

## OFFERING MEMORANDUM

New Issue

*This Offering Memorandum provides information about the Notes. Some of the information appears on this cover page for ready reference. To make an informed investment decision, a prospective investor should read the entire Offering Memorandum.*

# STATE OF WISCONSIN GENERAL OBLIGATION COMMERCIAL PAPER NOTES

- Note Ratings** As of the date of this Offering Memorandum, the following rating agencies have provided these ratings on the Notes—*See page 4.*
- F1+ Fitch Ratings
  - P-1 Moody's Investors Service, Inc.
  - A-1+ Standard & Poor's Ratings Services
- Tax Exemption** Interest on the Notes is excluded from gross income and is not an item of tax preference for federal income tax purposes. Interest on the Notes is subject to State of Wisconsin income and franchise taxes—*See page 8.*
- Redemption** The Notes are not subject to redemption prior to maturity.
- Security** The Notes are general obligations of the State of Wisconsin—*See page 3.*
- Line of Credit** A line of credit from The Bank of Nova Scotia, New York Agency provides liquidity for the Notes.
- Purpose** Proceeds of the Notes are used for various governmental purposes—*See page 3.*
- Denominations** \$100,000 and \$1,000 increments above \$100,000
- Dealers** Goldman, Sachs & Co.  
Merrill Lynch & Co.
- Bond Counsel** Foley & Lardner LLP
- Issuing and Paying Agent** Deutsche Bank Trust Company Americas
- Issuer Contact** Wisconsin Capital Finance Office  
(608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov
- Book-Entry Form** The Depository Trust Company—*See Page 5.*
- Annual Report** This Offering Memorandum incorporates by reference the State of Wisconsin Continuing Disclosure Annual Report that is, at the time, the one most recently published pursuant to the State's continuing disclosure undertaking and any subsequent notice provided pursuant to that undertaking. The Annual Report that was most recently published before the date of this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2004.

December 8, 2005

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

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

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

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

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# STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE NOTES

## BUILDING COMMISSION MEMBERS

<b>Voting Members</b>	<b>Term of Office Expires</b>
Governor Jim Doyle, Chairperson	January 8, 2007
Senator Fred A. Risser, Vice-Chairperson	January 5, 2009
Senator Carol Roessler	January 5, 2009
Senator David Zien	January 8, 2007
Representative Jeff Fitzgerald	January 8, 2007
Representative Jennifer Shilling	January 8, 2007
Representative Debi Towns	January 8, 2007
Mr. Terry McGuire, Citizen Member	At the pleasure of the Governor
<b>Nonvoting, Advisory Members</b>	
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	_____
Mr. Dave Haley, State Chief Architect Department of Administration	_____
<b>Building Commission Secretary</b>	
Mr. Robert G. Cramer, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

## OTHER PARTICIPANTS

Ms. Peggy A. Lautenschlager State Attorney General	January 8, 2007
Mr. Stephen E. Bablitch, Secretary Department of Administration	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  
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[DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.gov)

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**OFFERING MEMORANDUM**  
**STATE OF WISCONSIN**  
**GENERAL OBLIGATION COMMERCIAL PAPER NOTES**

**INTRODUCTION**

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

The Notes are authorized by the Wisconsin Constitution and Wisconsin Statutes and are issued pursuant to both a Program Resolution for State of Wisconsin General Obligation Commercial Paper Notes that the State of Wisconsin Building Commission (**Commission**) adopted on March 20, 1997, as amended on April 16, 1998 and July 30, 2003 (**Program Resolution**), and a specific **Supplemental Resolution** adopted by the Commission.

Once issued, Notes are generally offered without being designated by series, although the State, for its own purposes, identifies each initial issuance of Notes with a series designation. An initial issuance of Notes is expected to occur on December 14, 2005 (**2005 Series A Notes**) pursuant to a Supplemental Resolution adopted by the Commission on December 7, 2005. The State expects to issue additional Notes, from time to time, to provide payment of previously issued and maturing Notes (these are referred to as **roll-over Notes**). The State may also increase the principal amount of Notes outstanding through additional initial issuances.

With respect to any Notes issued after the date of this Offering Memorandum (including roll-over Notes) and until such time as the State publishes a more current offering memorandum, the reader should also review the State of Wisconsin Continuing Disclosure Annual Report (**Annual Report**) published pursuant to the State's continuing disclosure undertaking that is, at the time, the one most recently published, and any subsequent notice provided pursuant to the undertaking (all of which are incorporated by reference into this Offering Memorandum). The Annual Report most recently published before this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2004 (**2004 Annual Report**). Parts I, II, and III of the 2004 Annual Report are expressly referred to in parts of this Offering Memorandum.

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

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

**THE STATE**

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

Information concerning the State, its financial condition, and its general obligations is included as **APPENDIX A**, which includes by reference Parts II and III of the most recently published Annual Report, which is the 2004 Annual Report. **APPENDIX A** also includes information on the 2005-07 biennial budget, the results of the 2004-05 fiscal year, and other changes or additions to Parts II and III of the 2004 Annual Report.

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

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

## THE PROGRAM

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

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

<i>Contact:</i>	Goldman, Sachs & Co.	Merrill Lynch & Co.
<i>Address:</i>	85 Broad Street, FLR 24 New York, NY 10004	4 World Financial Center, FLR 9 New York, NY 10080
<i>Phone:</i>	(212) 902-6639	(212) 449-5101

The State has appointed Deutsche Bank Trust Company Americas to serve as **Issuing and Paying Agent** for the Notes. Inquiries to the Issuing and Paying Agent may be directed to:

*Contact:* Mr. Evangelos Ntavos  
*Address:* 60 Wall Street, FLR 27  
Mail Stop NYC60-2715  
New York, NY 10005  
*Phone:* (212) 250-7590  
*Telefax:* (212) 797-8618  
*E-mail:* [evangelos.ntavos@db.com](mailto:evangelos.ntavos@db.com)

The Depository Trust Company (**DTC**) will serve as securities depository (**Depository**) for the Notes.

The State has obtained a **Liquidity Facility** in the form of a line of credit, pursuant to a **Credit Agreement** between the State and The Bank of Nova Scotia, New York Agency (**Bank**).

### Authorized Notes

The initial issuance of the 2005 Series A Notes will be the fifth initial issuance of Notes. The following table summarizes, for each initial issuance of Notes, the series designation, principal amount issued, outstanding principal amount, date of adoption of the Supplemental Resolution, and date of initial issuance:

<b>Series Designation of Notes</b>	<b>Principal Amount Issued<sup>(1)</sup></b>	<b>Outstanding Principal Amount<sup>(2)</sup> (December 8, 2005)</b>	<b>Date of Adoption of the Supplemental Resolution</b>	<b>Date of Initial Issuance</b>
1997 Series A	\$91,655,000	\$33,995,000	3/20/1997	4/3/1997
1997 Series B	25,000,000	8,550,000	6/25/1997	7/15/1997
1998 Series A	25,000,000	7,090,000	6/18/1998	12/1/1998
1998 Series B	25,000,000	10,045,000	8/6/1998	12/1/1998
2005 Series A	100,350,000	N/A	12/7/2005	12/14/2005

<sup>(1)</sup> Amount excludes the amount of Notes that were issued to pay for accrued interest due at maturity of previously issued Notes.

<sup>(2)</sup> On December 8, 2005, the State issued its \$48,275,000 General Obligation Bonds of 2005, Series E. On December 9, 2005, the State will deposit the proceeds of those Bonds, together with additional cash (in an amount that is primarily the scheduled amortization of the Notes for the 2005-06 fiscal year) in the Note Fund held by the Issuing and Paying Agent. The amount deposited will be sufficient to pay the principal and interest of the 1997 Series A, 1997 Series B, 1998 Series A, and 1998 Series B Notes. As a result, these series of Notes are deemed to be paid and shall cease to be entitled to any benefit under the Program Resolution.

The State expects to issue roll-over Notes to provide payment of maturing Notes. Under the Program Resolution, the Commission may also adopt additional Supplemental Resolutions providing for the initial issuance of additional Notes. All series of Notes have identical terms and provisions.

#### **Application of Proceeds**

The Wisconsin Legislature has established the borrowing purposes and amounts for which public debt may be issued. **APPENDIX B** includes a summary of those purposes, including both the amount authorized and the amount previously issued for each purpose. **APPENDIX B** also identifies the borrowing purpose and amount for the initial issuance of the 2005 Series A Notes.

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

## **THE NOTES**

### **Security**

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

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

- Proceeds of roll-over Notes that are issued to provide payment of previously issued and maturing Notes.

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

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

*If payment of principal and interest does not occur when due, pursuant to the Credit Agreement, the Bank has agreed to make advances to the State, if necessary, and subject to certain conditions, to provide money for such payment.*

**Description of the Notes**

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

Each Note will mature from 1 to 270 days after its issue date. Also, no Note may be issued with a maturity date later than the expiration date of the Liquidity Facility or substitute Liquidity Facility.

Each Note will bear interest from its date of issuance, at a rate determined at the date of issuance, payable at maturity.

**Redemption of Notes**

The Notes are not subject to redemption prior to maturity.

**Ratings**

At the State’s request, several rating agencies have rated the Notes:

<u>Rating</u>	<u>Rating Agency</u>
F1+	Fitch Ratings
P-1	Moody’s Investors Service, Inc. <sup>(1)</sup>
A-1+	Standard & Poor’s Ratings Services <sup>(2)</sup>

<sup>(1)</sup> On March 29, 2005, Moody’s Investors Service, Inc. changed the rating outlook on the State’s general obligations from “negative” to “stable”.

<sup>(2)</sup> On November 9, 2005, Standard & Poor’s Ratings Services changed the rating outlook on the State’s general obligations from “stable” to “positive”.

The same rating agencies have also, at the State’s prior request, rated the State’s general obligation bonds:

<u>Rating</u>	<u>Rating Agency</u>
AA-	Fitch Ratings
Aa3	Moody's Investors Service, Inc. <sup>(1)</sup>
AA-	Standard & Poor's Ratings Services <sup>(2)</sup>

- (1) On March 29, 2005, Moody's Investors Service, Inc. changed the rating outlook on the State's general obligations from "negative" to "stable".
- (2) On November 9, 2005, Standard & Poor's Ratings Services changed the rating outlook on the State's general obligations from "stable" to "positive".

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

### **Book-Entry Form**

The Notes will initially be issued in book-entry-only form. The State and the Issuing and Paying Agent have entered into an agreement with DTC to make the Notes eligible for deposit with DTC. Purchasers of the Notes will not receive bond or note certificates but instead will have their ownership in the Notes recorded in the book-entry system. Ownership of the Notes by the purchasers is shown in the records of brokers and other organizations participating in the DTC book-entry system (**DTC Participants**). All transfers of ownership in the Notes must be made, directly or indirectly, through DTC Participants.

#### *Payment*

The State will make all payments of principal of, and interest on, the Notes to the Issuing and Paying Agent, which will make payment to DTC. Owners of the Notes will receive payments through the DTC Participants.

#### *Notices and Voting Rights*

The State and the Issuing and Paying Agent will provide notices and other communications about the Notes to DTC. Owners of the Notes will receive any notices or communications through the DTC Participants. In any situation involving voting rights, DTC will not vote but will rather give a proxy through the DTC Participants.

#### *Discontinued Service*

In the event that participation in DTC's book-entry system were to be discontinued and a successor securities depository were not obtained, Note certificates would be executed and delivered to DTC Participants.

#### *Further Information*

Further information concerning DTC and DTC's book-entry system is available at [www.dtcc.com](http://www.dtcc.com). Neither the State nor the Issuing and Paying Agent is responsible for any information available on DTC's web site. That information may be subject to change without notice.

Neither the State nor the Issuing and Paying Agent is responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the Notes or to follow the procedures established by DTC for its book-entry system.



## LIQUIDITY FACILITY

### Advances

In order to provide liquidity for the payment of the principal of and interest on maturing Notes, the State has entered into a Credit Agreement, as amended from time to time, with the Bank. Pursuant to the Credit Agreement, the Bank has agreed, subject to certain conditions, to make **Advances** from time to time on any business day during the term of the Credit Agreement, only for providing funds to pay the principal of and interest on the Notes on the maturity date thereof to the extent that proceeds of other Notes or other moneys on deposit in the Note Fund for the Notes are not available. The aggregate principal amount of all Advances made on any date may not exceed the outstanding commitment amount under the Credit Agreement (currently \$104 million), as such amount may be reduced from time to time pursuant to the Credit Agreement, or increased by an amendment to the Credit Agreement. The obligation of the Bank to make Advances is limited at any time to the outstanding commitment amount under the Credit Agreement. The commitment amount cannot be less than the sum of the issued Notes plus the aggregate principal amount of all outstanding Advances provided by the Bank.

The Credit Agreement currently terminates on March 25, 2006. The Credit Agreement provides that the termination date may be extended, if both parties agree.

The State has delivered one or more promissory notes to the Bank, evidencing its obligation to repay all Advances. Each promissory note ranks equally with the Notes.

### Conditions to Advances

#### *Event of Termination*

If an **Event of Termination** occurs, the Bank is permitted immediately to terminate their obligation to make Advances. Events of Termination arise under the following circumstances:

- The State becomes insolvent or bankrupt.
- The State fails to pay the Notes when due or to repay the Bank for any Advance.
- Any material portion of the Credit Agreement, the Program Resolution, the promissory notes issued to the Bank or any Note is not in full force or effect.
- The State fails to pay when due (beyond any grace period) any long-term borrowing obligation.
- Any rating agency then rating the Notes downgrades any long-term borrowing obligation of the State to below an investment grade rating or withdraws its rating on any long-term borrowing obligation of the State due to credit considerations.

