



## STATE OF WISCONSIN

Notice of **Material Information** #2005-06  
Dated September 12, 2005

The obligations listed in this Notice **are subject to an undertaking to provide continuing disclosure made pursuant to SEC rule 15c2-12(b)(5)**. This document provides information that may be material to financial evaluation of the obligations; however, neither the preparation nor submission of this document constitutes a Listed Event pursuant to the State's Master Agreement on Continuing Disclosure.

**Issue:** State of Wisconsin  
Petroleum Inspection Fee Obligations

**CUSIP Numbers:** 977109, 97711U, and 97710E Prefix (All)

**Type of Information:** Rating Outlook Change/Other Secondary Market Information

**Summary:** Standard & Poor's has revised the long-term rating outlook on the State's petroleum inspection fee revenue bonds from "stable" to "negative". The bond rating is affirmed at AA-. The rating on the petroleum inspection fee revenue extendible municipal commercial paper is affirmed at A-1+ Attached is a **report issued by Standard & Poor's**.

**Type of Filing:** Filed in electronic form with each Nationally Recognized Municipal Securities Information Repository through DisclosureUSA. This notice is also available on the State of Wisconsin Capital Finance web site at:

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

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing Annual Reports and Notice of Material Events when notice is required by the State's Master Agreement on Continuing Disclosure. I am authorized to distribute this information publicly.

A handwritten signature in black ink, appearing to read "Frank R. Hoadley".

Frank R. Hoadley, Capital Finance Director  
State of Wisconsin Capital Finance Office  
Wisconsin Department of Administration  
101 East Wilson Street  
Madison, WI 53702  
Phone: (608) 266-2305  
Fax: (608) 266-7645

<b>STANDARD &amp; POOR'S</b>	<b>RATINGS DIRECT</b>
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## Research:

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### Summary: Wisconsin; Tax Secured, CP; Tax Secured, Gas Tax

**Publication date:** 01-Sep-2005  
**Primary Credit Analyst(s):** Peter Block, Chicago (1) 312-233-7040; [peter\\_block@standardandpoors.com](mailto:peter_block@standardandpoors.com)  
**Secondary Credit Analyst(s):** Robin Prunty, New York (1) 212-438-2081; [robin\\_prunty@standardandpoors.com](mailto:robin_prunty@standardandpoors.com)

### Credit Profile

#### AFFIRMED

\$170.250 mil. Wisconsin petroleum inspection fee rev bnds	AA-
\$140.470 mil. Wisconsin petroleum inspection fee rev bnds (FSA)	AAA/AA-(SPUR)
\$30.000 mil. Wisconsin petroleum inspection fee rev bnds 2001 ser A dtd 12/18/2001 due 07/01/2007-2008	AAA/AA-(SPUR)
\$142.300 mil. Wisconsin petroleum inspection fee rev extd muni comm pap	A-1+
\$62.300 mil. Wisconsin petroleum inspection fee rev extendible mun cml pap due 07/01/2020	A-1+

**OUTLOOK:** NEGATIVE

### ■ Rationale

The long-term rating outlook on the state of Wisconsin's petroleum inspection fee (PIF) revenue bonds has been revised to negative from stable following the impairment of pledged revenues by the state Legislature, resulting in reduced coverage of debt service. The negative outlook reflects the uncertainty as to whether or not the program will achieve adequate coverage to maintain the rating, which is a possibility, according to the state department of administration, which oversees the program.

The 'AA-' long-term rating has been affirmed and continues to reflect the stability and strength of the pledged revenue stream, consisting of a statewide, single-tax source that is relatively inelastic to economic cycles. The 'A-1+' rating on the PIF extendible municipal CP (EMCP) has been affirmed and reflects the general creditworthiness and historical market access of the PIF revenue bond program, the senior-lien status of EMCP interest, and bonding capacity sufficient to cover maturing EMCP principal.

Additional credit factors of the PIF revenue bond program include:

- The underlying strength of Wisconsin's diverse economy;
- Pro forma debt service coverage (DSC) of about 2.44x for fiscals 2009 through bond maturity assuming no growth in PIF revenues;
- Adequate legal provisions, including a 2x additional bonds test and a variable-rate bond take-out capacity test; and
- Strong oversight by the state of the Petroleum Environmental Clean-up Fund Award (PECFA) program and PIF debt program.

Pursuant to 2005 Assembly Bill 100, the legislature reduced PIFs by 1 cent/gallon to 2 cents/gallon from 3 cents/gallon, effective May 1, 2006. Based on the legislative fee reduction and a one-third reduction of projected 2005 PIF revenues of \$115 million, resulting coverage of MADS in 2007 under the state's additional bonds test formula is 1.8x in 2007. Estimates of MADS coverage before the legislative reduction of PIF revenues was 2.7x in 2007. The program has two large bond maturities in 2007 and 2008, which are currently depressing MADS coverage. The state department of administration has several options available to increase debt service coverage and has stated its

intention to do so, but not before January 2006. Options available include a partial debt restructuring or reduction of pay-as-you-go funding of remediation reimbursements of PECFA claims over the upcoming year in order to preserve cash and reduce debt service requirements.

## ■ Outlook

The negative outlook reflects the uncertainty as to whether or not the PIF revenue bond program will achieve adequate coverage to maintain the rating. If debt service coverage increases to levels that support the rating, the outlook will be revised to stable. However, a downgrade could occur if debt service coverage remains impaired.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

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