality, denoting a very low expectation of credit risk. Assignments to this category are made in cases of very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

"A" Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of high credit quality, denoting a low expectation of credit risk. Assignments to this category are made in cases of strong capacity for timely payment of financial commitments. Nevertheless, this capacity may be more vulnerable to changes in circumstances or in economic conditions than is the case for higher credit quality categories.

"BBB" Credit Quality Category. A Loan is assigned to this category if its related Municipal Obligation is deemed to be of good credit quality, denoting a currently low expectation of credit risk. Assignments to this category are made in cases of adequate capacity for timely payment of financial commitments. Adverse changes in circumstances and in economic conditions are more likely to impair this capacity than is the case for higher credit quality categories.

Not Rated; Interceptable State Aid Factor 2.0 or Greater. The anticipated amount of annual State payments that can potentially be intercepted by the State is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality: State shared revenue. A Loan is currently assigned to this category if its related Municipal Obligation is: (1) not rated by Fitch or categorized as being of speculative grade credit quality by Fitch, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the maximum annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

Not Rated; Interceptable State Aid Factor Less Than 2.0. A Loan is currently assigned to this category if its related Municipal Obligation is: (1) not rated by Fitch or categorized as being of speculative grade credit quality, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the maximum annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

The following chart shows the current factor assigned to each of the six credit categories by Fitch.

Category	Factor
'AAA' Credit Quality Category	0%
'AA' Credit Quality Category	0
'A' Credit Quality Category	8
'BBB' Credit Quality Category	14
Not Rated; Interceptable State Aid Factor 2.0 or Greater	8
Not Rated; Interceptable State Aid Factor Less Than 2.0	36

The State recognizes that lower factors may be assigned to Loans related to Municipal Obligations that are deemed by Fitch to be general obligations secured by the Municipality's full faith and credit, based on Fitch's current rating guidelines for leveraged municipal loan pools. However, the State does not currently opt to assign such lower factors to such Loans, since the above factors result in a more conservative level of funding for the Loan Credit Reserve Fund.

The State recognizes that Fitch's rating on the Bonds is based only in part upon the level of funding in the Loan Credit Reserve Fund and the credit quality of borrowers from Bond funds. Other factors upon which the Bonds' rating is based currently include, but are not limited to, Fitch's general obligation bond rating for the State of Wisconsin, as well as structural and legal characteristics of the Clean Water Fund Program, Clean Water Fund Program management, Clean Water Fund Program loan underwriting practices, Clean Water Fund Program loan monitoring practices, and permitted Clean Water Fund Program investments. The State recognizes that factors upon which the Bonds' rating is based may change in the future. The State asserts that it expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by Fitch may be based on the maintenance of amounts greater than the amounts required under this particular Loan Credit Reserve Fund Schedule. The State agrees to maintain the Loan Credit Reserve Fund investments as either rated or ratable in the same credit rating category as the Bonds. The State further agrees that, if practicable, it will provide Fitch with at least 30 days notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

Moody's Investors Service, Inc.

As part of the Schedule submitted to Moody's, the State has indicated that it will maintain the Loan Credit Reserve Requirement at a level that corresponds to certain Loan portfolio credit characteristics. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund is the product of the average annual debt service of the outstanding, disbursed Loans times a factor of 120%, and is based on an evaluation of the Loans shown in "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Loans" in Part VI of the 2003 Annual Report. A different factor may be applied if Loan portfolio credit characteristics change.

Standard & Poor's Ratings Services

Based on certain credit characteristics, each Loan will be assigned one of five categories, which are explained below. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund with respect to a particular disbursement from the Loan Fund is the product of the maximum annual debt service payment on the Loan attributable to the disbursement times the factor assigned to that particular category.

The following chart shows the current factor assigned to each of the five categories by S&P. Following the chart is an explanation of the characteristics of each category.

Category	Factor
Higher Investment Grade Rating	0%
Medium Investment Grade Rating	40
Lower Investment Grade Rating	64
Not Rated; Greater State Aids	40
Not Rated; Lesser State Aids	140

Loans are categorized based on two characteristics: (1) the rating given to the Municipal Obligation (or its lack of a rating), and (2) the anticipated amount of annual State payments that can potentially be intercepted by DOA.

The intercept power is described under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; State Aid Intercept" in Part VI of the 2003 Annual Report. If the Municipal Obligation is not rated by S&P, the State may request permission from S&P to assign the Municipal Obligation to a particular category.

The anticipated amount of annual State payments that can potentially be intercepted by DOA is determined by DOA based on the minimum of the five most recent years for which data are available of one source of State payments to the Municipality–State shared revenue.

Higher Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in either of the two highest rating categories (AAA;AA).