#### *Event of Default*

In addition, if any **Event of Default** under the Credit Agreement occurs, the Bank may deliver a notice to the State and Issuing and Paying Agent that requires the State to stop issuing Notes. The Bank must nevertheless make Advances with respect to Notes issued before the State receives the notice.

### Substitution of Credit Agreement

The Program Resolution permits the State to replace the Credit Agreement with another comparable agreement or agreements with any other bank or banks so long as the substitution meets all of the qualifications set forth in the Program Resolution. These include written evidence from each rating agency (two at a minimum) which, at the State's request, is then rating the Notes to the effect that the substitution of the Liquidity Facility will not by itself result in a withdrawal, suspension, or reduction of its ratings of the Notes. Any such substituted agreement may have covenants, events of default, conditions to borrowing, and other provisions different from the current Credit Agreement. The State will notify the

Dealers of any change in the Credit Agreement or provider of the Liquidity Facility. The State will also notify each nationally recognized municipal securities information repository (**NRMSIR**) of any change in the Credit Agreement or provider of the Liquidity Facility. See “**CONTINUING DISCLOSURE**”.

*Notice Requirements*

The Issuing and Paying Agency Agreement, as amended, between the State and Issuing and Paying Agent requires the Issuing and Paying Agent to provide notice to each holder of the Notes (DTC for Notes in book-entry form) if the State provides for a substitute Liquidity Facility, and such notice must be provided at least 15 days before the substitute Liquidity Facility goes into effect.

**DESCRIPTION OF THE BANK**

The following information has been provided by The Bank of Nova Scotia (**Bank** or **Scotiabank**); the State is not responsible for this information.

Scotiabank was founded in 1832 and is a Canadian chartered bank with its principal office located in Toronto, Ontario. Scotiabank is one of North America’s premier financial institutions and Canada’s most international bank. Scotiabank and its affiliates serve over 10 million customers throughout the world.

Scotiabank provides a full range of personal, commercial, corporate, and investment banking services through its network of branches located in all Canadian provinces and territories. Outside Canada, Scotiabank has branches and offices in over 50 countries and provides a wide range of banking and related financial services, both directly and through subsidiary and associated banks, trust companies, and other financial firms.

For the fiscal year ended October 31, 2005, Scotiabank recorded total assets of CDN\$314.0 billion (US\$265.8 billion) and total deposits of CDN\$217.4 billion (US\$184.1 billion). Net income for the fiscal year ended October 31, 2005 equaled CDN\$3.209 billion (US\$2.717 billion), compared to CDN\$2.931 billion (US\$2.481 billion) for the prior fiscal year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of October 31, 2005 (1.000 United States dollar equals 1.1812 Canadian dollars).

Scotiabank will provide to anyone, upon written request, a copy of its most recent annual report, as well as a copy of its most recent quarterly financial report. Requests should be directed to: The Bank of Nova Scotia, New York Agency, One Liberty Plaza, 26<sup>th</sup> Floor, New York, NY, 10006. Attention: Public Finance Department.

The information concerning Scotiabank contained above is furnished solely to provide limited introductory information regarding Scotiabank and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.

The delivery of this disclosure information by Scotiabank shall not create any implication that there has been no change in the affairs of the Scotiabank since October 31, 2005, or that the information contained or referred to in this disclosure information is correct as of any time subsequent to its date.

**NOTE FUND**

The Program Resolution creates a **Note Fund** held by the Issuing and Paying Agent. The State may make periodic deposits into this Note Fund for payment of interest or principal on the Notes. Moneys held in the Note Fund may be invested in **Permitted Investments**, which include direct obligations of the United States government or a money market fund consisting solely of direct obligations of the United States government. Amounts deposited in the Note Fund will be spent within a thirteen-month period beginning on the date of deposit, and amounts received from investments of moneys held in the

Note Fund will be spent within a one-year period beginning on the date of receipt. The State will have no legal or equitable interest in the amounts on deposit in the Note Fund or in any proceeds of any investment of the Note Fund, except as provided in the Program Resolution.

## **LEGAL OPINION**

Legal matters incident to the authorization, issuance, and sale of the initial issuance of the 2005 Series A Notes on December 14, 2005 are subject to the approval of Foley & Lardner LLP (**Bond Counsel**). Bond Counsel will deliver an approving opinion on the date of issue of the initial issuance, in substantially the form shown in **APPENDIX C**.

As required by law, the Attorney General will examine a certified copy of all proceedings leading to issuance of the 2005 Series A Notes. The Attorney General will deliver an opinion on the regularity and validity of the proceedings.

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

## **TAX EXEMPTION**

### **Federal Income Tax**

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

As to questions of fact material to Bond Counsel's opinion, Bond Counsel has relied upon certified proceedings and certifications of public officials without independently undertaking to verify them. Moreover, the State must comply with all requirements of the Internal Revenue Code of 1986, as amended (**Code**), that must be satisfied after the Notes are issued for interest on the Notes to be, or continue to be, excluded from gross income for federal income tax purposes. The State has promised to comply with those requirements to the extent it may lawfully do so. Its failure to do so may cause interest on the Notes to be included in gross income for federal income tax purposes, perhaps even starting from the date the Notes were issued. Bond Counsel expresses no opinion about other federal tax consequences arising regarding the Notes. The proceedings authorizing the Notes do not provide for an increase in interest rates or a redemption of the Notes in the event interest on the Notes ceases to be excluded from gross income.

### **State of Wisconsin Income and Franchise Taxes**

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

### **Collateral Tax Consequences**

The Code contains many provisions that could affect the economic value of the Notes to particular Note owners. For example:

- Section 265 of the Code denies a deduction for interest on any indebtedness incurred or continued to purchase or carry the Notes or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on the Notes.
- Property and casualty insurance companies will be required in each taxable year to reduce the amount of their deductible losses by 15% of the amount of tax-exempt interest received or accrued during such taxable year, including interest on the Notes, and life insurance

companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest.

- Interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code.
- Passive investment income, including interest on the Notes, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation is passive investment income.
- Section 86 of the Code requires certain recipients of social security and railroad retirement benefits to include a portion of those benefits in gross income by reason of receipt or accrual of interest on the Notes.

This section does not present an exhaustive discussion of collateral tax consequences arising from ownership of the Notes. There may be other federal tax law provisions that could adversely affect the value of an investment in the Notes for particular owners of Notes. Prospective investors should consult their own tax advisors about the tax consequences of owning a Note.

### **CONTINUING DISCLOSURE**

The State has made an undertaking, for the benefit of the beneficial owners of the Notes, to provide an Annual Report. By about December 27 of each year, the State will send the Annual Report to each NRMSIR and to any state information depository (SID). The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (MSRB), and to any SID. As of the date of this Offering Memorandum, no SID has been established. Part I of the 2004 Annual Report, which contains information on the undertaking, is included by reference as part of this Offering Memorandum.

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

State of Wisconsin Capital Finance Office  
Department of Administration  
101 East Wilson Street, FLR 10  
P.O. Box 7864  
Madison, WI 53707-7864  
(608) 266-2305  
[DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.gov)  
[www.doa.state.wi.us/capitalfinance](http://www.doa.state.wi.us/capitalfinance)

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

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

Dated: December 8, 2005

**STATE OF WISCONSIN**

/s/ JIM DOYLE

Governor Jim Doyle, Chairperson  
State of Wisconsin Building Commission

/s/ STEPHEN E. BABLITCH

Stephen E. Bablitch, Secretary  
State of Wisconsin Department of Administration

/s/ ROBERT G. CRAMER

Robert G. Cramer, Secretary  
State of Wisconsin Building Commission

## APPENDIX A

### INFORMATION ABOUT THE STATE

This appendix includes information concerning the State of Wisconsin (**State**). Parts **II** and **III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2004 (**2004 Annual Report**) are included by reference as part of this APPENDIX A. This appendix also includes information on the 2005-07 biennial budget, the results of the 2004-05 fiscal year, and other changes or additions to the information presented in Parts II and III of the 2004 Annual Report.

[Part II of the 2004 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 2003-04
- 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 2004 Annual Report](#) are the audited general purpose external financial statements for the fiscal year ending June 30, 2004, prepared in conformity with generally accepted accounting principles (**GAAP**) for governments as prescribed by the Government Accounting Standards Board, and the State Auditor's report.

Part III to the 2004 Annual Report contains information concerning general obligations issued by the State. That part discusses the security provisions for general obligation debt (including the flow of funds to pay debt service on general obligations) and presents data about the State's outstanding general obligation debt and the portion of that general obligation debt that is revenue-supported general obligation debt.

The 2004 Annual Report has been filed with each nationally recognized municipal securities information repository (**NRMSIR**). As of the date of this Offering Memorandum, Parts **II** and **III** of the 2004 Annual Report are available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin". The Capital Finance Office web site is located at the following address:

[www.doa.wi.gov/capitalfinance](http://www.doa.wi.gov/capitalfinance)

Copies of the 2004 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  
[DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.gov)

After publication and filing of the 2004 Annual Report, certain changes or events have occurred that affect items discussed in the 2004 Annual Report. Listed below, by reference to particular sections of Parts II and III of the 2004 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, some of which may be notices that do not describe listed material events under the State's Master Agreement on Continuing Disclosure.

**State Budget; Budget for 2005-07 (Part II–Page 30).** Add the following:

*Impact from Results of 2004-05 Fiscal Year*

As outlined in the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year, the (i) restated beginning balance for the 2004-05 fiscal year, and (ii) lower-than-projected General Fund revenues, results in a \$57 million reduction in the projected General Fund ending balances for both the 2005-06 and 2006-07 fiscal years. See **“STATE BUDGET; FISCAL YEAR 2004-05; Results of 2004-05 Fiscal Year”** in this APPENDIX A. The following are General Fund condition statements for these two fiscal years, as prepared by the Legislative Fiscal Bureau (LFB), which shows the modifications as identified in the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year.

**General Fund Condition Statements  
Reflects Modifications As Identified in the 2004-05 Annual Fiscal Report  
2005-06 and 2006-07 Fiscal Years  
(in Millions)**

	2005 Wisconsin Act 25; Enacted Budget Bill		2005 Wisconsin Act 25; Modified by 2004-05 Annual Fiscal Report	
	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
Revenues				
Opening Balance	\$ 5.8	\$ 65.2	\$ 4.1	\$ 8.5
Taxes	11,957.1	12,506.8	11,957.1	12,506.8
Department Revenues				
Tribal Gaming	118.6	86.3	118.6	86.3
Other	<u>674.8</u>	<u>513.6</u>	<u>674.8</u>	<u>513.6</u>
Total Available	12,756.3	13,172.0	12,754.6	13,115.3
Appropriations				
Gross Appropriations	12,681.2	13,176.2	12,681.2	13,176.2
Compensation Reserves	90.1	178.3	90.1	178.3
Transfer to Medical Assistance Trust Fund				
Act 25	235.4	0.0	235.4	0.0
2004 -05 Annual Fiscal Report	0.0	0.0	55.0	0.0
Less: Lapses	<u>(315.6)</u>	<u>(252.9)</u>	<u>(315.6)</u>	<u>(252.9)</u>
Net Appropriations	12,691.1	13,101.6	12,746.1	13,101.6
Balances				
Gross Balance	65.2	70.4	8.5	13.7
Less: Required Statutory Balance	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>
Net Balance, June 30	\$ 0.2	\$ 5.4	\$ (56.5)	\$ (51.3)

A complete copy of the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year can be obtained from the State at the [address on page A-1](#).

### *Impact of Supreme Court Decision Concerning Amendments to Gaming Compacts*

The budget for the 2005-06 fiscal year assumes that the State will receive approximately \$146 million pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) \$72 million, which is the estimate of all payments due this fiscal year, and (ii) \$74 million, which is an estimate of payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year. It was announced on October 4, 2005 that an agreement had been reached between the State and the Forest County Potawatomi Community concerning an amendment to the tribal government's gaming compact. As a result of this agreement, the State expects to receive a lump sum payment of nearly \$44 million during the 2005-06 fiscal year. This is a payment that was due in the 2004-05 fiscal year.

#### *2005 Wisconsin Act 25*

On July 25, 2005, Governor Doyle approved in part, and vetoed in part, the budget bill for the 2005-07 biennium. A two-thirds vote in each house of the Legislature is required to override any veto. The tables on pages A-6 and A-7 present more detail on the General Fund and All-Funds budgets for the 2005-06 and 2006-07 fiscal years. The tables also reflect the results of the 2004-05 fiscal year and the modifications as identified in the Annual Fiscal Report (Budgetary Basis) for the 2004-05 fiscal year.

Further information of the budget bill for the 2005-07 biennium may be obtained from the State at the [address on page A-1](#).

#### *May 2005 General Fund Revenue Projections—LFB*

On May 16, 2005, LFB released General Fund revenue estimates for use by the Wisconsin Legislature. The LFB report also included estimated tax projections for each year of the 2005-07 biennium.

For the 2005-06 and 2006-07 fiscal years, LFB projected that General Fund tax collections would be \$138 million and \$82 million more, respectively, than the amounts LFB projected in January 2005. A [complete copy of the May 2005 LFB memorandum appears on pages A-8 to A-15](#) of this Offering Memorandum.

