

OFFERING MEMORANDUM

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

STATE OF WISCONSIN GENERAL OBLIGATION EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

<u>Not Subject to AMT</u>			<u>Subject to AMT</u>
2000 Series A	2000 Series B	2000 Series C	2005 Series A
2002 Series A	2004 Series A	2006 Series A	
Note Ratings	As of the date of this Offering Memorandum, the following rating agencies have provided these ratings on the Notes— <i>See page 6.</i> 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, for Notes shown above as not being subject to AMT, is not an item of tax preference for federal income tax purposes. Interest on all Notes is subject to State of Wisconsin income and franchise taxes— <i>See page 8.</i>		
Original Maturity Date	From 1 to 180 days from the original issue date of each Note.		
Extended Maturity Date	On the Original Maturity Date of a Note, the State has the option to extend the maturity date to the date that is 270 days after the original issue date. The option to extend the maturity date exists solely in case there is a disruption in market liquidity for the Notes— <i>See pages 4-5.</i>		
Interest Payment Dates	Interest on each Note is payable on the Original Maturity Date. However, if the maturity date is extended, then interest is not payable on the Original Maturity Date but on the first Business Day of either the first or second month after the Original Maturity Date and then on a monthly basis and on any redemption date or the Extended Maturity Date— <i>See pages 4-5.</i>		
Redemption	A Note is not subject to redemption prior to its Original Maturity Date. If the maturity date of a Note is extended, then it is subject to redemption in whole but not in part, at the option of the State, prior to the Extended Maturity Date— <i>See page 5.</i>		
Security	The Notes are general obligations of the State of Wisconsin— <i>See pages 3-4.</i>		
Rule 2a-7 Compliance	Wilmer Cutler Pickering Hale and Dorr LLP provided a memorandum on December 21, 2005 to the State and Dealers that analyzed the structure of the Notes in light of the maturity requirements of Rule 2a-7 under the Investment Company Act of 1940. Based upon the analysis in that memorandum, the maturity requirements of Rule 2a-7 would not preclude a money market fund from determining that the Notes are eligible securities under Rule 2a-7. Each investor must make its own determination that the Notes are eligible securities— <i>See page 6.</i>		
Purpose	Proceeds of the Notes are used for various governmental purposes— <i>See page 3.</i>		
Denominations	\$100,000 and \$1,000 increments above \$100,000		
Dealers	Goldman, Sachs & Co. Merrill Lynch, Pierce, Fenner & Smith Incorporated		
Bond Counsel	Foley & Lardner LLP		
Issuing and Paying Agent	U.S. Bank Trust National Association		
Issuer Contact	Wisconsin Capital Finance Office (608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov		
Book-Entry Form	The Depository Trust Company— <i>See pages 6-7.</i>		
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, 2005.		

The State has authorized this document 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

Voting Members	Term of Office Expires
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
Nonvoting, Advisory Members	
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	_____
Mr. Dave Haley, State Chief Architect Department of Administration	_____
Building Commission Secretary	
Mr. Robert G. Cramer, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and 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
Telefax (608) 266-7645
DOACapitalFinanceOffice@wisconsin.gov

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Mr. David R. Erdman
Capital Finance Officer
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OFFERING MEMORANDUM
STATE OF WISCONSIN
GENERAL OBLIGATION
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER

<i>Not Subject to Alternative Minimum Tax (AMT)</i>			<i>Subject to AMT</i>
2000 Series A	2000 Series B	2000 Series C	2005 Series A
2002 Series A	2004 Series A	2006 Series A	

INTRODUCTION

This Offering Memorandum provides information about the General Obligation Extendible Municipal Commercial Paper (**Notes**) issued by the State of Wisconsin (**State**). The Notes are designated by series, based upon the date or dates of their initial issuance.

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 Extendible Municipal Commercial Paper that the State of Wisconsin Building Commission (**Commission**) adopted on June 28, 2000 and amended on July 30, 2003 and March 4, 2004 (**Program Resolution**), and by specific **Supplemental Resolutions** adopted from time to time by the Commission.

The initial issuance of a new series of Notes is expected to occur on February 9, 2006 (**2006 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 additional Notes are referred to as **roll-over Notes**). Roll-over Notes are given the same series designation as the Notes that they pay. The State may also increase the principal amount of Notes outstanding through additional initial issuances.

With respect to 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 notices provided pursuant to the undertaking (all of which are incorporated by reference into this Offering Memorandum). The Annual Report most recently published before the date of this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 (**2005 Annual Report**). Parts I, II, and III of the 2005 Annual Report are expressly referred to in 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 about the State, its financial condition, and its general obligations is included as **APPENDIX A**, which includes by reference Parts II and III of the 2005 Annual Report. **APPENDIX A** also includes any changes or additions to Parts II and III of the 2005 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
Web site: www.doa.wi.gov/capitalfinance

THE PROGRAM

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

The State has appointed Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated 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, Pierce, Fenner & Smith Incorporated
<i>Address:</i>	85 Broad Street, FLR 29 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 U.S. Bank Trust National Association to serve as **Issuing and Paying Agent** for the Notes. Inquiries to the Issuing and Paying Agent may be directed to:

Contact: U.S. Bank Trust National Association
Address: 100 Wall Street, Suite 1600
New York, NY 10005
Phone: (212) 361-2893
Telefax: (212) 509-3384
E-mail: beverly.freeney@usbank.com

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

Authorized Notes

The initial issuance of the 2006 Series A Notes will be the seventh initial issuance of Notes. The table on the following page 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:

Series Designation of Notes	Principal Amount	Outstanding Principal Amount (February 3, 2006)	Date of Authorizing Resolution	Date of Initial Issuance
<i>Not Subject to AMT</i>				
2000 Series A	\$125,000,000	\$40,970,000	6/28/2000	8/8 to 11/6/2000
2000 Series B	93,430,000	54,515,000	6/28/2000	8/8/2000
2000 Series C	80,390,000	58,981,000	10/24/2000	11/16/2000
2002 Series A	41,670,000	32,530,000	6/20/2001 and 8/8/2001	2/5/2002
2004 Series A	100,000,000	93,675,000	10/15/2003, as amended on 11/19/2003	3/2/2004
2006 Series A	161,905,000 ^(a)	N/A	12/7/2005	2/9/2006 ^(a)
<i>Subject to AMT</i>				
2005 Series A	61,000,000	61,000,000	12/21/2005	12/29/2005

^(a) Preliminary; subject to change.

The State expects to issue roll-over Notes to provide for payment of maturing Notes. Under the Program Resolution, the Commission may 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 2006 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 the fiscal policies of the State.

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

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

Description of the Notes

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

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

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

Extension of Maturity Date

The State will notify the Issuing and Paying Agent by 12:30 p.m. (New York time) on the Original Maturity Date if the maturity date of a Note is to be extended. The Issuing and Paying Agent will then by 1:00 p.m. (New York time) on such date contact DTC and provide notice that the maturity date of the Note is being extended. It is the responsibility of DTC, and not the State, to provide notice to DTC’s Direct Participants. Notwithstanding the foregoing, if payment of the principal of and interest on a Note does not occur on its Original Maturity Date, the maturity of such Note shall be deemed to be extended to its Extended Maturity Date. In no event shall an extension of a maturity for a Note constitute a default or breach of any covenant in the Program Resolution or the Authorizing Resolutions.

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

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

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

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

The Note will bear interest from the Original Maturity Date at the **Reset Rate**. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed (actual/actual basis) and will be payable first on the date described above and thereafter, on the first Business Day of each month and on any redemption date or the Extended Maturity Date.

The Reset Rate will be a rate of interest per annum determined by the following formula:

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

As used in the formula, the *BMA* variable will be The Bond Market Association Municipal Swap Index, which is calculated weekly and released each Wednesday afternoon, effective Thursday. The *E* variable will be a fixed percentage rate expressed in basis points that is determined based on the ratings assigned to the Notes (**Prevailing Ratings**), as follows:

<u>Prevailing Ratings</u>			
<u>Fitch Ratings</u>	<u>Moody's Investors Service, Inc.</u>	<u>Standard & Poor's Ratings Services</u>	<u>E Variable</u>
F1+	P-1	A-1+	100 basis points
F1	–	A-1	150
F2	P-2	A-2	200
F3	P-3	A-3	300
Lower than F3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400

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

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

Redemption of Notes

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

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

Rule 2a-7 Compliance

Wilmer Cutler Pickering Hale and Dorr LLP provided a memorandum on December 21, 2005 to the State and Dealers that analyzed the structure of the Notes in light of the maturity requirements of Rule 2a-7 under the Investment Company Act of 1940. Based on the analysis in that memorandum, the maturity requirements of Rule 2a-7 would not preclude a money market fund from determining that the Notes are eligible securities under Rule 2a-7. Each investor must make its own determination that the Notes are eligible securities.