Medium Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in the third highest rating category (A). S&P may also permit a Loan to be assigned to this category, regardless of whether or not the Municipal Obligation is rated, in the event the State designates the Loan as one to which the State "moral obligation" applies. The State "moral obligation" is described in "SECURITY AND SOURCE OF PAYMENT FOR BONDS".

Lower Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in the minimum investment grade rating category (BBB).

Not Rated; Greater State Aids. A Loan is assigned to this category if the Municipal Obligation is: (1) either is not rated or is rated below investment grade, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State equals or exceeds twice the average annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

Not Rated; Lesser State Aids. A Loan is assigned to this category if the Municipal Obligation is: (1) either is not rated or is rated below investment grade, and (2) the anticipated amount of annual State payments that can potentially be intercepted by the State is less than twice the average annual debt service payments on the entire amount of the Loan, whether or not the entire amount has been disbursed.

The State recognizes that the rating maintained by S&P is based in part upon the level of funds available in the Loan Credit Reserve Fund. The State asserts that it expects to maintain the Loan Credit Reserve Fund at approximately the same proportional levels as it has since inception of the Clean Water Fund Program, and the State recognizes that the rating maintained by S&P may be based on the maintenance of amounts greater than the amounts required under this Loan Credit Reserve Fund Schedule. The State agrees to maintain the Loan Credit Reserve Fund investments as either rated or ratable in the same rating category as the Bonds. The State further agrees that, if practicable, it will provide S&P with at least 30 days notice of significant changes in either the credit quality or amounts maintained in the Loan Credit Reserve Fund.

The State agrees that if the rating on or ratability of an investment in the Loan Credit Reserve Fund is based on either a credit enhancement policy or financial guarantee, the State will notify S&P not less than 30 days prior to the expiration of such policy and indicate what action, if any, is expected to be taken with respect to the credit quality of the investment.

Ratings on Municipal Obligations

Any explanation of the significance of a rating with respect to a Municipal Obligation may only be obtained from the Rating Agency furnishing the rating. There is no assurance that the rating given to a Municipal Obligation will be maintained for any period of time; a rating may be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances warrant.

APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon delivery of the 2004 Series 1 Bonds, Michael Best & Friedrich LLP expects to deliver to the State a legal opinion in substantially the following form:

(Letterhead of Michael Best & Friedrich LLP)
$116,795,000
State of Wisconsin
Clean Water Revenue Bonds, 2004 Series 1

We have acted as bond counsel in connection with the issuance by the State of Wisconsin **(State)** of $116,795,000 aggregate principal amount of Clean Water Revenue Bonds, 2004 Series 1 (**2004 Series 1 Bonds**). We have examined: (1) the constitution and laws of the State, including particularly Subchapter II of Chapter 18 and Sections 281.58 and 281.59 of the Wisconsin Statutes **(Act)**; (2) a certified copy of the proceedings of record of the State preliminary to and in connection with the issuance of the 2004 Series 1 Bonds, including particularly 1991 State of Wisconsin Building Commission Resolution 5 dated March 7, 1991 entitled "Clean Water Revenue Bond General Resolution", as amended by a resolution adopted by the State of Wisconsin Building Commission on July 30, 2003 **(General Resolution)**, 2003 State of Wisconsin Building Commission Resolution No. 2, entitled "Resolution Authorizing Not to Exceed $125,000,000 Clean Water Revenue Refunding Bonds", adopted February 27, 2003, and the 2003 State of Wisconsin Building Commission Resolution No. 25 ,entitled "Resolution Authorizing Not to Exceed $125,000,000 Clean Water Revenue Bonds", adopted November 19, 2004 (collectively, **Resolutions**); (3) the Internal Revenue Code of 1986, as amended **(Code)**, including particularly Sections 103, 141 and 148 thereof; and (4) such other documents and records as we have deemed necessary to render this opinion. We have also examined one of the 2004 Series 1 Bonds and have found it to be in proper form.

The 2004 Series 1 Bonds are dated March 3, 2004; are payable as to interest on June 1 and December 1 in each year until maturity, commencing June 1, 2004; are issuable in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof; are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the 2004 Series 1 Bonds and in the Resolutions; and mature on the dates and in the principal amounts and will bear interest at the rates set forth below:

Year (June 1)	Principal Amount	Interest Rate	Year (June 1)	Principal Amount	Interest Rate
2006	$ 3,520,000	4.00%	2015	$ 5,010,000	5.00%
2007	3,630,000	4.00	2016	5,265,000	4.00
2008	20,570,000	4.00	2017	5,525,000	4.00
2009	3,925,000	4.00	2018	5,805,000	4.75
2010	4,080,000	4.00	2019	6,095,000	4.75
2011	4,245,000	4.00	2020	6,395,000	4.75
2012	4,415,000	5.00	2021	6,715,000	4.75
2013	4,590,000	5.00	2022	7,055,000	4.75
2014	4,775,000	5.00	2023	7,405,000	4.75
			2024	7,775,000	4.50

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of officers of the State and other public officials furnished to us, without undertaking to verify the same by independent investigation, and we have assumed compliance with and enforcement of the provisions of: (1) the Tax Regulatory Agreement, dated the date hereof, and (2) the Financial Assistance Agreement to be entered into between the State and each municipal borrower. The rights of the owners of the 2004 Series 1 Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity.