**State Budget; Fiscal Year 2004-05 (Part II–Pages 28-30).** Update with the following:

#### *Results of 2004-05 Fiscal Year*

The Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year was published on October 15, 2005. It reports the State ended the 2004-05 fiscal year on a statutory and unaudited basis with an undesignated balance of \$4 million. The State did not issue any operating notes during the 2004-05 fiscal year.

General Fund revenues, or general-purpose revenue taxes, were \$11.397 billion, an amount that was \$658 million more than the 2003-04 fiscal year and \$52 million less than the General Fund revenue estimates released by LFB in May 2005. The table on the following page provides a more detailed comparison of actual General Fund revenues and various projections during the 2004-05 fiscal year.

In addition, due to a change in the State's accounting for accrued tax revenues, the General Fund balance for the 2003-04 fiscal year, as reported in the Annual Fiscal Report (budgetary basis) for the 2003-04 fiscal year, has been adjusted downward by \$27 million. As a result of (i) this adjustment to the General Fund balance for the 2003-04 fiscal year, and (ii) the lower-than-projected General Fund revenues for the 2004-05 fiscal year, the transfer of \$75 million from the General Fund to the Medical Assistance Trust Fund, as directed by 2005 Wisconsin Act 15, has been split between the 2004-05 and 2005-06 fiscal years. Given the ending balance of \$4 million for the 2004-05 fiscal year, the transfer of the entire \$75 million in that fiscal year would have



resulted in a negative ending balance for the 2004-05 fiscal year. See “STATE BUDGET; FISCAL YEAR 2004-05; Fiscal Year 2004-05 Medicaid Bills” in this APPENDIX A

A complete copy of the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year can be obtained from the State at the [address on page A-1](#).

**Actual and Projected General Fund Tax Collections  
2004-05 Fiscal Year  
(Amounts in Millions)**

	LFB Projections <u>January 2005</u>	LFB Projections <u>May 2005</u>	Annual Fiscal Report Actual <u>October 2005</u>	Difference (Actual to <u>May 2005 Projection)</u>
Individual Income	\$ 5,630.0	\$ 5,740.0	\$ 5,650.1	\$ (89.9)
Sales and Use	4,025.0	4,025.0	4,038.7	13.7
Corporate Income & Franchise	735.0	750.0	764.1	14.1
Public Utility	253.2	253.2	254.4	1.2
Excise				
Cigarettes	296.0	296.0	294.3	4.3
Liquor & Wine	40.0	40.0	39.5	(0.5)
Tobacco Products	16.7	15.7	15.8	0.1
Beer	9.6	9.6	9.8	0.2
Insurance Company	130.0	128.0	129.8	1.8
Estate	100.0	110.0	112.4	2.4
Miscellaneous Taxes	<u>84.6</u>	<u>87.6</u>	<u>87.7</u>	<u>0.1</u>
TOTAL	<u>\$11,320.1</u>	<u>\$11,449.1</u>	<u>\$11,396.6</u>	<u>\$ (52.5)</u>

*Impact of Supreme Court Decision Concerning Amendments to Gaming Compacts*

The Wisconsin Supreme Court ruled in May 2004 that the Governor’s execution on the State’s behalf of an amendment to the gaming compact with a tribal government was unconstitutional. Although the decision concerned an amendment to a gaming compact with only one tribal government, the reasoning of the opinion would apply to similar amendments to other gaming compacts that the Governor executed on the State’s behalf on or after January 1, 2003.

The State’s 2003-05 biennial budget assumed \$105 million of payments in the 2004-05 fiscal year from all amended gaming compacts. For the 2004-05 fiscal year, the State received the expected payments from all but two tribal governments. One tribal government placed its payment of about \$44 million in escrow for release to the State upon completion of a new amendment to its gaming compact; an agreement has been reached on a new amendment, and the State expects to receive this payment in the 2005-06 fiscal year. The other tribal government did not make its payment of about \$30 million.

*May 2005 General Fund Revenue Projections—LFB*

On May 16, 2005, LFB released General Fund revenue estimates for fiscal year 2004-05 for use by the Wisconsin Legislature. The LFB report also included estimated tax projections for each year of the 2005-07 biennium.

For the 2004-05 fiscal year, the May 2005 LFB report estimates that General Fund tax collections will be \$129 million more than the amount that LFB projected in January 2005.

The May 2005 LFB report also included other items affecting the General Fund in the 2004-05 fiscal year. The report projected a shortfall of \$75 million in the Medical Assistance Trust Fund, a shortfall of approximately \$30 million in the fuel and utility appropriation for the University of

Wisconsin, and a shortfall of approximately \$7 million in the fuel and utility appropriation for the Department of Corrections. See “STATE BUDGET; FISCAL YEAR 2004-05; *Fiscal Year 2004-05 Medicaid Bills*” in this APPENDIX A for subsequent events that addressed these projected shortfalls.

A complete copy of the May 2005 LFB memorandum appears on pages A-8 to A-15 of this Offering Memorandum.

*Fiscal Year 2004-05 Medicaid Bills*

On February 8, 2005, the Department of Administration provided a letter to the chairs of the Joint Committee on Finance that identified a \$196 million shortfall for Medical Assistance-related programs. Specifically, this letter identified a \$194 million shortfall for the Medicaid program and a \$12 million shortfall for the SeniorCare program, which were partially offset by \$10 million of underspending in the BadgerCare program.

On February 22, 2005, the Legislature approved a bill that addressed, in part, this projected shortfall, and Governor Doyle signed this bill into law on February 25, 2005 (2005 Wisconsin Act 2). This act increased the appropriation from the General Fund for this purpose by nearly \$70 million and transferred \$50 million from the General Fund to the Medical Assistance Trust Fund. After giving effect to this act, the shortfall in the Medical Assistance Trust Fund was reduced to approximately \$70 million.

On June 15, 2005, the Legislature approved a bill that addressed the remaining shortfall in the Medical Assistance Trust Fund, and Governor Doyle signed this bill into law on June 22, 2005 (2005 Wisconsin Act 15). This act transferred an additional \$75 million from the General Fund to the Medical Assistance Trust Fund. As noted in “STATE BUDGET; FISCAL YEAR 2004-05; *Results of 2004-05 Fiscal Year*” in this Appendix A, this transfer was split between the 2004-05 and 2005-06 fiscal years. Furthermore, this act also corrected the shortfalls in the fuel and utility appropriations of the University of Wisconsin and Department of Corrections.

*January 2005 General Fund Revenue and Expenditure Projections—LFB*

On January 25, 2005, LFB released General Fund revenue and expenditure projections for use by the Wisconsin Legislature. While these projections are not required by Wisconsin Statutes, LFB generally provides similar projections each fiscal year. The January 2005 LFB report also includes estimated tax projections for each year of the 2005-07 biennium.

For the 2004-05 fiscal year, LFB projected that General Fund tax collections would be \$16 million less than the amount the Department of Revenue projected in November 2004. The January 2005 LFB report also projected that the General Fund ending balance for the 2004-05 fiscal year will be \$88 million, which is \$88 million less than the projected net ending General Fund balance included in the report released by the Department of Administration in November 2004.

A copy of the January 2005 LFB report can be obtained from the State at the address on page A-1.

**Table II-4; State Budget-General Fund (Part II–Page 32).** Update with the following:

**State Budget–General Fund<sup>(a)</sup>**

	<u>Actual 2004-2005<sup>(b)</sup></u>	<u>Budget 2004-2005<sup>(c)</sup></u>	<u>Budget 2005-2006</u>	<u>Budget 2006-2007</u>
<b>RECEIPTS</b>				
Fund Balance from Prior Year.....	\$ 129,004,000	\$ 133,428,000	\$ 4,111,000 <sup>(d)</sup>	\$ 8,520,800
<b>Tax Revenue</b>				
State Taxes Deposited to General Fund				
Individual Income.....	5,650,109,000	5,556,590,000	6,144,500,000	6,502,757,200
General Sales and Use.....	4,038,715,000	4,094,750,000	4,181,600,000	4,358,100,000
Corporate Franchise and Income.....	764,053,000	627,050,000	683,320,000	670,252,800
Public Utility.....	254,443,000	271,000,000	267,465,000	281,065,000
Excise				
Cigarette/Tobacco Products.....	310,142,000	302,000,000	304,320,000	304,190,000
Liquor and Wine.....	39,532,000	40,000,000	40,800,000	41,600,000
Malt Beverage.....	9,770,000	9,800,000	9,600,000	9,600,000
Inheritance, Estate & Gift.....	112,346,000	90,000,000	105,000,000	110,000,000
Insurance Company.....	129,839,000	120,000,000	131,000,000	137,703,000
Other.....	107,496,000	78,000,000	89,500,000	91,500,000
Subtotal.....	<u>11,416,445,000</u>	<u>11,189,190,000</u>	<u>11,957,105,000</u>	<u>12,506,768,000</u>
<b>Nontax Revenue</b>				
Departmental Revenue				
Tribal Gaming Revenues .....	n/a <sup>(e)</sup>	80,595,400	118,628,600 <sup>(f)</sup>	86,349,100
Other.....	237,384,000	329,151,800	674,768,700	513,641,700
Program Revenue-Federal.....	6,190,669,000	5,509,198,900	5,881,969,000	5,976,875,800
Program Revenue-Other.....	3,347,102,000	3,533,134,400	3,652,367,300	3,727,060,500
Subtotal.....	<u>9,775,155,000</u>	<u>9,452,080,500</u>	<u>10,327,733,600</u>	<u>10,303,927,100</u>
Total Available.....	<u>\$ 21,320,604,000</u>	<u>\$ 20,774,698,500</u>	<u>\$ 22,288,949,600</u>	<u>\$ 22,819,215,900</u>
<b>DISBURSEMENTS AND RESERVES</b>				
Commerce.....	253,520,000	\$ 274,448,400	288,639,300	280,863,700
Education.....	9,614,612,000	9,381,679,500	10,151,858,300	10,374,195,600
Environmental Resources.....	233,160,000	252,105,900	296,476,000	337,924,200
Human Relations and Resources.....	8,933,512,000	8,435,726,300	8,496,069,700	8,957,964,800
General Executive.....	626,194,000	636,573,200	890,108,400	876,584,600
Judicial.....	114,247,000	110,988,200	113,245,800	113,301,400
Legislative.....	58,234,000	62,479,800	63,707,200	63,637,700
General Appropriations.....	1,654,699,000	1,656,183,700	1,915,407,600	1,875,696,800
Subtotal.....	<u>21,488,178,000</u>	<u>20,810,185,000</u>	<u>22,215,512,300</u>	<u>22,880,168,800</u>
Less: (Lapses).....	n/a	(215,125,400)	(315,586,600)	(252,906,900)
Compensation Reserves.....	n/a	163,019,600	90,054,100	178,302,800
Required Statutory Balance.....	n/a	40,000,000	65,000,000	65,000,000
Transfer to Medical Assistance Trust Fund .....	n/a	n/a	235,449,000	n/a
Adjustment 2004-05 Fiscal Report.....	n/a	n/a	55,000,000	n/a
Changes in Continuing Balance.....	(176,871,000)	n/a	n/a	n/a
Total Disbursements & Reserves.....	<u>\$ 21,311,307,000</u>	<u>\$ 20,798,079,200</u>	<u>\$ 22,345,428,800</u>	<u>\$ 22,870,564,700</u>
Fund Balance.....	\$ 9,297,000	\$ (23,380,700)	\$ (56,479,200)	\$ (51,348,800)
Undesignated Balance.....	\$ 4,111,000	\$ 16,619,300	\$ 8,520,800	\$ 13,651,200

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

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

(c) The amounts shown incorporate all budget acts of the 2003 legislative session but do not reflect the provisions of 2005 Wisconsin Acts 2 and 15, which addressed projected shortfalls for Medical Assistance-related programs and utility fuel costs.

(d) The beginning balance is based on Legislative Fiscal Bureau memo, dated October 18, 2005, which reflects the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year.

(e) Tribal gaming revenues are budgeted separately; however, when the payments are received by the State, they are not specifically reported but rather included within the category entitled "Nontax Revenue - Departmental Revenue".

(f) Assumes receipt of certain tribal gaming payments that were due in previous fiscal years.