Ratings

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. ⁽¹⁾
A-1+	Standard & Poor's Ratings Services ⁽²⁾

⁽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".

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. ⁽¹⁾
AA-	Standard & Poor's Ratings Services ⁽²⁾

⁽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.

Acceleration Upon Default in Payment

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

Book-Entry 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 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. 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.

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 of 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 2006 Series A Notes on February 9, 2006 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**. A similar opinion (except as the opinion related to the applicability of the federal alternative minimum tax) was delivered by Bond Counsel with respect to, and at the time of, each prior initial issuance of Notes.

As required by law, the Attorney General will examine a certified copy of all proceedings leading to issuance of the 2006 Series A Notes. The Attorney General will deliver an opinion on the regularity

and validity of the proceedings. A similar opinion was delivered by the Attorney General 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. For Notes shown on the cover as not being subject to AMT, 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 shown on the cover as not being subject to AMT 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.

With respect to each series of Notes, the respective opinions of Bond Counsel described above speak only as of the dates of initial issuance of those Notes. The opinion delivered in connection with the issuance of the 2006 Series A Notes does not address any matters relating to other series of Notes.

State of Wisconsin Income and Franchise Taxes

Interest on all series of 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.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Notes, to provide an Annual Report presenting certain financial information and operating data about the State. By about December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any state information depository (**SID**) for the State. 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. At this time, there is no SID for the State. Part I of the 2005 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
www.doa.wi.gov/capitalfinance

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

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

Dated: February 3, 2006

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, 2005 (**2005 Annual Report**) are included by reference as part of this APPENDIX A.

[Part II of the 2005 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 2004-05
- State budget
- Potential effects of litigation
- 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 2005 Annual Report](#) are the audited general purpose external financial statements for the fiscal year ending June 30, 2005, prepared in conformity with generally accepted accounting principles (**GAAP**) for governments as prescribed by the Government Accounting Standards Board, and the State Auditors' report.

[Part III of the 2005 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 2005 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 2005 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

Copies of the 2005 Annual Report may be obtained from:

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Department of Administration
101 East Wilson Street, FLR 10
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After publication and filing of the 2005 Annual Report, certain changes or events have occurred that affect items discussed in the 2005 Annual Report. Listed below, by reference to particular sections of Parts **II** and **III** of the 2005 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–Pages 29-31). Add the following:

LFB Projected General Fund Tax Collections and General Fund Balance

On January 19, 2006, the Legislative Fiscal Bureau (LFB) released a memorandum that contained projections of General Fund tax collections for the 2005-07 biennium, re-estimates of departmental revenues and expenditures for the 2005-07 biennium, and projected gross ending General Fund balance at the end of the 2005-07 biennium. A complete copy of the January 19, 2006 LFB memorandum [appears on pages A-4 to A-16 of this Offering Memorandum](#).

The projected gross ending General Fund balance of \$107 million for the 2005-07 biennium (June 30, 2007) is approximately \$93 million more than the balance that was included in the October 18, 2005 LFB memorandum, which addressed changes to the General Fund condition statement as a result of the Annual Fiscal Report for the 2004-05 fiscal year. The difference is the result of:

- An increase of \$46 million in estimated tax collections.
- An increase of \$3 million in estimated department revenues.
- An increase of \$76 million in estimated lapses to the General Fund.
- An increase of \$32 million in sum sufficient appropriation expenditures.

The January 19, 2006 LFB memorandum identifies two items regarding the General Fund projections and re-estimates. First, the projected ending General Fund balance continues to assume that, during the 2005-07 biennium, the State will receive \$104 million of tribal gaming payments that were due from tribal governments in the 2003-05 biennium. On February 1, 2006, the State received payment of nearly \$44 million from one tribal government. This payment, due in the 2003-05 biennium, resulted from an agreement announced in October 2005 regarding that tribal government's gaming compact. Second, the Medical Assistance Trust Fund is projected to experience a shortfall of \$77 million during the 2005-07 biennium. The Legislature has not made any appropriations to address this shortfall, and therefore the projected shortfall is not incorporated into the projected General Fund balance.

The following reflects the estimated General Fund condition statement for the 2005-06 and 2006-07 fiscal years, as included in the LFB memorandum. The following also includes, for comparison, the estimated General Fund condition statements that were included in the October 18, 2005 LFB memorandum.

General Fund Condition Statement
2005-06 and 2006-07 Fiscal Years
(in Millions)

	January 19, 2006		October 18, 2005	
	LFB Memorandum		LFB Memorandum	
	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
Revenues				
Opening Balance	\$ 4.1	\$ 0.4	\$ 4.1	\$ 8.5
Taxes	11,949.6	12,560.0	11,957.1	12,506.8
Department Revenues				
Tribal Gaming	118.6	86.3	118.6	86.3
Other	<u>685.9</u>	<u>505.6</u>	<u>674.8</u>	<u>513.6</u>
Total Available	12,758.2	13,152.4	12,754.6	13,115.3
Appropriations				
Gross Appropriations	12,696.2	13,192.6	12,681.2	13,176.2
Compensation Reserves	90.1	178.3	90.1	178.3
Transfers to Medical Assistance Trust Fund	290.5		290.5	
Less: Lapses	<u>(318.9)</u>	<u>(325.2)</u>	<u>(315.6)</u>	<u>(252.9)</u>
Net Appropriations	12,757.8	13,045.7	12,746.1	13,101.6
Balances				
Gross Balance	0.4	106.7	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	\$ (64.6)	\$ 41.7	\$ (56.5)	\$ (51.3)

General Fund Information; General Fund Cash Flow (Part II–Pages 40-48). Update with the following:

The tables starting on page A-17 of this Offering Memorandum provide updates to various tables containing General Fund information that are presented on either a cash basis or agency recorded basis. These tables do not reflect the projections included in the January 19, 2006 LFB memorandum and, unless noted, contain information through December 31, 2005.

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. The 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, then the Legislature must take actions to balance the budget in the succeeding fiscal year.



Legislative Fiscal Bureau

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

January 19, 2006

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

Dear Senator Fitzgerald and Representative Kaufert:

In January of each year, this office conducts a review of the status of the state's general fund and presents its findings to the Legislature. In even-numbered years, the analysis includes an examination of economic forecasts and tax collection and expenditure data for the first six months of the current fiscal year, and projections for each fiscal year of the current biennium. We have now completed our review.

Based upon our analysis, we project the closing gross general fund balance at the end of the biennium to be \$106.7 million. This is \$93.0 million above the \$13.7 million balance that was indicated in my October 18, 2005, memorandum to the Joint Committee on Finance following release of the 2004-05 Annual Fiscal Report.

The \$93.0 million is the net result of an increase in estimated tax collections of \$45.7 million, an increase in departmental revenues of \$3.2 million, an increase of \$31.5 million in sum sufficient appropriation expenditures (primarily in the homestead tax credit program and tax reciprocity agreements with Minnesota and Illinois), and an increase in estimated lapses to the general fund of \$75.6 million. The increase in the lapse estimate is due mainly to projected GPR underspending in the medical assistance (MA) program.

Although the gross balance is shown as \$106.7 million, it should be noted that the required statutory balance is \$65 million. Thus, the net balance at the end of the biennium (June 30, 2007) is projected to be \$41.7 million.

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

TABLE 1

2005-07 General Fund Condition Statement

	<u>2005-06</u>	<u>2006-07</u>
Revenues		
Opening Balance, July 1	\$4,111,000	\$408,700
Taxes	11,949,600,000	12,560,000,000
Departmental Revenues		
Tribal Gaming	118,628,600	86,349,100
Other	<u>685,850,200</u>	<u>505,645,700</u>
Total Available	\$12,758,189,800	\$13,152,403,500
Appropriations, Transfers, and Reserves		
Gross Appropriations	\$12,696,202,600	\$13,192,596,600
Compensation Reserves	90,054,100	178,302,800
Transfers to Medical Assistance Trust Fund	290,449,000	0
Less Lapses	<u>-318,924,600</u>	<u>-325,212,100</u>
Net Appropriations	\$12,757,781,100	\$13,045,687,300
Balances		
Gross Balance	\$408,700	\$106,716,200
Less Required Statutory Balance	<u>-65,000,000</u>	<u>-65,000,000</u>
Net Balance, June 30	-\$64,591,300	\$41,716,200

As Table 1 indicates, the gross balance at the end of the biennium is projected to be \$106.7 million. There are, however, two items (tribal gaming revenues and medical assistance) that should be noted regarding the condition statement.