Based on the foregoing, we are of the opinion that, as of the date hereof:

1. The State has the valid right and lawful authority to issue the 2004 Series 1 Bonds, to provide financial assistance to local governmental units for the improvement of publicly owned wastewater treatment facilities, to adopt the Resolutions and to perform its obligations under the terms and conditions of the Resolutions.
2. The Resolutions have been duly and lawfully adopted by the Building Commission, are in full force and effect, and constitute valid and binding obligations of the State enforceable in accordance with their terms.
3. The General Resolution creates the valid pledge that it purports to create of the "Pledged Receipts," as defined in the General Resolution, and other revenues, receipts, funds or moneys pledged under the General Resolution.
4. The 2004 Series 1 Bonds are valid and binding revenue obligations of the State secured by a pledge in the manner and to the extent set forth in the General Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution on a parity with all other obligations that have been heretofore or may be hereafter issued under the General Resolution.
5. The 2004 Series 1 Bonds are not general obligations of the State, its agencies, instrumentalities or political subdivisions, and the 2004 Series 1 Bonds do not constitute "public debt" of the State as that term is used in the constitution and laws of the State. The State is not obligated to pay the principal or redemption price of or interest on the 2004 Series 1 Bonds from any funds of the State other than those pledged pursuant to the Resolutions, and neither the faith nor credit nor taxing power of the State or any agency, instrumentality or political subdivision thereof is pledged to the payment of the principal or redemption price of or interest on the 2004 Series 1 Bonds.
6. The provisions of the Act relating to the State's moral obligation do not violate the constitution of the State or any law of the State, but such provisions do not constitute a legally enforceable obligation or create debt on behalf of the State.
7. Interest on the 2004 Series 1 Bonds is excluded for federal income tax purposes from the gross income of the owners of the 2004 Series 1 Bonds under existing law.
8. Interest on the 2004 Series 1 Bonds will not be included as an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. Ownership of 2004 Series 1 Bonds may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry 2004 Series 1 Bonds. In addition, certain foreign corporations doing business in the United States may be subject to a "branch profits tax" on their effectively connected earnings and profits, including interest on the 2004 Series 1 Bonds.

Michael Best & Friedrich LLP

The information contained in this Notice has been furnished by MBIA for use in this Notice.

The MBIA Insurance Corporation Insurance Policy

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the State to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Insured 2004 Series 1 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Insured 2004 Series 1 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (**Preference**).

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Insured 2004 Series 1 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Insured 2004 Series 1 Bonds resulting from the insolvency, negligence, or any other act or omission of the Paying Agent or any other paying agent for the Insured 2004 Series 1 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Insured 2004 Series 1 Bonds or presentment of such other proof of ownership of the Insured 2004 Series 1 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Insured 2004 Series 1 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Insured 2004 Series 1 Bonds in any legal proceeding related to payment of insured amounts on the Insured 2004 Series 1 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Insured 2004 Series 1 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company **(Company)**. The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore, and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments, and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control, and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Notice or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth in this Notice under the heading "The MBIA Insurance

Corporation Insurance Policy". Additionally, MBIA makes no representation regarding the Insured 2004 Series 1 Bonds or the advisability of investing in the Insured 2004 Series 1 Bonds.

The Financial Guaranty Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission **(SEC)** are incorporated herein by reference:

- The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and
- The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act of 1934, as amended, after the date of this Notice and prior to the termination of the offering of the Insured 2004 Series 1 Bonds offered hereby shall be deemed to be incorporated by reference in this Notice and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Notice, shall be deemed to be modified or superseded for purposes of this Notice to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Notice.

The Company files annual, quarterly, and special reports, information statements, and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003), are available (i) over the Internet at the SEC's web site; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of $9.2 billion (audited), total liabilities of $6.0 billion (audited), and total capital and surplus of $3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2003, MBIA had admitted assets of $9.9 billion (unaudited), total liabilities of $6.4 billion (unaudited), and total capital and surplus of $3.5 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

- Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."
- Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."
- Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell, or hold the Insured 2004 Series 1 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Insured 2004 Series 1 Bonds. MBIA does not guarantee the market price of the Insured 2004 Series 1 Bonds, nor does it guarantee that the ratings on the Insured 2004 Series 1 Bonds will not be revised or withdrawn.