**Sources: Legislative Fiscal Bureau and Department of Administration.**

**Table II-5; State Budget-All Funds (Part II-Page 33).** Update with the following:

<b>State Budget-All Funds<sup>(a)</sup></b>				
	<b>Actual 2004-2005<sup>(b)</sup></b>	<b>Budget 2004-2005<sup>(c)</sup></b>	<b>Budget 2005-2006</b>	<b>Budget 2006-2007</b>
<b>RECEIPTS</b>				
Fund Balance from Prior Year.....	\$ 129,004,000	\$ 133,428,000	\$ 4,111,000 <sup>(d)</sup>	\$ 8,520,800
<b>Tax Revenue</b>				
Individual Income.....	5,650,109,000	5,556,590,000	6,144,500,000	6,502,757,200
General Sales and Use.....	4,038,715,000	4,094,750,000	4,181,600,000	4,358,100,000
Corporate Franchise and Income.....	764,053,000	627,050,000	683,320,000	670,252,800
Public Utility.....	254,443,000	271,000,000	267,465,000	281,065,000
<b>Excise</b>				
Cigarette/Tobacco Products.....	310,142,000	302,000,000	304,320,000	304,190,000
Liquor and Wine.....	39,532,000	40,000,000	40,800,000	41,600,000
Malt Beverage.....	9,770,000	9,800,000	9,600,000	9,600,000
Inheritance, Estate & Gift.....	112,346,000	90,000,000	105,000,000	110,000,000
Insurance Company.....	129,839,000	120,000,000	131,000,000	137,703,000
Other.....	1,271,777,000	78,000,000 <sup>(e)</sup>	89,500,000 <sup>(e)</sup>	91,500,000 <sup>(e)</sup>
Subtotal.....	12,580,726,000	11,189,190,000	11,957,105,000	12,506,768,000
<b>Nontax Revenue</b>				
<b>Departmental Revenue</b>				
Tribal Gaming Revenues .....	- <sup>(f)</sup>	80,595,400	118,628,600 <sup>(g)</sup>	86,349,100
Other.....	237,384,000	329,151,800	674,768,700	513,641,700
Total Federal Aids.....	6,190,669,000	6,172,387,600	6,666,435,700	6,765,443,900
Total Program Revenue.....	3,347,102,000	3,533,134,400	3,652,367,300	3,727,060,500
Total Segregated Funds.....	4,446,271,000	2,808,703,900	2,725,433,400	2,660,878,900
Bond Authority.....	734,441,000	485,000,000	544,797,000	622,735,000
Employee Benefit Contributions <sup>(h)</sup> .....	9,482,548,000	7,203,432,000	7,343,260,000	7,718,157,000
Subtotal.....	24,438,415,000	20,612,405,100	21,725,690,700	22,094,266,100
Total Available.....	\$ 37,148,145,000	\$ 31,935,023,100	\$ 33,686,906,700	\$ 34,609,554,900
<b>DISBURSEMENTS AND RESERVES</b>				
Commerce.....	\$ 385,481,000	\$ 473,052,600	\$ 464,344,300	\$ 453,856,500
Education.....	10,010,896,000	9,507,703,400	10,214,983,700	10,437,359,000
Environmental Resources.....	3,067,825,000	2,477,859,700	2,709,947,700	3,035,491,700
Human Relations and Resources.....	10,361,051,000	8,867,059,700	9,037,349,300	9,146,826,100
General Executive.....	5,671,189,000	791,644,300	1,047,117,300	1,034,964,700
Judicial.....	114,593,000	111,701,500	114,974,200	114,029,800
Legislative.....	58,234,000	62,479,800	63,707,200	63,637,700
General Appropriations.....	2,591,140,000	1,990,576,600	2,073,988,700	2,043,450,300
General Obligation Bond Program.....	730,513,000	485,000,000	544,797,000	622,735,000
Employee Benefit Payments <sup>(b)</sup> .....	4,587,874,000	4,428,317,000	4,844,548,000	5,324,309,000
Reserve for Employee Benefit Payments <sup>(b)</sup> .....	4,894,674,000	2,775,115,000	2,498,712,000	2,393,848,000
Subtotal.....	42,473,470,000	31,970,509,600	33,613,469,400	34,670,507,800
Less: (Lapses).....	n/a	(215,125,400)	(315,586,600)	(252,906,900)
Compensation Reserves.....	n/a	163,019,600	90,054,100	178,302,800
Required Statutory Balance.....	n/a	40,000,000	65,000,000	65,000,000
Transfer to Medical Assistance Trust Fund.....	n/a	n/a	235,449,000	n/a
Adjustment 2004-2005 Fiscal Report.....	n/a	n/a	55,000,000	n/a
Change in Continuing Balance.....	(5,334,622,000)	n/a	n/a	n/a
Total Disbursements & Reserves.....	\$ 37,138,848,000	\$ 31,958,403,800	\$ 33,743,385,900	\$ 34,660,903,700
Fund Balance.....	\$ 9,297,000	\$ (23,380,700)	\$ (56,479,200)	\$ (51,348,800)
Undesignated Balance.....	\$ 4,111,000	\$ 16,619,300	\$ 8,520,800	\$ 13,651,200

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The all-funds budget assumes that certain categories of revenues are expended in like amounts. This includes federal funds, revenues paid into specific funds (other than the General Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency.

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

(c) The amounts shown incorporate all budget acts of the 2003 legislative session but do not reflect the provisions of 2005 Wisconsin Acts 2 and 15, which addressed projected shortfalls for Medical Assistance-related programs and utility fuel costs.

(d) The beginning balance is based on Legislative Fiscal Bureau memo, dated October 18, 2005, which reflects the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year.

(e) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected \$955 million of motor fuel taxes in the 2004-05 fiscal year.

(f) Tribal gaming revenues are budgeted separately; however, when the payments are received by State, they are not specifically reported but rather included within the category entitled "Nontax Revenue - Departmental Revenue".

(g) Assumes receipt of certain tribal gaming payments that were due in previous fiscal years.

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

**Sources: Legislative Fiscal Bureau and Department of Administration.**



## Legislative Fiscal Bureau

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

May 16, 2005

Senator Scott Fitzgerald, Senate Chair  
Representative Dean Kaufert, Assembly Chair  
Joint Committee on Finance  
State Capitol  
Madison, WI 53703

Dear Senator Fitzgerald and Representative Kaufert:

In January of 2005, this office prepared estimates of general fund tax collections for 2004-05 and the two years of the 2005-07 biennium. These figures were incorporated into the Governor's 2005-07 budget bill.

Recently, tax collections data for April became available and the May, 2005, national economic forecast by Global Insight, Inc. was released. Based upon our review of tax collections data and the new economic forecast, we now believe that general fund tax revenues will be higher than the amounts estimated last January by \$129.0 million in 2004-05, \$137.6 million in 2005-06, and \$82.4 million in 2006-07. The three-year increase in the estimates is \$349.0 million, or slightly less than 1%.

The increase is primarily due to the individual income tax, which has shown strong growth in collections in recent months. In addition, the forecast of personal income growth in 2004 and 2005 has been revised upward since January. More modest increases are estimated for the corporate income and franchise tax, estate tax, and real estate transfer fee. Small decreases are estimated for insurance taxes and the excise taxes on cigarettes and tobacco products. The estimates for the sales tax, public utility taxes, and excise taxes on beer, wine, and liquor have not been changed.

Table 1 shows the revised tax revenue estimates and Table 2 outlines the May, 2005, economic forecast by Global Insight, Inc. The tax revenue estimates in Table 1 reflect current law and do not incorporate any of the law changes recommended by the Governor in the budget bill. The sections following the tables present additional detail about the economic forecast and the new revenue estimates.

**TABLE 1**  
**Projected General Fund Tax Collections**  
**(\$ in Millions)**

	<u>2003-05 Biennium</u>		<u>2005-07 Biennium</u>	
	<u>2003-04</u> <u>Actual</u>	<u>2004-05</u> <u>Estimated</u>	<u>2005-06</u> <u>Estimated</u>	<u>2006-07</u> <u>Estimated</u>
Individual Income	\$5,277.1	\$5,740.0	\$6,130.0	\$6,490.0
General Sales and Use	3,899.3	4,025.0	4,180.0	4,355.0
Corporate Income & Franchise	650.5	750.0	685.0	670.0
Public Utility	269.8	253.2	267.6	281.2
Excise				
Cigarette	291.3	290.0	288.0	287.0
Liquor and Wine	38.5	40.0	40.8	41.6
Tobacco Products	16.1	15.7	16.5	17.4
Beer	9.6	9.6	9.6	9.6
Insurance Company	123.6	128.0	131.0	133.0
Estate	86.4	110.0	105.0	110.0
Miscellaneous Taxes	<u>77.1</u>	<u>87.6</u>	<u>89.5</u>	<u>91.5</u>
<b>TOTAL</b>	<b>\$10,739.3</b>	<b>\$11,449.1</b>	<b>\$11,943.0</b>	<b>\$12,486.3</b>
Change from Prior Year		\$709.8	\$493.9	\$543.3
Percent Change		6.6%	4.3%	4.5%

**TABLE 2**  
**Summary of National Economic Indicators**  
**Global Insight, Inc.**  
**May, 2005**  
**(\$ in Billions)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Nominal GDP	\$11,735.0	\$12,447.0	\$13,076.4	\$13,729.6
% Change	6.6%	6.1%	5.1%	5.0%
Real GDP	\$10,841.9	\$11,213.5	\$11,534.5	\$11,866.4
% Change	4.4%	3.4%	2.9%	2.9%
CPI	2.7%	2.9%	2.1%	1.9%
Personal Income	\$9,673.0	\$10,215.8	\$10,800.8	\$11,373.9
% Change	5.6%	5.6%	5.7%	5.3%
Personal Consumption	\$8,229.9	\$8,708.4	\$9,115.9	\$9,551.6
% Change	6.0%	5.8%	4.7%	4.8%
Economic Profits	\$1,181.6	\$1,359.2	\$1,350.7	\$1,372.7
% Change	15.7%	15.0%	-0.6%	1.6%
Unemployment Rate	5.5%	5.2%	5.2%	5.3%

## National Economic Forecast

Nominal (current-dollar) gross domestic product (GDP) grew by an estimated 6.6% in 2004, and real (inflation-adjusted) GDP increased by 4.4%, which was the strongest rate of economic growth since 1999. The January, 2005, economic forecast by Global Insight, Inc. (which was used for the previous tax revenue estimates) projected that positive growth would continue over the next three years, but that the rate of growth would decelerate.

As with the January forecast, Global Insight, Inc.'s May economic forecast anticipates continued positive growth through 2007, with slower rates of growth occurring in 2006 and 2007. Nominal GDP is expected to increase by 6.1% in 2005, 5.1% in 2006, and 5.0% in 2007. Compared to the January forecast, the 2005 growth rate is 0.4% higher and the growth rates in 2006 and 2007 are slightly lower (-0.1% in 2006 and -0.2% in 2007). However, growth in real GDP is expected to be significantly lower in 2006 and 2007 than was forecast in January. Specifically, real GDP growth is now projected to be 3.4% in 2005 and 2.9% in 2006 and 2007. These estimates are lower than the January figures by 0.1% in 2005 and 0.5% in 2006 and 2007. Essentially, the current forecast assumes that lower real economic growth will be accompanied by higher inflation, which will result in small changes to nominal growth.

Inflation, as measured by the consumer price index (CPI), is now estimated at 2.9% in 2005, 2.1% in 2006, and 1.9% in 2007. While these estimates are still low by historical standards, they exceed the January projections by 0.7% in 2005, 0.5% in 2006, and 0.1% in 2007. Estimates of other measures of inflation have been increased more significantly since January. Inflation in producer prices is now expected to exceed the January estimates by 2.1% in 2005, 1.5% in 2006, and 0.4% in 2007 for finished goods; by 2.8% in 2005 and 2.2% in 2006 for intermediate materials; and by 9.9% in 2005, 2.4% in 2006, and 1.9% in 2007 for crude materials. The new inflation estimates primarily reflect high prices for oil and other commodities. In addition, productivity growth has slowed, which has raised unit labor costs. The forecast assumes that oil prices will remain at approximately \$50 per barrel through the end of 2005 and then fall slightly to \$48 per barrel during 2006.

As expected, on May 5, the Federal Reserve increased the federal funds rate by a quarter-point, from 2.75% to 3%. This was the eighth 0.25% increase since June, 2004. The forecast assumes that, in the near-term, inflation is more of a concern for the Federal Reserve than a potential recession, and that the measured rate increases will continue through the end of 2005. It is anticipated that the federal funds rate will be raised to 4% by the end of this year and to 4.5% by early 2008, with a pause in rate hikes during 2006.

Personal income growth is projected at 5.6% in 2005, 5.7% in 2006, and 5.3% in 2007. The current estimate for 2005 is higher than the January estimate by 0.4%. The anticipated growth rate in 2006 is the same as the January forecast while the 2007 estimate is 0.3% lower. In addition, personal income growth for 2004 has been revised upward by 0.2% since January. Personal consumption growth in 2005 is expected to be nearly 1% higher than the January estimate and slightly lower in 2006 and 2007.

Corporate profits continue to show strong growth, and the current estimate for growth in economic profits in 2005 has been revised upward by 8.3% (from 6.7% in the January forecast to 15.0% in the May forecast). As in the January forecast, growth in profits is expected to slow considerably in 2006 and 2007, due to both slower growth in demand and higher business costs. The current growth estimates are lower than the January figures by 2% in 2006 and 1% in 2007.

As noted, in terms of current dollars, the May forecast is very close to the January forecast, with somewhat higher growth expected this year and slightly slower growth rates in 2006 and 2007. However, real growth is expected to be lower than previously estimated due, in part, to the impact of higher oil prices and interest rates. Both the January and May forecasts anticipate that growth will slow from the pace seen in 2004, but the May forecast assumes that the deceleration began earlier than previously estimated (in the first quarter of 2005 rather than the second quarter).

Recent economic data has been mixed. Business investment and some profit reports were lower than expected in the first quarter, while inventories grew. In addition, the stock market experienced losses after two strong years in 2003 and 2004. On the other hand, the housing market, personal income, job growth, and personal consumption exceeded expectations. In January it was projected that real GDP growth would be 3.6% in the first quarter of 2005 and that nominal growth would be 6.0%. Real first-quarter growth is now estimated at 3.1% (0.5% lower than the January estimate), while nominal first-quarter growth is estimated at 6.4% (0.4% higher). It is believed that the high oil prices are leading to lower levels of real spending and real economic growth, while the higher price levels are maintaining nominal growth rates at levels very close to the previous estimates. This trend is expected to continue through 2007.