Tribal Gaming Revenues. Under 2005 Act 25 (the 2005-07 budget act), the tribal gaming revenue projections include \$60.0 million (\$30.0 million annually) in payments by the Ho-Chunk Nation that were due in the 2003-05 biennium. These payments have not yet been made to the state. However, Table 1 assumes the payments will be received as \$30.0 million annual payments in 2005-06 and in 2006-07. The state payments by the Ho-Chunk are currently in dispute and an arbitrator has been appointed to settle the matter under binding arbitration provisions contained in the 2003 compact amendments.

In addition, the tribal gaming revenue projections of Table 1 include \$43.6 million in 2005-06 to reflect that a scheduled 2004-05 payment in this amount by the Forest County

Potawatomi was not made by June 30, 2005, and is expected to be remitted to the state in 2005-06.

Medical Assistance. It is estimated that the amount of GPR funding that is currently budgeted to support MA benefits will exceed projected costs of the program by \$63.6 million in 2005-07. Because of the biennial nature of the MA benefits appropriation, the \$63.6 million is included in the estimated lapses of Table 1 in 2006-07. The projected lapse is primarily due to lower spending for managed care capitation payments and lower caseload than had been estimated in the 2005-07 budget.

On the other hand, it is now estimated that the segregated MA trust fund will experience a shortfall of \$76.7 million in the biennium. The projected shortfall in the MA trust fund reflects: (a) the Governor's partial vetoes in Act 25, which reduced revenue to the trust fund compared to the bill passed by the Legislature (-\$60.2 million); (b) reestimates of revenue the state will receive by billing MA for treatment services residential care centers provide to certain children (-\$16.7 million); and (c) other revenue reestimates (\$0.2 million).

If funds are transferred from the general fund to offset the MA trust fund deficit, the balance shown in Table 1 would need to be reduced by a corresponding amount. For example, if the entire deficit in the MA trust fund were to be eliminated by transfer from the general fund, the \$106.7 million gross balance of Table 1 would be reduced to \$30.0 million and the net balance would be -\$35.0 million.

General Fund Taxes

The following section provides information on general fund tax revenues for the 2005-07 biennium, including a discussion of the national economic forecast for 2006 and 2007 and general fund tax revenue projections for fiscal years 2005-06 and 2006-07.

National Economic Forecast. This office first prepared revenue estimates for the 2005-07 biennium in January, 2005, based on the January, 2005, forecast of the U.S. economy by Global Insight, Inc. At that time, positive economic growth was expected to continue in 2005, 2006, and 2007, although at a slower pace than that of 2004. The primary risk to the forecast was that the economy's excess production capacity was less than estimated, which would lead to an acceleration in inflation and interest rates and a lower level of economic growth.

In May, 2005, this office revised its 2005-07 revenue estimates upward by approximately 1%. The revision was based on 2004-05 tax collections through April, 2005, and on more recent economic forecasts. The May forecast by Global Insight, Inc. projected higher levels of inflation and nominal (current-dollar) personal income, consumption, and corporate profits than the January forecast. Due to the increased inflation, the level of nominal gross domestic product (GDP) was also estimated to be higher than in January. However, the estimate of real (inflation-

adjusted) GDP was reduced from the January projections. In May, growth in nominal GDP for 2004 was reported at 6.6% and growth was projected to be 6.1% in 2005, 5.1% in 2006, and 5.0% in 2007. As in the January, 2005, forecast, the primary risk was that the economy's spare capacity was less than estimated.

Despite unusually severe hurricanes and high energy prices, the economy continued to expand throughout 2005. The third quarter was especially strong, with nominal GDP growth of 7.6% and real growth of 4.1%, but it is believed that growth slowed in the fourth quarter following the hurricanes and the spike in gas prices. Auto sales also decreased considerably in the fourth quarter following solid sales during the summer. Fourth quarter growth in nominal GDP is estimated at 5.4% and real growth is estimated at 3.1%. For the entire year, nominal GDP growth is estimated at 6.4% and real growth is estimated at 3.6%. Both of these growth rates are slightly higher than projected last May. Growth in personal consumption was also higher than forecast, while growth in personal income and corporate profits was slightly lower than projected. With the high energy prices, the consumer price index (CPI) was 0.5% higher than anticipated last May. Last year was the fourth consecutive year of economic growth following the recession of 2001.

In the near-term, the current (January, 2006) economic forecast by Global Insight, Inc. anticipates stronger overall growth than at the end of 2005 due to reconstruction activity in the Gulf states and a recovery in energy production that was hindered by the hurricanes. The forecast anticipates that federal government spending in response to the storms will total \$110 billion over the next several years. The forecast also assumes an additional 150,000 housing starts to replace homes destroyed by the hurricanes. In the first quarter of 2006, nominal GDP growth is projected to be 6.9% and real growth is projected to be 3.8%.

Growth is expected to moderate beginning in the second quarter as the housing market cools and consumers continue to face high energy prices. However, these negative impacts are expected to be cushioned by increased business spending. Nominal GDP growth is estimated at 5.6% for the second quarter of 2006, and approximately 5.0% for the last six months of the year. Nominal growth is expected to fluctuate between 4.4% and 5.0% throughout 2007. On an annualized basis, nominal GDP is expected to increase by 6.0% in 2006 and 4.8% in 2007. Real GDP is expected to show a similar pattern, with growth of 3.8% in the first quarter, approximately 3.0% over the remainder of 2006, and slightly lower in 2007. Annual growth is estimated at 3.4% for all of 2006 and 2.7% for 2007. The 2006 growth rates are higher than forecast last May, and the 2007 growth rates are slightly lower.

Gasoline prices increased steadily during the first half of 2005 and then spiked in September following the Gulf hurricanes. National average prices fell in the fourth quarter (from \$2.63 per gallon to \$2.51 per gallon) and are expected to decrease again in the first quarter of 2006 (to \$2.29 per gallon). Prices are forecast to stay within the range of \$2.20 to \$2.30 per gallon for the remainder of 2006 and 2007. Natural gas prices are expected to remain high during the first quarter of 2006 (nearly double last year's prices) and then decline significantly

beginning in the second quarter. However, even with these anticipated price decreases, gasoline and natural gas will be significantly more expensive than in 2004 and earlier years.

The high energy prices resulted in a higher level of overall inflation in 2005 than was forecast last May. The CPI increased by 3.4% in 2005, which was 0.5% higher than the May forecast. The CPI is expected to increase by 2.6% in 2006 and 1.8% in 2007. These figures are higher than the May estimates by 0.6% in 2006 and lower by 0.1% in 2007. The larger inflation estimate for 2006 reflects the continued high energy prices; however, as energy prices fall and overall economic growth slows somewhat, lower levels of inflation are forecast for 2007. Core inflation (excluding food and energy) is expected to show the opposite pattern--slightly lower growth in 2005 followed by slightly higher levels in 2006 and 2007-- as producers pass their increased energy costs forward to consumers.

Last December, the Federal Reserve increased the federal funds rate by 25 basis-points (from 4.0% to 4.25%). This was the thirteenth such increase since the Federal Reserve began raising rates in June, 2004. The forecast assumes that two more quarter-point increases will occur by the end of March, 2006, followed by an extended pause. In its statement accompanying the December increase, the Federal Reserve no longer described monetary policy as "accommodative" and no longer stated that rates would be raised at a "measured pace." In addition, Federal Reserve officials noted that robust competition, including from foreign producers, was helping contain cost and price pressures. The forecast assumes that the Federal Reserve now believes interest rates are in a "neutral" area and that future increases will be more intermittent.