Positive aspects to the economy include strong corporate profits and finances, relatively low long-term interest rates, continued strength in the housing market, and a greater than expected increase in employment in April. In addition to high oil prices, negative factors include an expected slow-down in consumer spending and low levels of household savings, less vigorous foreign demand, the risk that U.S. companies may be becoming averse to investing and expanding, and a reduced capacity for the federal government and state and local governments to provide fiscal stimulus. Also, in recent years, the U.S. has become more reliant on financing from foreign central banks, particularly in Asia. There is concern that foreign central banks will become uncomfortable with their exposure to the dollar and, in response, reduce their rate of investment in this country. This could put downward pressure on the dollar and lead to increased interest rates in order to attract alternate sources of capital.

As in the January forecast, Global Insight, Inc. has prepared two alternative forecasts, each with a probability of 20%. The optimistic scenario assumes that productivity, foreign economic growth, business investment, and housing activity are all stronger than under the baseline forecast. The federal budget deficit, oil prices, inflation, and interest rates are assumed to be somewhat lower. Under this scenario, real GDP growth would be higher than the baseline estimates by 0.3% in 2005, 1.1% in 2006, and 0.6% in 2007. Under the pessimistic alternative, less capacity exists in the U.S. and global economies, the dollar falls rapidly, and inflation and interest rates are higher than under the baseline forecast. The economy would continue to expand, but the growth rates would be lower by 0.3% in 2005, 1.4% in 2006, and 1.2% in 2007.



## Revised General Fund Tax Estimates

*Individual Income Tax.* Individual income tax receipts are reestimated at \$5,740.0 million in 2004-05, \$6,130.0 million in 2005-06, and \$6,490.0 million in 2006-07. The revised figures exceed the January projections by \$110.0 million in 2004-05, \$130.0 million in 2005-06, and \$75.0 million in 2006-07.

In January, it was estimated that income tax collections in 2004-05 would increase by 6.7% over collections for 2003-04, based on the economic forecast and assumptions about taxable personal income growth at the time. The reestimate is based on year-to-date tax collections that are stronger than had been anticipated in the January estimate for 2004-05, in addition to an improved forecast for personal income growth in 2005 compared to January. The revised estimate for 2004-05 also reflects an anticipated adjustment in the year-end accrual process related to withholding tax receipts. The estimates for the 2005-07 biennium have also been increased, in order to reflect a higher 2004-05 base year, the adjustment to the accrual process in 2004-05, and slight reductions in anticipated growth in the second year.

*Corporate Income and Franchise Tax.* Corporate income and franchise tax collections in the current fiscal year have been stronger than anticipated. Both total collections and estimated payments are more than 17% higher than for the same period in 2003-04. Consequently, corporate income and franchise tax revenue estimates have been revised upward. Collections are now projected to be \$750.0 million in 2004-05, \$685.0 million in 2005-06, and \$670.0 million in 2006-07. Declining collections in 2005-06 and 2006-07 reflect the forecast of a slowing economy, declining industrial production, and reduced business investment. In January, estimated corporate income and franchise tax revenues were \$735.0 million in 2004-05, \$675.0 million in 2005-06, and \$660.0 million in 2006-07.

*Excise Taxes.* In January, cigarette tax revenues were estimated at \$296.0 million in 2004-05, \$294.4 million in 2005-06, and \$293.6 million in 2006-07. Based on collections through April, 2005, the 2004-05 estimate has been revised downward by \$6.0 million to \$290.0 million. The estimates for the 2005-07 biennium have also been revised downward; the reestimated figures are \$288.0 million in 2005-06 and \$287.0 million in 2006-07, which are \$6.4 million lower in 2005-06 and \$6.6 million lower in 2006-07 than the January estimates. The new estimates are consistent with the general downward trend in cigarette tax collections in recent years.

Tobacco products tax revenues have also been revised downward compared to the January projections. In January, tobacco products taxes were estimated at \$16.7 million in 2004-05. However, based on collections through April, tobacco products taxes are currently estimated at \$15.7 million in 2004-05. The estimates for 2005-06 and 2006-07 have also each been reduced by \$1.0 million per year, to the current projections of \$16.5 million in 2005-06 and \$17.4 million in 2006-07.

*Insurance Premiums Taxes.* Insurance premiums tax estimates have been revised slightly downward to reflect somewhat slower year-to-date collections. Premiums tax revenues are now

projected to be \$128.0 million in 2004-05, \$131.0 million in 2005-06, and \$133.0 million in 2006-07. These numbers are lower than the January estimates by \$2.0 million in each year.

*Estate Tax.* Based on the strength of year-to-date collections, estate tax revenues for 2004-05 are reestimated at \$110.0 million in 2004-05, which is \$10.0 million more than the January estimate of \$100.0 million.

In addition, estate tax revenues for 2005-06 and 2006-07 are reestimated at \$105.0 million and \$110.0 million for the two years, respectively. These estimates are \$5.0 million more in each year than the January estimates. The decline estimated for 2005-06 from the current projection for 2004-05 is based, in part, on an interaction between federal and state estate taxes starting with deaths occurring in 2005 (when federal law shifted from providing a state death tax credit to a deduction for state death taxes paid) that is expected to reduce state estate tax receipts by approximately \$5 million annually.

It should be noted, however, that annual estate tax collections are significantly affected by the settlement, or lack thereof, of a small number of large estates. Collections may, therefore, vary considerably from year to year.

*Miscellaneous Taxes.* Tax revenues from miscellaneous taxes have been increased by \$3.0 million in 2004-05, and \$2.0 million in each year of the 2005-07 biennium. The anticipated increases are from the real estate transfer fee and are based, primarily, on strong growth in year-to-date collections. The estimates for the remaining miscellaneous taxes, municipal and circuit court-related fees and the occupational tax on coal, have not been revised. Total miscellaneous tax revenues are estimated at \$87.6 million in 2004-05, \$89.5 million in 2005-06, and \$91.5 million in 2006-07.

### **Other Items Affecting the General Fund**

As indicated, the general fund tax reestimates of this memorandum reflect additional projected collections of \$349.0 million. There are other items, however, that will potentially affect the general fund that are important to note.

*2004-05 Appropriation Shortfalls.* 2005 Act 2 provided \$119.8 million to partially address the 2004-05 shortfall in the medical assistance (MA) benefits program. The remaining shortfall of \$75 million reflects a projected deficit in the MA trust fund. Thus, \$75 million would need to be credited to the MA trust fund in 2004-05 in order for the fund to have a \$0 balance at the end of the fiscal year.

In addition to the \$75 million noted above, it is estimated that the University's fuel and utility appropriation for 2004-05 faces a shortfall of \$29.7 million. The amount of GPR for this shortfall depends upon how much of it would be funded from tuition or other UW sources. If the \$29.7 million were to be funded by the traditional GPR-to-fee ratio, an estimated \$22.5 million GPR would need to be appropriated.

Finally, it is estimated that the Department of Corrections faces a \$7.3 million shortfall in 2004-05 in its GPR appropriation for fuel and utilities.

*2005-07 Items.* There are three items in the 2005-07 budget bill (AB 100) that should be noted.

The first relates to tribal gaming revenues. The AB 100 general fund condition statement shows general fund revenue from tribal gaming totaling \$102.3 million in 2005-06 and \$120.8 million in 2006-07. Generally, tribal payments to the state in 2005-06 and 2006-07 will be based on a percentage of net casino revenue (revenue remaining after winnings are paid out). The percentages, which are established in the 2003 gaming compact amendments, vary by tribe. The bill generally assumes that net casino revenue would increase by 15% each year for each tribe. In some cases, larger one-time increases were also assumed in certain years.

By utilizing the actual revenue growth factors experienced by each tribe between 2003 and 2004 to project future net casino revenue, state revenue in 2005-06 and 2006-07 can be reestimated. Under the reestimate, general fund revenue would be projected to total \$74.1 million in 2005-06 and \$85.3 million in 2006-07. (As under AB 100, this assumes that the \$30.0 million annual payments from the Ho-Chunk Nation relating to the 2003-05 biennium will be made in the 2005-07 biennium.) These revised estimates are lower than the amounts under the budget bill by \$28.2 million in 2005-06 and \$35.5 million in 2006-07.

Following the resolution of certain gaming-related legal issues before the Wisconsin Supreme Court, the renegotiation of the 2003 gaming compact amendments, and the completion of anticipated casino expansion projects by certain tribes, state revenue could increase from these reestimated amounts. However, the timing of these events is uncertain and may not significantly affect state revenue in the 2005-07 biennium.

Second, a base reestimate in the MA benefits program indicates the need for additional GPR of \$32.6 million in 2005-07 over the amounts contained in AB 100. The estimate calls for an addition of \$14.2 million in 2005-06 and \$18.4 million in 2006-07.

Third, estimates of the homestead and earned income tax credits indicate that these sum sufficient appropriations should be increased, above those contained in AB 100, by \$9.5 million and \$12.0 million GPR, respectively, for the 2005-07 biennium. The increase in the homestead tax credit amounts are estimated at \$5.0 million in 2005-06 and \$4.5 million in 2006-07. The adjustment for the earned income tax credit appropriation is \$5.3 million in 2005-06 and \$6.7 million in 2006-07.

If general fund appropriations were increased to cover all of the shortfalls identified above, and if the lower amount of tribal gaming revenues is considered, the 2005-07 general fund balance would be reduced by an estimated \$222.6 million. These modifications, along with the estimated

\$349.0 million increase in tax revenues, would result in a net increase to the general fund of \$126.4 million.

This office will continue to review other appropriations of AB 100. During the course of that review, there will likely be other modifications that will affect the general fund both positively and negatively. For example, it appears that the debt service amounts in AB 100 can be reestimated downward. We will notify you and your colleagues of those and other reestimates once our analysis is completed.

Sincerely,

A handwritten signature in black ink that reads "Bob". The letters are cursive and slightly slanted.

Robert Wm. Lang  
Director

cc: Members, Wisconsin Legislature

RWL/sas

**General Fund Information; General Fund Cash Flow (Part II–Pages 41-49).** Update with the following:

The following provide updates to various tables containing General Fund information that are presented on either a cash basis or agency recorded basis. Unless noted, the following information is through October 31, 2005.

Projections in the following tables assume that all payments from tribal governments called for under the gaming compacts will be received, notwithstanding the Wisconsin Supreme Court's ruling in May 2004 that certain amendments to the gaming compacts were invalid. At the time of the Supreme Court's decision, it was uncertain whether or to what extent the tribal governments would make those payments. For the fiscal year ending June 30, 2004, the State received the expected payments for all but one tribal government, which did not make its payment of about \$30 million. For the fiscal year ending June 30, 2005, as reflected in the following tables, the State received the expected payments from all but two tribal governments. One tribal government placed its payment of about \$44 million in escrow for release to the State upon completion of a new amendment to its gaming compact. It was announced on October 4, 2005 that an agreement had been reached between the State and the Forest County Potawatomi Community concerning an amendment to the tribal government's gaming compact. As a result of this agreement, the State expects to receive this payment of nearly \$44 million during the 2005-06 fiscal year. The other tribal government did not make its payment of about \$30 million.

The comparison of monthly General Fund information that is presented on a cash basis has many inherent problems. Unforeseen events or variations from underlying assumptions may cause a decrease or increase in receipts and disbursements from those projected for any specific month.

Operating notes were not issued for the 2004-05 fiscal year, and are not planned for the 2005-06 fiscal year. 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 can have a negative cash balance at the end of a fiscal year. By contrast, the Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, and if final budgetary expenses of any fiscal year exceed available revenues, the Legislature must take actions to balance the budget in the succeeding fiscal year.

**Table II-7; Actual and Projected General Fund Cash Flow (Part II–Page 44). Update the table with the following:**

**ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2004 TO JUNE 30, 2005<sup>(a)</sup>**

(In Thousands of Dollars)