Also regarding interest rates, the yield curve inverted at the end of 2005 as the yield on 10-year Treasury notes fell slightly below the yield on two-year notes. Normally, the yield on long-term bonds exceeds that of short-term bonds because investors expect to be compensated for committing their money for a longer period of time. This results in an upward-sloping yield curve. An inverted (downward-sloping) yield curve indicates that investors believe interest rates will fall in future years, and is often followed by a recession. Global Insight, Inc. believes that the yield curve is a cause for concern, but notes that the inversion was very modest and brief (the slope became positive again in early January). Also, in previous instances when an inverted yield curve was followed by a recession, real short-term rates were at least 4%, reflecting very tight monetary policy. This is not the case today, as real short-term rates are just above 2%. With current monetary policy more in the accommodative or neutral range, Global Insight, Inc. does not believe the inverted yield curve was signaling the beginning of a recession.

As noted, after several years of very strong growth, the housing market is expected to cool in 2006 and 2007. Housing continued to be a positive factor in the economy during 2005, with stable mortgage interest rates and significant price increases throughout most of the year. Housing starts reached 2.1 million units in 2005, which was one of the best years on record. However, mortgage rates rose by about 0.5% in the fourth quarter of 2005 and are expected to continue increasing throughout 2006 and 2007. With the higher interest rates and a larger

inventory of unsold homes, it is expected that the big price increases of recent years will slow significantly. Prices are not expected to fall, but increases are anticipated to be below the overall rate of inflation for the next several years. Even with rebuilding in the areas affected by the hurricanes, housing starts are estimated to decrease by 8.8% in 2006 and 4.5% in 2007. The reduced housing activity is expected to lead to lower expenditures for furniture and appliances, and the slower pace of appreciation in home values will make it more difficult for families to use housing gains as a means of financing consumption.

Personal income growth is estimated at 5.4% in 2005, which was slightly below last May's forecast of 5.6%. Wage and salary disbursements were somewhat higher than estimated last May, but proprietors' income and rental income were significantly lower than anticipated. Personal income growth is projected to be 6.0% in 2006 and 5.8% in 2007. These estimates are higher than the May projections by 0.3% and 0.5%, respectively. The increased personal income estimates reflect slightly higher levels of employment and wages compared to the May figures. In addition, the growth in non-wage income from business activities and investments is forecast to be stronger than anticipated last May. Employment growth is estimated at 1.6% in 2005, the same growth rate forecast last May. Total employment is projected to grow by 1.5% in 2006 and 1.4% in 2007. These figures are higher than the May estimates by 0.1% in 2006 and 0.5% in 2007. Areas of strength include mining, professional and business services, and health care. Manufacturing employment is expected to weaken slightly, with declines of 0.3% in 2006 and 1.0% in 2007. With the higher overall job levels, the unemployment rate is expected to be slightly below 5% in 2006 and 2007, a decrease of 0.3% in each year compared to the May forecast.

Personal consumption expenditures grew by an estimated 6.4% in 2005, which was 0.6% more than forecast last May. However, the sectors showing the strongest growth were energy-related and generally exempt from the state sales tax. For example, purchases of natural gas and gasoline and oil grew by nearly 25%, and purchases of fuel oil and coal grew by almost 20%. Sales of other generally nontaxable items also showed strong growth, with purchases of food for home consumption increasing by 7.7% and purchases of services increasing by 6.1%. Purchases that generally are taxable (durable goods and other types of nondurable goods) grew more slowly at 4.9%. Expenditures for cars, light trucks, and other vehicles showed no growth from 2004, which was also a weak year.

It is anticipated that overall consumption growth will slow in 2006 and 2007 due to higher interest rates and a slower housing market, which will put downward pressure on sales of durable goods. Total personal consumption expenditures are estimated to increase by 5.5% in 2006 and 5.0% in 2007. Although these amounts are lower than the growth experienced in 2005, they are somewhat higher than last May's estimates. Spending for natural gas is expected to again increase by almost 25% in 2006, due to much higher prices this winter, but then decline by 13% in 2007 as production recovers and prices fall. Gasoline expenditures are anticipated to increase by about 1% in each year, and outlays for fuel oil and coal are expected to fall by 3.6% in 2006 and 10.4% in 2007. Services expenditures are again expected to increase more rapidly than

overall consumption, with growth of 6.5% in 2006 and 5.7% in 2007. Sales of durable goods and non-durable goods, excluding food and energy, are expected to grow by 4.0% in 2006 and 4.8% in 2007. The higher growth rate in 2007 reflects improved motor vehicle sales following several weak years dating back to 2003.

Business investment was an area of strength in the economy in 2005, and is expected to continue to show robust growth in 2006 and 2007. Corporations have large cash reserves after several years of exceptionally strong profits, and businesses are continuing to realize high returns on investments in information technology. It is estimated that business fixed investment increased by 11.0% in 2005, and it is projected that investment growth will be 12.3% in 2006 and 6.1% in 2007. The largest gains are anticipated in manufacturing plants and, in 2006, mining and petroleum, as facilities damaged by Hurricane Katrina are restored. Continued high levels of investment in information processing are also expected. As consumers scale back somewhat, the share of GDP represented by business investment is forecast to increase from approximately 10% in recent years to 11.3% in 2006 and 11.4% in 2007.

As noted, corporate profits have been quite strong, with double-digit growth in each year since 2002. In 2005, profits increased by an estimated 16.1%. An important factor in the recent profit growth has been productivity gains. Since 2002, manufacturing output per hour has increased by an average of 6% per year. Strong profit growth is also projected for 2006 (15.6%) followed by a decline in 2007 (-0.7%). The decrease in 2007 reflects a slowing economy and anticipated increases in wages and other business costs as additional capacity is utilized and productivity gains diminish. The reduced rate of growth in consumer purchases and the slower housing market are expected to negatively impact demand and industrial production. However, it is anticipated that these factors will be offset by growth in business investment and government expenditures. Public expenditures are expected to increase because of hurricane-related rebuilding projects, the federal highway bill, and improved state and local revenue collections nationwide.

The U.S. trade deficit (exports minus imports) has been increasing steadily for several years, and reached \$804 billion in the fourth quarter of 2005. Exports grew by approximately 11% in 2005, while imports rose by 13%. A significant factor in the growth of imports was the high price of oil. In addition, the dollar rose throughout 2005 relative to currencies of the nation's major trading partners, which contributed to the increased trade deficit. It is anticipated that the dollar will weaken considerably throughout 2006 and 2007, as the Federal Reserve discontinues regular interest rate increases and foreign central banks act to tighten monetary policy. A weaker dollar hurts consumers in this country but makes U.S. products more affordable in foreign markets. It is expected that the lower dollar will lead to some improvement in the trade deficit, but continued high oil prices will prevent more significant reductions.

Global Insight, Inc. has also prepared two alternative forecasts, one more optimistic and the other more pessimistic than the baseline forecast. In the optimistic scenario, which is assigned a probability of 20%, productivity growth and foreign economic growth are stronger and

energy prices are lower than under the baseline forecast. These factors lead to lower levels of inflation and interest rates and to increased domestic production, investment, and housing starts. The federal budget deficit is also lower than under the baseline forecast due to increased tax revenues and lower expenditures for transfer payments and interest. Under this alternative forecast, real GDP growth is higher by 0.8% in 2006 and 1.0% in 2007.

Under the pessimistic alternative (25% probability), there is less excess capacity in the global economy than estimated under the baseline forecast and the dollar falls more rapidly relative to foreign currencies. As a result, productivity gains are lower and inflation is significantly higher. The acceleration in inflation leads the Federal Reserve to adopt additional interest rate increases, which contribute to significant declines in home values and a reduction in overall economic activity. The federal budget deficit is also higher than under the baseline forecast. The economy does not go into a recession under this scenario, but real GDP growth is lower than the baseline by 0.6% in 2006 and 1.2% in 2007.

Table 2 shows a summary of national economic indicators drawn from the January, 2006, forecast by Global Insight, Inc.

TABLE 2

**Summary of National Economic Indicators
Global Insight, Inc., January, 2006
(\$ in Billions)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Nominal Gross Domestic Product	\$11,734.3	\$12,488.7	\$13,242.4	\$13,876.9
Percent Change	7.0%	6.4%	6.0%	4.8%
Real Gross Domestic Product	10,755.7	11,144.9	11,526.6	11,839.7
Percent Change	4.2%	3.6%	3.4%	2.7%
Consumer Price Index	2.7%	3.4%	2.6%	1.8%
Personal Income	9,713.3	10,234.7	10,849.6	11,480.3
Percent Change	5.9%	5.4%	6.0%	5.8%
Personal Consumption Expenditures	8,214.3	8,741.2	9,222.0	9,684.6
Percent Change	6.5%	6.4%	5.5%	5.0%
Economic Profits	1,161.5	1,348.4	1,558.7	1,548.4
Percent Change	12.6%	16.1%	15.6%	-0.7%
Unemployment Rate	5.5%	5.1%	4.8%	4.9%

General Fund Tax Projections. Table 3 shows our revised estimates of general fund tax revenues for the 2005-07 biennium, which are based on tax collections to date and the January, 2006, forecast of the U.S. economy by Global Insight, Inc. The estimates reflect all of the tax law changes adopted in Act 25 and other enacted legislation.

TABLE 3

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

Source	2004-05 Actual	Budget Estimates (Act 25)		Revised Estimates January, 2006	
		2005-06	2006-07	2005-06	2006-07
Individual Income	\$5,650.1	\$6,144.5	\$6,502.8	\$6,025.0	\$6,405.0
General Sales and Use	4,038.7	4,181.6	4,358.1	4,181.6	4,358.1
Corporate Income & Franchise	764.1	683.3	670.2	770.0	785.0
Public Utility	254.4	267.5	281.1	257.9	283.4
Excise					
Cigarette	294.3	287.8	286.8	296.5	294.7
Liquor and Wine	39.5	40.8	41.6	42.4	43.5
Tobacco Products	15.8	16.5	17.4	16.1	16.4
Beer	9.8	9.6	9.6	9.9	10.0
Insurance Company	129.8	131.0	137.7	135.0	142.4
Estate	112.4	105.0	110.0	124.0	130.0
Miscellaneous Taxes	87.7	89.5	91.5	91.2	91.5
TOTAL	\$11,396.6	\$11,957.1	\$12,506.8	\$11,949.6	\$12,560.0
Change from Prior Year					
Amount		\$560.5	\$549.7	\$553.0	\$610.4
Percent		4.9%	4.6%	4.9%	5.1%

As shown in Table 3, general fund tax revenues are estimated to total \$11,949.6 million in 2005-06 and \$12,560.0 million in 2006-07. These amounts are lower than the Act 25 estimates by \$7.5 million in the first year and higher by \$53.2 million in the second year, for a net increase of \$45.7 million. The estimates for the corporate income and franchise tax, cigarette tax, and estate tax have been revised upward significantly, while the projections for the individual income tax have been reduced. The general sales and use tax estimates were not changed from the May figures, and small increases are estimated for most of the other tax sources.

Individual Income Tax. Individual income tax revenues are currently estimated at \$6,025.0 million in 2005-06 and \$6,405.0 million in 2006-07. The current estimates are lower than the Act 25 estimates by \$119.5 million in the first year and \$97.8 million in the second year.

The revised estimates reflect growth of 6.6% in 2005-06 and 6.3% in 2006-07. It should be noted, however, that the growth rate for 2005-06 is affected by a change in the state's accounting mechanism regarding accrued tax revenues in 2004-05 that led to a one-time reduction in income tax revenues of approximately \$50 million in 2004-05. The projected growth in income tax revenues for 2005-06 would reflect a 5.7% increase over 2004-05 in the absence of this accounting change.

The decrease in the current estimates, compared to Act 25, is primarily related to changes in projected growth in the taxable components of personal income. Taxable personal income excludes nontaxable government transfer payments, fringe benefits, and certain other types of nontaxable income. Based on the May, 2005, Global Insight, Inc. forecast, while national personal income growth was estimated at 5.6% in 2005 and 5.7% in 2006, the taxable portion was estimated at 5.3% and 5.6% for the two years, respectively. The current estimates for national personal income growth, which are 5.4% in 2005 and 6.0% in 2006, include growth in taxable income of 4.8% in 2005 and 5.9% in 2006. These projected growth rates for taxable personal income are 0.5% lower in 2005 and 0.3% higher in 2006 than the May estimates. While the growth rate in the second year is currently projected to be higher than was the case last May, the net result of the reduced first-year growth is a reduction in estimated individual income tax revenues in each of the two fiscal years.

The current projection of 5.7% growth in individual income tax revenues in 2005-06 (after taking into account the effect of the change in the accrual process, mentioned above), is consistent with withholding tax collections to date for the fiscal year. As of early January, which includes collections made at the end of December but not processed until the start of January, growth in withholding collections over the same period in the prior fiscal year was 5.7%.

General Sales and Use Tax. In 2004-05, state sales and use tax collections were \$4,038.7 million, which was a 3.6% increase over the prior year. Under Act 25, state sales and use tax revenues were estimated at \$4,181.6 million in 2005-06 and \$4,358.1 million in 2006-07, representing growth of 3.5% and 4.2% for the two years, respectively. Based on current projections of taxable personal consumption expenditures and on year-to-date tax collections, no change has been made to the Act 25 sales and use tax estimates.

It should be noted that state sales tax revenues could be affected by a case pending before the Court of Appeals with respect to the taxability of computer software. While pre-written computer software is subject to the state sales tax on tangible personal property, sales of custom computer software are exempt. In the case Menasha Corporation v. Wisconsin Department of Revenue (DOR), a decision by the Tax Appeals Commission on December 1, 2003, broadened the interpretation of what computer software is considered to be nontaxable custom software. The case was appealed to the Circuit Court, which reversed the Tax Appeals Commission decision on October 26, 2004, and ruled that DOR was correct in collecting sales tax on the computer software in question. On December 13, 2004, Menasha Corporation filed an appeal of the Circuit Court decision, and the case is now pending before the Court of Appeals.

It is expected that a decision in favor of Menasha Corporation would affect the interpretation of taxable computer software generally. Based on past estimates by DOR, it is expected that, were a higher court to reverse the Circuit Court decision, state sales tax revenues would be reduced by approximately \$50 million associated with each year of the current biennium. In addition, the state could be required to pay approximately \$250 million in refunds and interest for prior fiscal years. Generally, the statutes authorize claims for refunds to be filed for up to four years from the unextended due date of the claimant's income tax return for the year to which the claim relates. However, shorter or longer periods may apply under certain conditions. In the case of refund claims based on the taxability of computer software in the Menasha case, for example, taxpayers were permitted to enter into agreements with the Department under which the time to file a claim, for the years specified in the agreement, was extended to six months after a final determination has been made.

Based on these projections, the effect of a final court decision reversing the Circuit Court ruling would be a reduction in the general fund of an estimated \$350 million for the period ending on June 30, 2007. The timing of the effect of such a decision on the general fund would depend on the timing of the Appeals Court decision, whether any subsequent appeals were filed, and the timing of the receipt by the Department of associated refund requests. Ongoing revenue losses in subsequent years would also occur.

Corporate Income and Franchise Tax. Corporate income and franchise tax collections were \$764.1 million in 2004-05, which was about \$14 million more than estimated in May, 2005. The increase reflected continued consumer spending and productivity gains, and related growth in corporate profits. Collections are projected to be \$770.0 million in 2005-06 and \$785.0 million in 2006-07. These amounts represent an annual increase of 0.8% in 2005-06 and 1.9% in 2006-07, and are higher than the May, 2005, estimates by \$86.7 million in 2005-06 and \$114.8 million in 2006-07.

The new estimates reflect better than anticipated corporate earnings in 2005, and continued growth in profits through 2006. Consumer demand and increases in productivity, combined with somewhat improved pricing power, have greatly improved corporate balance sheets. Businesses have been able to control labor costs by scaling back benefits, primarily health care, and continuing productivity gains through investment in computers and equipment. As a result, corporate net worth has increased while debt has become more manageable. Internally generated funds from profits and depreciation allowances increased over 24% in 2005, the largest increase in 25 years. The additional funds are expected to be used for increased business investment in plant and equipment, and continued hiring. The increased investment is projected to contribute to employee productivity and demand for business products, which will somewhat offset the decline in consumer spending as the housing market cools.

It should be noted that these estimates have been adjusted to reflect the effect on collections of the phase-in of the single sales factor apportionment formula, repeal of the

manufacturer's sales tax credit, implementation and expansion of the dairy investment tax credit, and updating state tax references to the federal Internal Revenue Code.