	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005
<b>BALANCES<sup>(b)</sup></b>												
Beginning Balance	(\$21,216)	(\$431,440)	\$209,127	\$536,311	\$875,711	\$912,695	\$205,179	\$1,173,280	\$1,216,964	\$371,940	\$582,997	\$1,003,050
Ending Balance <sup>(c)</sup>	(\$431,440)	\$209,127	\$536,311	\$875,711	\$912,695	\$205,179	\$1,173,280	\$1,216,964	\$371,940	\$582,997	\$1,003,050	(\$193,683)
Lowest Daily Balance <sup>(c)</sup>	(\$431,440)	(\$436,769)	\$53,578	\$403,787	\$383,199	(\$351,824)	\$205,179	\$796,175	\$295,070	\$81,325	\$480,441	(\$285,950)
<b>RECEIPTS</b>												
<b>TAX RECEIPTS</b>												
Individual Income	\$533,817	\$540,819	\$571,670	\$464,819	\$526,873	\$430,598	\$962,378	\$459,605	\$496,915	\$869,372	\$570,200	\$600,468
Sales & Use	380,702	389,894	384,632	378,842	371,408	334,261	408,819	309,549	309,647	344,001	346,925	380,569
Corporate Income	30,839	16,739	144,521	34,036	36,179	161,303	20,921	19,052	202,608	31,571	20,753	158,057
Public Utility	0	38	179	3,948	131,313	497	2,419	10	74	1,692	128,910	1,289
Excise	29,945	32,206	32,708	31,917	29,395	30,788	29,490	27,527	24,774	27,147	28,569	30,842
Insurance	295	2,305	27,417	229	1,496	58,508	910	17,530	26,784	27,272	1,300	28,774
Inheritance	8,654	7,954	14,003	10,329	9,156	5,230	6,824	12,383	10,523	7,543	7,804	13,485
<b>Subtotal Tax Receipts</b>	<b>\$984,252</b>	<b>\$989,955</b>	<b>\$1,175,130</b>	<b>\$924,120</b>	<b>\$1,105,820</b>	<b>\$1,021,185</b>	<b>\$1,431,761</b>	<b>\$845,656</b>	<b>\$1,071,325</b>	<b>\$1,308,598</b>	<b>\$1,104,461</b>	<b>\$1,213,484</b>
<b>NON-TAX RECEIPTS</b>												
Federal	\$344,173	\$535,363	\$537,338	\$462,100	\$546,148	\$456,585	\$506,599	\$559,541	\$626,099	\$440,758	\$540,908	\$524,516
Other & Transfers <sup>(d)</sup>	196,901	339,783	411,016	330,993	241,754	155,269	478,650	427,854	162,532	292,897	249,827	337,730
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal Non-Tax Receipts</b>	<b>\$541,074</b>	<b>\$875,146</b>	<b>\$948,354</b>	<b>\$793,093</b>	<b>\$787,902</b>	<b>\$611,854</b>	<b>\$985,249</b>	<b>\$987,395</b>	<b>\$788,631</b>	<b>\$733,655</b>	<b>\$790,735</b>	<b>\$862,246</b>
<b>TOTAL RECEIPTS</b>	<b>\$1,525,326</b>	<b>\$1,865,101</b>	<b>\$2,123,484</b>	<b>\$1,717,213</b>	<b>\$1,893,722</b>	<b>\$1,633,039</b>	<b>\$2,417,010</b>	<b>\$1,833,051</b>	<b>\$1,859,956</b>	<b>\$2,042,253</b>	<b>\$1,895,196</b>	<b>\$2,075,730</b>
<b>DISBURSEMENTS</b>												
Local Aids <sup>(e)(f)</sup>	\$835,926	\$170,248	\$670,948	\$115,497	\$774,303	\$1,163,305	\$196,800	\$232,064	\$1,176,452	\$93,211	\$249,705	\$1,842,612
Income Maintenance	383,180	416,654	427,137	405,086	419,216	390,891	444,808	432,390	460,679	440,792	407,448	431,897
Payroll and Related	390,998	244,728	314,918	378,189	319,992	326,967	359,515	327,431	371,284	471,104	248,414	312,525
Tax Refunds	49,162	55,304	51,246	50,655	64,252	127,443	73,997	437,298	366,230	311,188	132,115	137,268
Debt Service	0	687	0	118,493	1,108	0	0	1,547	0	216,976	35,279	0
Miscellaneous <sup>(g)</sup>	276,284	336,913	332,051	309,893	277,867	331,949	373,789	358,637	330,335	297,925	402,182	548,161
Note Repayment	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL DISBURSEMENTS</b>	<b>\$1,935,550</b>	<b>\$1,224,534</b>	<b>\$1,796,300</b>	<b>\$1,377,813</b>	<b>\$1,856,738</b>	<b>\$2,340,555</b>	<b>\$1,448,909</b>	<b>\$1,789,367</b>	<b>\$2,704,980</b>	<b>\$1,831,196</b>	<b>\$1,475,143</b>	<b>\$3,272,463</b>

(a) This table reflects the provisions of 2005 Wisconsin Act 2 and 2005 Wisconsin Act 15, which collectively address the shortfall in the Medical Assistance Trust Fund. This table also reflects that, for payments due from tribal governments called for under the gaming compacts, as amended and after giving effect to the Wisconsin Supreme Court's ruling in May 2004 that certain amendments to the gaming compacts were invalid, the State received the expected payments from all but two tribal governments. One tribal government placed its payment of about \$44 million in escrow for release to the State upon completion of a new amendment to its gaming compact. The other tribal government did not make its payment of about \$30 million. This table does 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. The designated funds ranged from \$150 to \$300 million during the 2004-05 fiscal year. In addition, the General Fund is the depository for several escrow accounts pursuant to court orders or federal rulings. These funds averaged approximately \$50 million during the 2004-05 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 was approximately \$589 million for the 2004-05 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 \$354 million for the 2004-05 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) Includes \$75 million transferred from the Transportation Fund to the General Fund in June 2005.

(e) \$190 million of the November 2004 shared revenue payments were made from Segregated Funds and are not included in these Local Aid disbursement totals.

(f) \$60 million of the September 2004 equalization payments were made from the Transportation Fund and are not included in these Local Aid disbursement totals.

(g) Includes \$50 million and \$75 million that have been separately transferred from the General Fund to the Medicaid Trust Fund.

**Table II-7; Actual and Projected General Fund Cash Flow (Part II–Page 44).** Update the table with the following:

**ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2005 TO OCTOBER 31, 2005  
PROJECTED GENERAL FUND CASH FLOW; NOVEMBER 1, 2005 TO JUNE 30, 2006<sup>(a)</sup>**

(In Thousands of Dollars)

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006
<b>BALANCES<sup>(b)</sup></b>												
Beginning Balance	(\$193,683)	(\$417,079)	\$136,628	\$309,053	\$818,545	\$632,558	(\$197,656)	\$935,167	\$989,834	(\$23,191)	\$380,598	\$701,354
Ending Balance <sup>(c)</sup>	(\$417,079)	\$136,628	\$309,053	\$818,545	\$632,558	(\$197,656)	\$935,167	\$989,834	(\$23,191)	\$380,598	\$701,354	(\$181,808)
Lowest Daily Balance <sup>(c)</sup>	(\$22,613)	(\$89,150)	(264,889)	158,797	446,526	(803,147)	(281,306)	578,525	(80,577)	(388,318)	130,702	(699,938)
<b>RECEIPTS</b>												
<b>TAX RECEIPTS</b>												
Individual Income	\$457,176	\$546,087	\$625,591	\$566,601	\$508,485	\$406,434	\$1,070,121	\$487,181	\$526,730	\$921,534	\$596,375	\$663,136
Sales & Use	402,599	400,199	384,904	378,257	386,264	347,631	425,172	321,931	322,033	357,761	348,523	385,424
Corporate Income	31,786	24,880	170,441	34,258	34,370	153,238	19,875	18,099	192,478	29,992	19,205	137,180
Public Utility	24	0	196	2,667	133,939	507	2,467	10	75	1,726	131,488	1,632
Excise	36,572	30,625	36,942	32,048	29,395	30,788	29,490	27,527	24,774	27,147	28,567	31,000
Insurance	690	1,273	27,858	1,556	1,526	59,678	928	17,881	27,320	27,817	1,326	29,784
Inheritance	16,949	6,932	8,463	13,570	9,156	5,230	6,824	12,383	10,523	7,543	7,804	7,400
<b>Subtotal Tax Receipts</b>	<b>\$945,796</b>	<b>\$1,009,996</b>	<b>\$1,254,395</b>	<b>\$1,028,957</b>	<b>\$1,103,136</b>	<b>\$1,003,506</b>	<b>\$1,554,877</b>	<b>\$885,012</b>	<b>\$1,103,933</b>	<b>\$1,373,521</b>	<b>\$1,133,288</b>	<b>\$1,255,556</b>
<b>NON-TAX RECEIPTS</b>												
Federal	\$524,946	\$554,359	\$554,537	\$487,805	\$563,609	\$476,151	\$511,665	\$565,136	\$632,360	\$445,166	\$546,317	\$541,764
Other & Transfers <sup>(d)</sup>	355,748	298,506	470,126	316,093	259,172	171,822	498,437	447,133	179,157	310,826	287,453	518,139
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal Non-Tax Receipts</b>	<b>\$880,694</b>	<b>\$852,865</b>	<b>\$1,024,663</b>	<b>\$803,898</b>	<b>\$822,781</b>	<b>\$647,973</b>	<b>\$1,010,101</b>	<b>\$1,012,269</b>	<b>\$811,517</b>	<b>\$755,992</b>	<b>\$833,770</b>	<b>\$1,059,903</b>
<b>TOTAL RECEIPTS</b>	<b>\$1,826,490</b>	<b>\$1,862,861</b>	<b>\$2,279,058</b>	<b>\$1,832,855</b>	<b>\$1,925,917</b>	<b>\$1,651,479</b>	<b>\$2,564,978</b>	<b>\$1,897,281</b>	<b>\$1,915,450</b>	<b>\$2,129,513</b>	<b>\$1,967,058</b>	<b>\$2,315,459</b>
<b>DISBURSEMENTS</b>												
Local Aids	\$884,042	\$142,784	\$757,441	\$100,945	\$975,747	\$1,244,090	\$207,173	\$248,508	\$1,237,245	\$94,429	\$267,285	\$1,938,341
Income Maintenance	489,129	468,260	454,986	416,256	438,454	417,017	375,237	405,495	456,128	384,718	427,649	332,964
Payroll and Related	315,952	295,222	427,311	303,005	340,922	343,632	375,099	340,772	496,753	304,055	338,989	339,664
Tax Refunds	60,810	62,584	43,817	51,777	68,101	135,088	78,430	463,544	388,193	329,853	140,050	172,089
Debt Service	0	0	0	156,686	4,141	0	0	4,141	0	296,868	46,016	0
Miscellaneous	299,953	340,304	423,078	294,694	284,539	341,866	396,216	380,155	350,155	315,801	426,313	415,562
Note Repayment	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL DISBURSEMENTS</b>	<b>\$2,049,886</b>	<b>\$1,309,154</b>	<b>\$2,106,633</b>	<b>\$1,323,363</b>	<b>\$2,111,904</b>	<b>\$2,481,693</b>	<b>\$1,432,155</b>	<b>\$1,842,615</b>	<b>\$2,928,474</b>	<b>\$1,725,724</b>	<b>\$1,646,302</b>	<b>\$3,198,620</b>

(a) This table reflects the biennial budget bill for the 2005-07 biennium (2005 Wisconsin Act 25) and the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were incorporated into 2005 Wisconsin Act 25. Projections assume that the State will receive approximately \$146 million pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) \$73 million, which is the estimate of all payments due in the 2005-06 fiscal year, and (ii) \$74 million, which is an estimate of payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year. It was announced on October 4, 2005 that an agreement had been reached between the State and the Forest County Potawatomi Community concerning an amendment to the tribal government's gaming compact. As a result of this agreement, the State expects to receive a payment of nearly \$44 million during the 2005-06 fiscal year. This table does 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. The designated funds are expected to range from \$150 to \$300 million during the 2005-06 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 2005-06 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 \$634 million for the 2005-06 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 \$380 million for the 2005-06 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) Includes \$338 million to be transferred from the Transportation Fund to the General Fund, which is assumed to occur in June 2006.

**Table II-8; General Fund Cash Receipts and Disbursements Year To Date; Compared to Estimates and Previous Fiscal Year. (Page 45).** Update the table with the following:

**2005-06 FISCAL YEAR  
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE  
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR<sup>(a)</sup>**

**(Cash Basis)  
As of October 31, 2005  
(Amounts in Thousands)**

	FY05 through October 2004	FY06 through October 2005				Difference FY05 Actual to FY06 Actual
	Actual	Actual	Estimate <sup>(b)</sup>	Variance	Adjusted Variance <sup>(c)</sup>	
<b>RECEIPTS</b>						
<b>Tax Receipts</b>						
Individual Income	\$ 2,111,125	\$ 2,195,455	\$ 2,287,792	\$ (92,337)	\$ (92,337)	\$ 84,330
Sales	1,534,070	1,565,959	1,595,433	(29,474)	(29,474)	31,889
Corporate Income	226,135	261,365	214,828	46,537	46,537	35,230
Public Utility	4,165	2,887	4,248	(1,361)	(1,361)	(1,278)
Excise	126,776	136,187	126,776	9,411	9,411	9,411
Insurance	30,246	31,377	30,851	526	526	1,131
Inheritance	40,940	45,914	40,940	4,974	4,974	4,974
<b>Total Tax Receipts</b>	<b>\$ 4,073,457</b>	<b>\$ 4,239,144</b>	<b>\$ 4,300,868</b>	<b>\$ (61,724)</b>	<b>\$ (61,724)</b>	<b>\$ 165,687</b>
<b>Non-Tax Receipts</b>						
Federal	\$ 1,878,974	\$ 2,121,647	\$ 1,977,764	\$ 143,883	\$ 143,883	\$ 242,673
Other and Transfers	1,278,693	1,440,473	1,351,480	88,993	88,993	161,780
Note Proceeds <sup>(d)</sup>	-	-	-	-	-	-
<b>Total Non-Tax Receipts</b>	<b>\$ 3,157,667</b>	<b>\$ 3,562,120</b>	<b>\$ 3,329,244</b>	<b>\$ 232,876</b>	<b>\$ 232,876</b>	<b>\$ 404,453</b>
<b>TOTAL RECEIPTS</b>	<b>\$ 7,231,124</b>	<b>\$ 7,801,264</b>	<b>\$ 7,630,112</b>	<b>\$ 171,152</b>	<b>\$ 171,152</b>	<b>\$ 570,140</b>
<b>DISBURSEMENTS</b>						
Local Aids	\$ 1,792,619	\$ 1,885,212	\$ 1,868,150	\$ (17,062)	\$ (17,062)	\$ 92,593
Income Maintenance	1,642,902	1,828,631	1,747,461	(81,170)	(81,170)	185,729
Payroll & Related	1,328,833	1,341,490	1,405,534	64,044	64,044	12,657
Tax Refunds	206,367	218,988	218,728	(260)	(260)	12,621
Debt Service	119,180	156,686	169,089	12,403	12,403	37,506
Miscellaneous	1,244,296	1,358,029	1,230,450	(127,579)	(127,579)	113,733
Note Repayment <sup>(d)</sup>	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 6,334,197</b>	<b>\$ 6,789,036</b>	<b>\$ 6,639,412</b>	<b>\$ (149,624)</b>	<b>\$ (149,624)</b>	<b>\$ 454,839</b>
<b>VARIANCE FY06 YEAR-TO-DATE</b>				<b>\$ 21,528</b>	<b>\$ 21,528</b>	

- (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) Projections reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were used in the enacted budget bill for the 2005-06 and 2006-07 fiscal years (2005 Wisconsin Act 25). Projections assume that the State will receive approximately \$146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) \$72 million, which is the estimate of all payments due this fiscal year, and (ii) \$74 million, which is an estimate of payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year. It was announced on October 4, 2005 that an agreement had been reached between the State and the Forest County Potawatomi Community concerning an amendment to the tribal government's gaming compact. As a result of this agreement, the State expects to receive a payment of nearly \$44 million during the 2005-06 fiscal year.
- (c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates can not be changed and results in large variances. This column includes adjustments to the variances to more accurately reflect the variance between the estimated and actual amounts.
- (d) Operating notes were not issued for the 2004-05 fiscal year, and no operating notes are planned for the 2005-06 fiscal year.