Public Utility Taxes. Public utility tax revenues were \$254.4 million in 2004-05, and are currently projected at \$257.9 million in 2005-06 and \$283.4 million in 2006-07. These figures are lower than the Act 25 estimates by \$9.6 million in 2005-06 and higher than the Act 25 estimates by \$2.3 million in 2006-07. The revisions reflect the effects of anticipated decreases in tax receipts from telecommunications companies (Telcos) and expected increases in tax receipts from light, heat, and power companies.

The utility tax on Telcos is an ad valorem tax, one that is based on property values. The reduced tax estimates for Telcos are a result of a significant decrease in total telecommunications property value in 2005. According to the Department of Revenue, the reduced property value follows multiple mergers and consolidations of Telcos that involved writing off assets, the use of newer equipment that is more efficient and less expensive than equipment used previously, and certain changes in the depreciation schedules and the tax assessment process. It is believed that the effect of these factors has now been incorporated into the Telco property base and that property values will again increase, starting with tax year 2006. Therefore, there is a larger reduction in the reestimates of Telco taxes in 2005-06 than in 2006-07.

The utility tax on light, heat, and power companies is based on the gross revenues of such companies. The estimated increases in tax revenues from light, heat, and power companies are a result of higher energy costs of such companies and associated higher sales receipts.

The net effect of the anticipated changes in tax revenues described above is that total utility taxes are currently expected to increase by 1.4% in 2005-06 and by 9.9% in 2006-07, rather than by 5.1% per year, as had been estimated under Act 25.

Excise Taxes. General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), tobacco products, and beer. Excise tax collections were \$359.4 million in 2004-05. Under Act 25, total excise tax revenues were estimated at \$354.7 million in 2005-06 and \$355.4 million in 2006-07. Excise tax revenues are currently estimated at \$364.9 million in 2005-06 and \$364.6 million in 2006-07. The revised estimates are \$10.2 million higher in 2005-06 and \$9.2 million higher in 2006-07 than the Act 25 estimates, primarily as a result of higher than anticipated cigarette tax collections to date in 2005-06.

Insurance Premiums Taxes. Insurance premiums taxes increased from \$123.6 million in 2003-04 to \$129.8 million in 2004-05, reflecting strong premium growth in the insurance industry in 2004 and 2005. Premiums taxes are projected to increase to \$135.0 million in 2005-06 and to \$142.4 million in 2006-07. The projected increase in 2005-06 collections is primarily based on year-to-date monthly premiums tax collections through December, which are significantly higher than collections for 2004-05, for the same period. The projected increase in

2006-07 reflects expected continued growth in insurance premiums, and one-time additional revenues generated by audits conducted by the Office of the Commissioner of Insurance.

Estate Tax. In 2004-05, state estate tax revenues were \$112.4 million. Under Act 25, estate taxes were estimated at \$105.0 million in 2005-06 and \$110.0 million in 2006-07. However, based on collections to date in 2005-06, estate taxes are reestimated at \$124.0 million in 2005-06 and \$130.0 million in 2006-07. The revised estimates are \$19.0 million higher in 2005-06 and \$20.0 million higher in 2006-07 than the Act 25 estimates. It should be noted, however, that 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. Miscellaneous tax revenues were \$87.7 million in 2004-05, and are estimated at \$91.2 million in 2005-06 and \$91.5 million in 2006-07. The first-year estimate is \$1.7 million higher than the Act 25 estimate, and the second-year estimate is unchanged from Act 25. The revised estimate reflects year-to-date collections from the real estate transfer fee. Other miscellaneous taxes include municipal and circuit court related fees and the occupational tax on coal.

We will continue to monitor economic forecasts and data regarding tax collections and expenditures and inform you if any further revisions are necessary.

Sincerely,

A handwritten signature in black ink that reads "Bob".

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

Table II-7; Actual and Projected General Fund Cash Flow (Part II–Page 43). Update the table with the following:

**ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2005 TO DECEMBER 31, 2005
PROJECTED GENERAL FUND CASH FLOW; JANUARY 1, 2006 TO JUNE 30, 2006^(a)**

(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
BALANCES^(b)												
Beginning Balance	(\$193,683)	(\$417,079)	\$136,628	\$309,053	\$818,545	\$586,768	(\$118,926)	\$1,013,897	\$1,068,564	\$55,540	\$459,328	\$780,084
Ending Balance ^(c)	(\$417,079)	\$136,628	\$309,053	\$818,545	\$586,768	(\$118,926)	\$1,013,897	\$1,068,564	\$55,540	\$459,328	\$780,084	(\$103,077)
Lowest Daily Balance ^(c)	(522,613)	(589,150)	(264,889)	158,797	418,125	(864,503)	(205,575)	657,256	(1,846)	(309,587)	209,433	(621,207)
RECEIPTS												
TAX RECEIPTS												
Individual Income	\$457,176	\$546,087	\$625,591	\$566,601	\$461,234	\$484,890	\$1,070,121	\$487,181	\$526,730	\$921,534	\$596,375	\$663,136
Sales & Use	402,599	400,199	384,904	378,257	364,808	356,213	425,172	321,931	322,033	357,761	348,523	385,424
Corporate Income	31,786	24,880	170,441	34,258	31,377	130,776	19,875	18,099	192,478	29,992	19,205	137,180
Public Utility	24	0	196	2,667	125,226	130	2,467	10	75	1,726	131,488	1,632
Excise	36,572	30,625	36,942	32,048	32,403	29,800	29,490	27,527	24,774	27,147	28,567	31,000
Insurance	690	1,273	27,858	1,556	1,839	33,661	928	17,881	27,320	27,817	1,326	29,784
Inheritance	16,949	6,932	8,463	13,570	11,203	7,341	6,824	12,383	10,523	7,543	7,804	7,400
Subtotal Tax Receipts	\$945,796	\$1,009,996	\$1,254,395	\$1,028,957	\$1,028,090	\$1,042,811	\$1,554,877	\$885,012	\$1,103,933	\$1,373,521	\$1,133,288	\$1,255,556
NON-TAX RECEIPTS												
Federal	\$524,946	\$554,359	\$554,537	\$487,805	\$539,678	\$499,963	\$511,665	\$565,136	\$632,360	\$445,166	\$546,317	\$541,764
Other & Transfers ^(d)	355,748	298,506	470,126	316,093	283,115	286,968	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
Subtotal Non-Tax Receipts	\$880,694	\$852,865	\$1,024,663	\$803,898	\$822,793	\$786,931	\$1,010,101	\$1,012,269	\$811,517	\$755,992	\$833,770	\$1,059,903
TOTAL RECEIPTS	\$1,826,490	\$1,862,861	\$2,279,058	\$1,832,855	\$1,850,883	\$1,829,742	\$2,564,978	\$1,897,281	\$1,915,450	\$2,129,513	\$1,967,058	\$2,315,459
DISBURSEMENTS												
Local Aids	\$884,042	\$142,784	\$757,441	\$100,945	\$958,939	\$1,280,054	\$207,173	\$248,508	\$1,237,245	\$94,429	\$267,285	\$1,938,341
Income Maintenance	489,129	468,260	454,986	416,256	461,190	448,737	375,237	405,495	456,128	384,718	427,649	332,964
Payroll and Related	315,952	295,222	427,311	303,005	315,798	335,548	375,099	340,772	496,753	304,055	338,989	339,664
Tax Refunds	60,810	62,584	43,817	51,777	52,037	120,021	78,430	463,544	388,193	329,853	140,050	172,089
Debt Service	0	0	0	156,686	1,562	0	0	4,141	0	296,868	46,016	0
Miscellaneous	299,953	340,304	423,078	294,694	293,134	351,076	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
TOTAL DISBURSEMENTS	\$2,049,886	\$1,309,154	\$2,106,633	\$1,323,363	\$2,082,660	\$2,535,436	\$1,432,155	\$1,842,615	\$2,928,474	\$1,725,724	\$1,646,302	\$3,198,620

(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. This table does not reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assume that the State will receive approximately \$146 million pursuant to the amended gaming compacts with tribal governments. This amount reflects estimates of (i) all payments due in the 2005-06 fiscal year (\$72 million), and (ii) payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year (\$74 million). On February 1, 2006, the State received payment of nearly \$44 million from one tribal government. This payment, due in the 2003-05 biennium, resulted from an agreement announced in October 2005 regarding that tribal government's gaming compact. 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. (Part II–Page 44). 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^(a)
(Cash Basis)
As of December 31, 2005
(Amounts in Thousands)

	<u>FY05 through December 2004</u>	<u>FY06 through December 2005</u>				Difference FY05 Actual to FY06 Actual
	Actual	Actual	Estimate ^(b)	Variance	Adjusted Variance ^(c)	
RECEIPTS						
Tax Receipts						
Individual Income	\$ 3,068,596	\$ 3,141,579	\$ 3,202,711	\$ (61,132)	\$ (61,132)	\$ 72,983
Sales	2,239,739	2,286,980	2,329,328	(42,348)	(42,348)	47,241
Corporate Income	423,617	423,518	402,436	21,082	21,082	(99)
Public Utility	135,975	128,243	138,694	(10,451)	(10,451)	(7,732)
Excise	186,959	198,390	186,959	11,431	11,431	11,431
Insurance	90,250	66,877	92,055	(25,178)	(25,178)	(23,373)
Inheritance	55,326	64,458	55,326	9,132	9,132	9,132
Total Tax Receipts	\$ 6,200,462	\$ 6,310,045	\$ 6,407,509	\$ (97,464)	\$ (97,464)	\$ 109,583
Non-Tax Receipts						
Federal	\$ 2,881,707	\$ 3,161,288	\$ 3,017,524	\$ 143,764	\$ 143,764	\$ 279,581
Other and Transfers	1,675,716	2,010,556	1,782,474	228,082	228,082	334,840
Note Proceeds ^(d)	-	-	-	-	-	-
Total Non-Tax Receipts	\$ 4,557,423	\$ 5,171,844	\$ 4,799,998	\$ 371,846	\$ 371,846	\$ 614,421
TOTAL RECEIPTS	\$ 10,757,885	\$ 11,481,889	\$ 11,207,507	\$ 274,382	\$ 274,382	\$ 724,004
DISBURSEMENTS						
Local Aids	\$ 3,730,227	\$ 4,124,205	\$ 4,087,987	\$ (36,218)	\$ (36,218)	\$ 393,978
Income Maintenance	2,453,009	2,738,558	2,602,932	(135,626)	(135,626)	285,549
Payroll & Related	1,975,792	1,992,836	2,090,088	97,252	97,252	17,044
Tax Refunds	398,062	391,046	421,917	30,871	30,871	(7,016)
Debt Service	120,288	158,248	173,230	14,982	14,982	37,960
Miscellaneous	1,854,112	2,002,239	1,856,855	(145,384)	(145,384)	148,127
Note Repayment ^(d)	-	-	-	-	-	-
TOTAL DISBURSEMENTS	\$ 10,531,490	\$ 11,407,132	\$ 11,233,009	\$ (174,123)	\$ (174,123)	\$ 875,642
VARIANCE FY06 YEAR-TO-DATE				\$ 100,259	\$ 100,259	

- (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) This table reflects the biennial budget 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. This table does not reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. 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 estimates of (i) all payments due this fiscal year (\$72 million), and (ii) payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year (\$74 million). On February 1, 2006, the State received payment of nearly \$44 million from one tribal government. This payment, due in the 2003-05 biennium, resulted from an agreement announced in October 2005 regarding that tribal government's gaming compact.
- (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 are not planned for the 2005-06 fiscal year.

Table II-9; General Fund Monthly Position (Part II–Page 45). Update the table with the following:

**GENERAL FUND MONTHLY CASH POSITION^(a)
July 1, 2003 through December 31, 2005 — Actual
January 1, 2006 through June 30, 2006 — Estimated^(b)
(Amounts in Thousands)**

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts^(c)</u>	<u>Disbursements^(c)</u>
2003	July.....	\$ (301,120) ^(d)	\$ 1,676,451	\$ 1,997,749
	August.....	(622,418) ^(d)	1,461,025	1,239,109
	September.....	(400,502) ^(d)	2,623,535	1,804,526
	October.....	418,507	1,829,971	1,340,667
	November.....	907,811	1,583,977	1,627,906
	December.....	863,882 ^(d)	2,427,680	2,277,800
2004	January.....	1,013,762	2,142,215	1,964,574
	February.....	1,191,403	1,668,211	1,820,788
	March.....	1,038,826 ^(d)	1,929,719	2,982,788
	April.....	(14,243) ^(d)	2,105,306	1,538,546
	May.....	552,517	1,624,996	1,418,939
	June.....	758,574 ^(d)	2,286,899	3,066,689
	July.....	(21,216) ^(d)	1,525,326	1,935,550
	August.....	(431,440) ^(d)	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 ^(d)	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 ^(d)	2,075,730	3,272,463
	July.....	(193,683) ^(d)	1,826,490	2,049,886
	August.....	(417,079) ^(d)	1,862,861	1,309,154
	September.....	136,628 ^(d)	2,279,058	2,106,633
	October.....	309,053	1,832,855	1,323,363
	November.....	818,545	1,850,883	2,082,660
	December.....	586,768 ^(d)	1,829,742	2,535,436
2006	January.....	(118,926) ^(d)	2,564,978	1,432,155
	February.....	1,013,897	1,897,281	1,842,615
	March.....	1,068,564 ^(d)	1,915,450	2,928,474
	April.....	55,540 ^(d)	2,129,513	1,725,724
	May.....	459,328	1,967,058	1,646,302
	June.....	780,084 ^(d)	2,315,459	3,198,620

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

^(b) This table reflects the biennial budget 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. This table does not reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. 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 estimates of (i) all payments due this fiscal year (\$72 million), and (ii) payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year (\$74 million). On February 1, 2006, the State received payment of nearly \$44 million from one tribal government. This payment, due in the 2003-05 biennium, resulted from an agreement announced in October 2005 regarding that tribal government's gaming compact.

^(c) 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. Operating notes were not issued for the 2004-05 fiscal year and are not planned for the 2005-06 fiscal year.

^(d) The Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration may temporarily reallocate cash in other funds (up to 5% of the general-purpose revenue appropriations then in effect) to the General Fund. This amount was 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 (Part II–Page 46). Update the table with the following:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING^(a)
July 31, 2003 to December 31, 2005 — Actual
January 31, 2006 to June 30, 2006— Estimated
(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	1,167	
December	1,130	892	<u>1,135</u>	

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	3,370	
December	4,090	3,392	<u>3,692</u>	

^(a) 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	

Table II-11; General Fund Recorded Revenues (Part II–Page 47). Update the table with the following:

**General Fund Recorded Revenues^(a)
(Agency Recorded Basis)
July 1, 2005 to December 31, 2005 compared with previous year**

	Annual Fiscal Report Revenues <u>2004-05 FY^(b)</u>	Projected Revenues <u>2005-06 FY^(c)</u>	Recorded Revenues July 1, 2004 to <u>December 31, 2004^(d)</u>	Recorded Revenues July 1, 2005 to <u>December 31, 2005^(e)</u>
Individual Income Tax	\$ 5,650,109,000	\$ 6,144,500,000	\$ 2,469,253,571	\$ 2,746,431,995
General Sales and Use Tax	4,038,715,000	4,181,600,000	1,682,972,127	1,758,886,543
Corporate Franchise and Income Tax	764,053,000	683,320,000	353,544,481	354,516,377
Public Utility Taxes	254,443,000	267,465,000	129,541,082	121,846,372
Excise Taxes	359,444,000	354,720,000	155,379,634	159,544,473
Inheritance Taxes	112,346,000	105,000,000	54,694,366	63,480,472
Insurance Company Taxes	129,839,000	131,000,000	30,370,022	31,734,487
Miscellaneous Taxes	87,701,000	89,500,000	41,832,495	44,860,260
SUBTOTAL.....	<u>\$ 11,396,650,000</u>	<u>\$ 11,957,105,000</u>	<u>4,917,587,778</u>	<u>5,281,300,979</u>
Federal and Other Inter- Governmental Revenues ^(f)	\$ 6,190,669,000	\$ 5,881,969,000	2,892,204,593	3,141,455,461
Dedicated and Other Revenues ^(g)	<u>3,584,486,000</u>	<u>4,445,764,600</u>	<u>1,863,281,443</u>	<u>1,971,745,300</u>
TOTAL.....	<u><u>\$ 21,171,805,000</u></u>	<u><u>\$ 22,284,838,600</u></u>	<u><u>\$ 9,673,073,814</u></u>	<u><u>\$ 10,394,501,740</u></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). This table does not reflect the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. 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 estimates of (i) all payments due this fiscal year (\$72 million), and (ii) payments due in previous fiscal years that are expected to be made in the 2005-06 fiscal year (\$74 million). On February 1, 2006, the State received payment of nearly \$44 million from one tribal government. This payment, due in the 2003-05 biennium, resulted from an agreement announced in October 2005 regarding that tribal government's gaming compact.