**Table II-9; General Fund Monthly Position (Page 46). Update the table with the following:**

**GENERAL FUND MONTHLY CASH POSITION<sup>(a)</sup>  
 July 1, 2003 through October 31, 2005 — Actual  
 November 1, 2005 through June 30, 2006 — Estimated<sup>(b)</sup>  
 (Amounts in Thousands)**

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts<sup>(c)</sup></u>	<u>Disbursements<sup>(c)</sup></u>
2003	July.....	\$ (301,120) <sup>(d)</sup>	\$ 1,676,451	\$ 1,997,749
	August.....	(622,418) <sup>(d)</sup>	1,461,025	1,239,109
	September.....	(400,502) <sup>(d)</sup>	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 <sup>(d)</sup>	2,427,680	2,277,800
2004	January.....	1,013,762	2,142,215	1,964,574
	February.....	1,191,403	1,668,211	1,820,788
	March.....	1,038,826 <sup>(d)</sup>	1,929,719	2,982,788
	April.....	(14,243) <sup>(d)</sup>	2,105,306	1,538,546
	May.....	552,517	1,624,996	1,418,939
	June.....	758,574 <sup>(d)</sup>	2,286,899	3,066,689
	July.....	(21,216) <sup>(d)</sup>	1,525,326	1,935,550
	August.....	(431,440) <sup>(d)</sup>	1,865,101	1,224,534
	September.....	209,127	2,123,484	1,796,300
	October.....	536,311	1,717,213	1,377,813
	November.....	875,711	1,893,722	1,856,738
	December.....	912,695 <sup>(d)</sup>	1,633,039	2,340,555
2005	January.....	205,179	2,417,010	1,448,909
	February.....	1,173,280	1,833,051	1,789,367
	March.....	1,216,964	1,859,956	2,704,980
	April.....	371,940	2,042,253	1,831,196
	May.....	582,997	1,895,196	1,475,143
	June.....	1,003,050 <sup>(d)</sup>	2,075,730	3,272,463
	July.....	(193,683) <sup>(d)</sup>	1,826,490	2,049,886
	August.....	(417,079) <sup>(d)</sup>	1,862,861	1,309,154
	September.....	136,628 <sup>(d)</sup>	2,279,058	2,106,633
	October.....	309,053	1,832,855	1,323,363
	November.....	818,545	1,925,917	2,111,904
	December.....	632,558 <sup>(d)</sup>	1,651,479	2,481,693
2006	January.....	(197,656) <sup>(d)</sup>	2,564,978	1,432,155
	February.....	935,167	1,897,281	1,842,615
	March.....	989,834 <sup>(d)</sup>	1,915,450	2,928,474
	April.....	(23,191) <sup>(d)</sup>	2,129,513	1,725,724
	May.....	380,598	1,967,058	1,646,302
	June.....	701,354 <sup>(d)</sup>	2,315,459	3,198,620

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

<sup>(b)</sup> Projections reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were used in the enacted budget bill for the 2005-06 and 2006-07 fiscal years (2005 Wisconsin Act 25). Projections assume that the State will receive approximately \$146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) \$72 million, which is the estimate of all payments due this fiscal year, and (ii) \$74 million, which is an estimate of payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year. It was announced on October 4, 2005 that an agreement had been reached between the State and the Forest County Potawatomi Community concerning an amendment to the tribal government's gaming compact. As a result of this agreement, the State expects to receive a payment of nearly \$44 million during the 2005-06 fiscal year.

<sup>(c)</sup> The amounts shown in September 2003 include receipts from the issuance of operating notes, and amounts shown in 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 2004-05 fiscal year, and no operating notes are planned for the 2005-06 fiscal year.

<sup>(d)</sup> 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 approximately \$634 million for the 2005-06 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 \$380 million for the 2005-06 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 47).** Update the table with the following:

**BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING<sup>(a)</sup>**  
**July 31, 2003 to October 31, 2005 — Actual**  
**November 30, 2005 to June 30, 2006— Estimated<sup>(b)</sup>**  
**(Amounts in Millions)**

The following two tables show, on a monthly basis, the cash balances available for interfund borrowing. The first table does not include balances in the Local Government Investment Pool (LGIP). While the LGIP is available for interfund borrowing, funds in the LGIP are deposited and withdrawn by local units of government, and thus are outside the control of the State.

**(Does Not Include Balances in the Local Government Investment Pool)**

<u>Month (Last Day)</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
January .....		\$ 1,027	\$ 830	\$ 830
February .....		1,126	960	960
March .....		1,179	1,043	1,043
April .....		1,157	964	963
May .....		1,163	1,045	1,045
June .....		1,054	1,182	1,117
July .....	\$ 1,140	908	1,048	
August .....	1,242	1,003	1,100	
September.....	1,226	997	1,176	
October.....	1,187	954	1,115	
November.....	1,078	827	827 <sup>(b)</sup>	
December .....	1,130	892	892	

The second table includes the balances in the LGIP. The average daily balances in the LGIP for the past five years have ranged from a low of \$2.216 billion during November 2002 to a high of \$4.521 billion during March 2002.

**(Includes Balances in the Local Government Investment Pool)**

<u>Month (Last Day)</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
January .....		\$ 4,673	\$ 3,818	\$ 3,818
February .....		4,852	3,984	3,984
March .....		5,197	4,101	4,101
April .....		4,707	3,749	3,749
May .....		4,417	3,627	3,626
June .....		4,274	3,905	4,329
July .....	\$ 5,135	4,268	4,193	
August .....	4,580	3,904	3,823	
September.....	4,378	3,726	3,746	
October.....	3,922	3,233	3,361	
November.....	3,797	3,059	3,059 <sup>(b)</sup>	
December .....	4,090	3,392	3,392	

<sup>(a)</sup> The following funds are available for interfund borrowing. The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund listed below has a negative balance and is subject to interfund borrowing.

Transportation	Common School	Conservation (Partial)
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
Environmental Improvement Fund	Uninsured Employers	Environmental
Local Government Property Insurance	University Trust Principal	Patients Compensation
Veterans Mortgage Loan Repayment	Mediation	State Building Trust
Medical Assistance	Agricultural College	
Normal School	Wisconsin Health Education Loan Repayment	
University	Waste Management	
Groundwater	Work Injury Supplemental Benefit	
Health Insurance Risk Sharing Plan	Recycling	
Petroleum Storage Environmental Cleanup	Unemployment Compensation Interest Repayment	

<sup>(b)</sup> Amounts for November 30, 2005 and subsequent months are projected.

Table II-11; General Fund Recorded Revenues (Page 48). **Update the table with the following:**

**General Fund Recorded Revenues<sup>(a)</sup>**  
**(Agency Recorded Basis)**  
**July 1, 2005 to October 31, 2005 compared with previous year**

	Annual Fiscal Report Revenues <u>2004-05 FY<sup>(b)</sup></u>	Projected Revenues <u>2005-06 FY<sup>(c)</sup></u>	Recorded Revenues July 1, 2004 to <u>October 31, 2004<sup>(d)</sup></u>	Recorded Revenues July 1, 2005 to <u>October 31, 2005<sup>(e)</sup></u>
Individual Income Tax .....	\$ 5,650,109,000	\$ 6,144,500,000	\$ 1,529,800,739	\$ 1,810,036,573
General Sales and Use Tax .....	4,038,715,000	4,181,600,000	1,044,707,813	1,080,555,209
Corporate Franchise and Income Tax .....	764,053,000	683,320,000	203,328,411	238,337,733
Public Utility Taxes .....	254,443,000	267,465,000	323,090	241,374
Excise Taxes .....	359,444,000	354,720,000	96,136,148	97,902,615
Inheritance Taxes .....	112,346,000	105,000,000	40,638,830	45,728,382
Insurance Company Taxes .....	129,839,000	131,000,000	29,266,839	29,117,228
Miscellaneous Taxes .....	87,701,000	89,500,000	26,703,200	29,450,143
SUBTOTAL.....	<u>\$ 11,396,650,000</u>	<u>\$ 11,957,105,000</u>	<u>2,970,905,070</u>	<u>3,331,369,258</u>
Federal and Other Inter- Governmental Revenues <sup>(f)</sup> .....	\$ 6,190,669,000	\$ 5,881,969,000	1,919,967,708	2,054,883,638
Dedicated and Other Revenues <sup>(g)</sup> .....	<u>3,584,486,000</u>	<u>4,445,764,600</u>	<u>1,357,222,374</u>	<u>1,297,516,283</u>
TOTAL.....	<u>\$ 21,171,805,000</u>	<u>\$ 22,284,838,600</u>	<u>\$ 6,248,095,152</u>	<u>\$ 6,683,769,179</u>

(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 2004-05 fiscal year, dated October 15, 2005.

(c) Projections reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on May 16, 2005, which were used in the enacted budget bill for the 2005-06 and 2006-07 fiscal years (2005 Wisconsin Act 25). Projections assume that the State will receive approximately \$146 million in the 2005-06 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects (i) \$72 million, which is the estimate of all payments due this fiscal year, and (ii) \$74 million, which is an estimate of payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year. It was announced on October 4, 2005 that an agreement had been reached between the State and the Forest County Potawatomi Community concerning an amendment to the tribal government's gaming compact. As a result of this agreement, the State expects to receive a payment of nearly \$44 million during the 2005-06 fiscal year.

(d) The amounts shown are fiscal year 2004-05 revenues as recorded by state agencies.

(e) The amounts shown are fiscal year 2005-06 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 49).** Update the table with the following:

**General Fund Recorded Expenditures By Function<sup>(a)</sup>  
(Agency Recorded Basis)  
July 1, 2005 to October 31, 2005 compared with previous year**

	Annual Fiscal Report Expenditures <u>2004-05 FY<sup>(b)</sup></u>	Appropriations <u>2005-06 FY<sup>(c)</sup></u>	Recorded Expenditures July 1, 2004 to <u>October 31, 2004<sup>(d)</sup></u>	Recorded Expenditures July 1, 2005 to <u>October 31, 2005<sup>(e)</sup></u>
Commerce.....	\$ 253,520,000	\$ 288,639,300	\$ 81,563,237	\$ 79,891,322
Education.....	9,614,612,000	10,151,858,300	2,284,970,899	2,377,332,367
Environmental Resources.....	233,160,000	296,476,000	72,243,788	92,630,744
Human Relations & Resources .....	8,933,512,000	8,496,069,700	2,875,138,843	2,955,182,344
General Executive.....	626,194,000	890,108,400	206,894,711	248,239,860
Judicial.....	114,247,000	113,245,800	41,618,988	42,530,564
Legislative.....	58,234,000	63,707,200	15,427,484	16,678,593
General Appropriations.....	<u>1,654,699,000</u>	<u>1,915,407,600</u>	<u>688,753,489</u>	<u>688,755,076</u>
TOTAL.....	<u>\$ 21,488,178,000</u>	<u>\$ 22,215,512,300</u>	<u>\$ 6,266,611,439</u>	<u>\$ 6,501,240,870</u>

- (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 fiscal year 2004-05, dated October 15, 2005.
- (c) Estimated appropriations based on the 2005-07 biennial budget bill (2005 Wisconsin Act 25).
- (d) The amounts shown are fiscal year 2004-05 expenditures as recorded by state agencies.
- (e) The amounts shown are fiscal year 2005-06 expenditures as recorded by state agencies.

**Source: Wisconsin Department of Administration.**

**Part III—Introduction Table (Page 81).** Update the table with the following:

On March 29, 2005, Moody’s Investors Service, Inc. changed the rating outlook on the State’s general obligations from “negative” to “stable”.

On November 9, 2005, Standard & Poor’s Ratings Services changed the rating outlook on the State’s general obligations from “stable” to “positive”.

## APPENDIX B

### State of Wisconsin General Obligation Issuance Status Report November 15, 2005

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date<sup>(c)</sup></u>	<u>Interest Earnings<sup>(a)</sup></u>	<u>G.O. CP Notes of 2005, Series A</u>	<u>Total Authorized Unissued Debt<sup>(c)</sup></u>
University of Wisconsin; academic facilities.....	\$ 1,358,615,800	\$ 1,017,912,229	\$ 12,046,136	\$ 5,054,074	\$ 323,603,361
University of Wisconsin; self-amortizing facilities.....	1,274,517,100	697,737,621	1,643,606	9,638,840	565,497,033
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.....	572,000,000	263,180,526	13,392		308,806,082
Natural resources; municipal clean drinking water grants.....	9,800,000	9,518,744	141,818		139,438
Clean water fund program.....	637,743,200	450,334,053			187,409,147
Safe drinking water loan program.....	32,310,000	28,786,520			3,523,480
Natural resources; nonpoint source grants.....	89,310,400	68,535,658	132,570	571,832	20,070,340
Natural resources; nonpoint source compliance.....	4,000,000	2,000,000			
Natural resources; environmental repair.....	51,000,000	36,624,374	161,017	928,506	13,286,103
Natural resources; urban nonpoint source cost-sharing.....	23,900,000	12,793,850		561,724	10,544,426
Natural resources; environmental segregated fund supported administrative facilities.....	7,490,000	5,247,756		25,992	2,216,252
Natural resources; segregated revenue supported dam safety projects.....	6,600,000	6,282,994			317,006
Natural resources; pollution abatement and sewage collection facilities, ORAP funding.....	145,060,325	145,010,325	50,000		
Natural resources; pollution abatement and sewage collection facilities.....	893,493,400	874,927,168	18,513,076		53,156
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow.....	200,600,000	194,312,599	6,287,401		
Natural resources; recreation projects.....	56,055,000	56,053,994	1,006		
Natural resources; local parks land acquisition and development.....	2,490,000	2,447,741	42,259		
Natural resources; recreation development.....	23,061,500	22,871,110	141,227		49,163
Natural resources; land acquisition.....	45,608,600	45,116,930	491,671		

## General Obligation Issuance Status Report—Continued

November 15, 2005

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date<sup>(c)</sup></u>	<u>Interest Earnings<sup>(a)</sup></u>	<u>G.O. CP Notes of 2005, Series A</u>	<u>Total Authorized Unissued Debt<sup>(c)</sup></u>
Natural resources; Wisconsin natural areas heritage program.....	2,500,000	2,445,793	17,174		37,032
Natural resources; segregated revenue supported facilities.....	55,078,100	26,547,802	45,287	577,609	27,907,402
Natural resources; general fund supported administrative facilities.....	11,410,200	10,600,127	21,432	6,931	781,710
Natural resources; ice age trail.....	750,000	750,000			
Natural resources; dam safety projects.....	5,500,000	5,400,148	49,701		50,151
Natural resources; segregated revenue supported land acquisition.....	2,500,000	2,500,000			
Natural resources; Warren Knowles - Gaylord Nelson stewardship program.....	231,000,000	225,075,820	1,293,404	168,951	4,461,825
Transportation; administrative facilities.....	8,890,400	8,759,479	33,943		96,978
Transportation; accelerated bridge improvements.....	46,849,800	46,849,800			
Transportation; rail passenger route development...	50,000,000	1,492,921			48,507,079
Transportation; accelerated highway improvements.....	185,000,000	185,000,000			
Transportation; connecting highway improvements.....	15,000,000	15,000,000			
Transportation; federally aided highway facilities.....	10,000,000	10,000,000			
Transportation; highway projects.....	41,000,000	41,000,000			
Transportation; major highway and rehabilitation projects.....	565,480,400	565,480,400			
Transportation; Marquette interchange rehabilitation project.....	213,100,000			20,080,556	193,019,444
Transportation; state highway rehabilitation projects.....	250,000,000			30,120,550	219,879,450
Transportation; harbor improvements.....	40,700,000	21,238,190	232,605	160,286	19,068,919
Transportation; rail acquisitions and improvements.....	44,500,000	29,344,625	16	297,468	14,857,891
Transportation; local roads for job preservation, state funds.....	2,000,000	1,999,957			43
Corrections; correctional facilities.....	801,979,400	774,702,362	11,467,003	690,198	15,119,838
Corrections; self-amortizing facilities and equipment.....	7,337,000	2,115,438	99		5,221,463

**GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED**  
**November 15, 2005**

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date<sup>(c)</sup></u>	<u>Interest Earnings<sup>(a)</sup></u>	<u>G.O. CP Notes of 2005, Series A</u>	<u>Total Authorized Unissued Debt<sup>(c)</sup></u>
Corrections; juvenile correctional facilities.....	28,984,500	25,488,556	102,026	25,992	3,367,926
Health and family services; mental health and secure treatment facilities.....	129,057,200	121,805,268	895,124	10,108	6,346,700
Agriculture; soil and water.....	26,075,000	14,258,000	1,248	970,382	10,845,370
Agriculture; conservation reserve enhancement...	40,000,000	9,223,000		258,125	30,518,875
Administration; Black Point Estate.....	1,600,000				1,600,000
Building commission; previous lease rental authority.....	143,071,600	143,068,654			2,946
Building commission; refunding tax-supported general obligation debt.....	2,102,086,430	2,102,086,530 <sup>(b)</sup>			
Building commission; refunding self-amortizing general obligation debt.....	272,863,033	272,863,033 <sup>(b)</sup>			
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2005...	250,000,000	250,000,000			
Building commission; refunding tax-supported and self-amortizing general obligation debt.....	1,400,000,000	870,240,000			529,760,000
Building commission; housing state departments and agencies.....	485,015,400	404,954,121	2,329,712	722,011	77,009,556
Building commission; 1 West Wilson street parking ramp.....	15,100,000	14,805,521	294,479		
Building commission; project contingencies.....	47,961,200	40,490,000	62,251	433,206	6,975,743
Building commission; capital equipment acquisition.....	126,335,000	108,004,191	729,518	986,948	16,614,343
Building commission; discount sale of debt.....	90,000,000	66,758,598			23,241,402
Building commission; discount sale of debt (higher education bonds).....	100,000,000	99,988,833 <sup>(b)</sup>			11,167
Building commission; other public purposes.....	1,727,901,000	1,230,619,406	6,188,961	22,794,182	468,298,451
Medical College of Wisconsin, Inc.;					
basic science education and health information technology facilities....	10,000,000	10,000,000			
HR Academy, Inc.....	1,500,000	1,500,000			
Medical College of Wisconsin, Inc.;					
biomedical research and technology incubator.....	25,000,000	3,000,000		1,732,825	20,267,175
Marquette University; dental clinic and education facility...	15,000,000	14,999,182	818		

**General Obligation Issuance Status Report—Continued**  
**November 15, 2005**

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date<sup>(c)</sup></u>	<u>Interest Earnings<sup>(a)</sup></u>	<u>G.O. CP Notes of 2005, Series A</u>	<u>Total Authorized Unissued Debt<sup>(c)</sup></u>
Swiss cultural center.....	1,000,000				1,000,000
Racine County; Discovery Place museum.....	1,000,000				1,000,000
Milwaukee Police Athletic League; youth activities center.....	1,000,000	1,000,000			
Children's research institute	10,000,000	0	0		10,000,000
Administration; school educational technology infrastructure financial assistance.....	90,200,000	68,285,000	431,066	2,091,571	19,392,363
Administration; public library educational technology infrastructure financial assistance.....	300,000	268,918	41		31,041
Educational communications board; educational communications facilities.....	22,858,100	17,309,539	37,069	433,206	5,078,286
Historical society; self-amortizing facilities.....	1,157,000	1,029,156	3,896		123,947
Historical society; historic records.....	15,400,000				15,400,000
Historical society; historic sites.....	3,107,800	1,825,756			1,282,044
Historical society; museum facility.....	4,384,400	4,362,469			21,931
Historical society; Wisconsin history center.....	30,000,000				30,000,000
Public instruction; state school, state center and library facilities.....	7,367,700	7,330,612	32,509		4,579
Military affairs; armories and military facilities.....	27,463,900	20,662,527	192,632		6,608,741
Veterans affairs; veterans facilities.....	10,090,100	9,405,565	50,593		633,941
Veterans affairs; self-amortizing mortgage loans.....	2,120,840,000	2,050,652,395	2,133,000		68,054,605
Veterans affairs; refunding bonds.....	1,015,000,000	721,169,245			293,830,755
Veterans affairs; self-amortizing facilities.....	34,912,600	7,277,500	501	866,413	26,768,186
State fair park board; board facilities.....	14,787,100	13,074,010		141,514	1,571,576
State fair park board; housing facilities.....	11,000,000	10,999,990	15		
State fair park board; self-amortizing facilities.....	56,787,100	51,094,300	22,328		5,670,472
Total.....	<u>\$18,540,436,788</u>	<u>\$14,705,896,927</u>	<u>\$66,333,631</u>	<u>\$100,350,000</u>	<u>\$3,665,856,336</u>

<sup>(a)</sup> Interest earnings reduce issuance authority by the same amount.

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

<sup>(c)</sup> Does not reflect the \$96,780,000 General Obligation Refunding Bonds of 2006, Series 1, which were sold with a forward delivery date of January 31, 2006.

Source: Wisconsin Department of Administration.



**APPENDIX C**  
**EXPECTED FORM OF BOND COUNSEL OPINION**

*Upon delivery of the initial issuance of the 2005 Series A Notes on December 14, 2005, it is expected that Foley & Lardner LLP will deliver a legal opinion in substantially the following form:*

(Letterhead of Foley & Lardner LLP)

**STATE OF WISCONSIN**  
**GENERAL OBLIGATION**  
**COMMERCIAL PAPER NOTES OF 2005, SERIES A**

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its General Obligation Commercial Paper Notes of 2005, Series A to an amount not to exceed \$100,350,000 (**Notes**). The Notes are authorized to be issued and sold from time to time pursuant to the provisions of Chapters 18 and 20, Wisconsin Statutes, and a resolution adopted by the State of Wisconsin Building Commission (**Commission**) on March 20, 1997 entitled “Program Resolution for State of Wisconsin General Obligation Commercial Paper Notes”, as amended by resolutions adopted by the Commission on April 16, 1998 and July 30, 2003 (**Program Resolution**), and supplemented by a resolution adopted by the Commission on December 7, 2005 (**Supplemental Resolution**).

We examined the law, a certified copy of the proceedings relating to the issuance of the Notes, and certifications of public officials and others. We also reviewed the Credit Agreement, dated April 3, 1997, among the State, acting through the Commission, The Bank of Nova Scotia, New York Agency, and Commerzbank AG, New York Branch, as amended by letters dated February 9, 1998, January 26, 1999, February 7, 2000, March 30, 2001, March 29, 2002, March 28, 2003, March 27, 2004, March 26, 2005, and December 8, 2005 (**Liquidity Facility Agreement**) and the promissory note dated even herewith issued pursuant to the Liquidity Facility Agreement (**Promissory Note**), the Issuing and Paying Agency Agreement, dated April 3, 1997, between the State and Bankers Trust Company, as amended by the Amendment to Issuing and Paying Agency Agreement, dated August 15, 1998 and the Second Amendment to Issuing and Paying Agency Agreement, dated December 14, 2005 (**Issuing and Paying Agency Agreement**), and separate Dealer Agreements, each dated April 3, 1997, between the State and Goldman, Sachs & Co., Merrill Lynch & Co., Lehman Brothers, and Bear, Stearns & Co., Inc., respectively (each, a **Dealer Agreement**). As to questions of fact material to our opinion, we relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation. As to questions of fact material to our opinion, we relied upon those certified proceedings and certifications without independently undertaking to verify them.

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

1. The Program Resolution has been duly adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State as provided in the Program Resolution.
2. The Supplemental Resolution has been duly adopted by the Commission and is a valid and binding obligation of the State enforceable upon the State as provided in the Supplemental Resolution.
3. The Notes have been duly and validly authorized, and, when duly executed in the form and manner provided in the Program Resolution and the Supplemental Resolution, duly

authenticated by the Issuing and Paying Agent, and delivered and paid for, will constitute valid and binding general obligations of the State.

4. The Promissory Note has been duly and validly authorized, executed, and delivered, and to the extent an advance is made pursuant to the Liquidity Facility Agreement, will constitute a valid and binding general obligation of the State.
5. The full faith, credit and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Notes and the Promissory Note as they mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
6. The interest on the Notes is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), however, interest on the Notes is taken into account in determining adjusted current earnings. The State must comply with all requirements of the Internal Revenue Code that must be satisfied after the Notes are issued for interest to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause the interest on the Notes to be included in gross income for federal income tax purposes, in some cases retroactive to the date the Notes were issued. This letter expresses no opinion about other federal tax law consequences regarding the Notes.
7. The offer and sale of the Notes are not subject to registration with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and the Program Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended. We have not passed upon any matters pertaining to compliance with the Blue Sky laws of any state in connection with the offering and sale of the Notes.

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

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Offering Memorandum, dated December 8, 2005, or other offering material relating to the Notes (except to the extent, if any, stated in the Offering Memorandum), and we express no opinion relating thereto (except only the matters set forth as our opinion in the Offering Memorandum). However, in serving as bond counsel, nothing has come to our attention that would lead us to believe that the Offering Memorandum (except for the financial statements and other financial or statistical data included therein, as to which we express no view), as of the date of delivery of the Notes, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

This letter speaks as of its date. We assume no duty to change this letter to reflect any facts or circumstances that later come to our attention or any changes in law; however, unless otherwise notified by us, you may continue to rely on this opinion to the extent that (i) there is no change in pertinent existing state or federal law, (ii) the Program Resolution and the Supplemental Resolution, in the form in effect on the date hereof, remain in full force and effect, (iii) the representations, warranties, and covenants of the parties contained in the Liquidity Facility

Agreement, Issuing and Paying Agent Agreement, each Dealer Agreement, and certain certificates dated the date hereof and delivered by authorized officers of the State remain true and accurate and are complied with in all material respects, and (iv) no litigation affecting the issuance or validity of the Notes is pending or threatened at the time of delivery of any such instruments.

Very truly yours,

FOLEY & LARDNER LLP