(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 (Part II–Page 48). Update the table with the following:

**General Fund Recorded Expenditures By Function^(a)
(Agency Recorded Basis)
July 1, 2005 to December 31, 2005 compared with previous year**

	Annual Fiscal Report Expenditures 2004–05 FY ^(b)	Appropriations 2005–06 FY ^(c)	Recorded Expenditures July 1, 2004 to December 31, 2004 ^(d)	Recorded Expenditures July 1, 2005 to December 31, 2005 ^(e)
Commerce.....	\$ 253,520,000	\$ 288,639,300	\$ 118,940,931	\$ 112,456,243
Education.....	9,614,612,000	10,151,858,300	4,177,114,011	4,478,212,218
Environmental Resources.....	233,160,000	296,476,000	88,341,604	112,061,126
Human Relations & Resources	8,933,512,000	8,496,069,700	4,241,398,336	4,408,862,782
General Executive.....	626,194,000	890,108,400	306,600,154	365,952,129
Judicial.....	114,247,000	113,245,800	64,580,950	65,870,496
Legislative.....	58,234,000	63,707,200	24,648,339	26,543,353
General Appropriations.....	1,654,699,000	1,915,407,600	1,331,696,502	1,538,206,971
TOTAL.....	\$ 21,488,178,000	\$ 22,215,512,300	\$ 10,353,320,826	\$ 11,108,165,320

- (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). This table does not reflect any information or projections contained in the memorandum released by the Legislative Fiscal Bureau on January 19, 2006.
- (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.

APPENDIX B

State of Wisconsin General Obligation Issuance Status Report February 1, 2006

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. EMCP of 2006, Series A</u>	<u>Total Authorized Unissued Debt</u>
University of Wisconsin; academic facilities.....	\$ 1,358,615,800	\$ 1,022,966,302	\$ 12,046,136		\$ 323,603,361
University of Wisconsin; self-amortizing facilities.....	1,274,517,100	707,376,461	1,643,606		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	69,107,490	132,570		20,070,339
Natural resources; nonpoint source compliance.....	4,000,000	2,000,000			2,000,000
Natural resources; environmental repair.....	51,000,000	37,552,880	161,017		13,286,103
Natural resources; urban nonpoint source cost-sharing.....	23,900,000	13,355,574			10,544,426
Natural resources; environmental segregated fund supported administrative facilities.....	7,490,000	5,273,748			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

February 1, 2006

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. EMCP of 2006, Series A</u>	<u>Total Authorized Unissued Debt</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	27,125,410	45,287		27,907,403
Natural resources; general fund supported administrative facilities.....	11,410,200	10,607,058	21,432		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	225,244,770	1,293,404		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		41,429,365	151,590,079
Transportation; state highway rehabilitation projects.....	250,000,000	30,120,550		120,475,635	99,403,815
Transportation; harbor improvements.....	40,700,000	21,398,476	232,605		19,068,918
Transportation; rail acquisitions and improvements.....	44,500,000	29,642,093	16		14,857,891
Transportation; local roads for job preservation, state funds.....	2,000,000	1,999,957			43
Corrections; correctional facilities.....	801,979,400	775,392,559	11,467,003		15,119,838

General Obligation Issuance Status Report—Continued
February 1, 2006

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. EMCP of 2006, Series A</u>	<u>Total Authorized Unissued Debt</u>
Corrections; self-amortizing facilities and equipment.....	7,337,000	2,115,438	99		5,221,463
Corrections; juvenile correctional facilities.....	28,984,500	25,514,548	102,026		3,367,926
Health and family services; mental health and secure treatment facilities.....	129,057,200	121,815,376	895,124		6,346,700
Agriculture; soil and water.....	26,075,000	15,228,382	1,248		10,845,370
Agriculture; conservation reserve enhancement...	40,000,000	9,481,125			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 ^(b)			
Building commission; refunding self-amortizing general obligation debt.....	272,863,033	272,863,033 ^(b)			
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	967,020,000			432,980,000
Building commission; housing state departments and agencies.....	485,015,400	405,676,131	2,329,712		77,009,557
Building commission; 1 West Wilson street parking ramp.....	15,100,000	14,805,521	294,479		
Building commission; project contingencies.....	47,961,200	40,923,206	62,251		6,975,743
Building commission; capital equipment acquisition.....	126,335,000	108,991,139	729,518		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 ^(b)			11,167
Building commission; other public purposes.....	1,727,901,000	1,253,413,588	6,188,961		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	4,732,825			20,267,175
Marquette University; dental clinic and education facility...	15,000,000	14,999,182	818		

General Obligation Issuance Status Report—Continued
February 1, 2006

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Interest Earnings^(a)</u>	<u>G.O. EMCP of 2006, Series A</u>	<u>Total Authorized Unissued Debt</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		21,483,934
Administration;					
public library educational					
technology infrastructure					
financial assistance.....	300,000	268,918	41		31,041
Educational communications					
board;					
educational communications					
facilities.....	22,858,100	17,742,745	37,069		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	8,143,913	501		26,768,187
State fair park board;					
board facilities.....	14,787,100	13,215,524			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>\$14,900,935,357</u>	<u>\$66,333,631</u>	<u>\$161,905,000</u>	<u>\$3,411,262,907</u>

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

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

Source: Wisconsin Department of Administration.

APPENDIX C
PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the initial issuance of 2006 Series A Notes on February 9, 2006, it is expected that Foley & Lardner LLP will deliver a legal opinion in substantially the following form:

(Letterhead of Foley & Lardner LLP)

\$161,905,000
STATE OF WISCONSIN
GENERAL OBLIGATION EXTENDIBLE MUNICIPAL
COMMERCIAL PAPER OF 2006, SERIES A

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$161,905,000 General Obligation Extendible Municipal Commercial Paper of 2006, Series A (**2006 Series A Notes**). The 2006 Series A Notes are being issued pursuant to Chapters 18 and 20, Wisconsin Statutes (**Act**) and a resolution adopted by the State of Wisconsin Building Commission (**Commission**) on June 28, 2000 and amended on July 30, 2003 and March 4, 2004 (**Program Resolution**), as supplemented by a resolution adopted by the Commission on December 7, 2005 (**Supplemental Resolution**).

We examined the law, a certified copy of the proceedings relating to the issuance of the 2006 Series A Notes, and certifications of public officials and others. We also reviewed the Issuing and Paying Agency Agreement, dated August 8, 2000, between the State and U.S. Bank Trust National Association (**Issuing and Paying Agency Agreement**), and the Dealer Agreement, dated August 8, 2000, between the State and Goldman, Sachs & Co., and the Dealer Agreement, dated August 8, 2000, between the State and Merrill Lynch, Pierce, Fenner & Smith Incorporated (**Dealer Agreements**). As to questions of fact material to our opinion, we relied upon those certified proceedings and certifications without independently undertaking to verify them.

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

1. The Program Resolution has been duly adopted by the Commission and is valid and binding upon the State in accordance with its terms.
2. The Supplemental Resolution is authorized or permitted by the Program Resolution and the Act, complies with their respective terms, has been duly adopted by the Commission, and is valid and binding upon the State in accordance with its terms.
3. The 2006 Series A Notes have been duly and validly authorized and, when duly executed in the form and manner provided in the Program Resolution and the Supplemental Resolution, duly authenticated by the Issuing and Paying Agent, and delivered and paid for, will constitute valid and binding general obligations of the State.
4. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the 2006 Series A Notes as those payments become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
5. Interest on the 2006 Series A Notes is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the 2006 Series A 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 2006 Series A Notes are issued for interest on the 2006 Series A Notes to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the 2006 Series A Notes to be included in gross income for federal income tax purposes, in some cases retroactive to the date the 2006 Series A Notes were issued. This letter expresses no opinion about other federal tax law consequences relating to the 2006 Series A Notes.

6. The offer and sale of the 2006 Series A Notes are exempt from registration under the Securities Act of 1933, and the Program Resolution is exempt from qualification under the Trust Indenture Act of 1939. We have not passed upon matters pertaining to compliance with the Blue Sky laws of any state in connection with the offering and sale of the 2006 Series A Notes.

The rights of the owners of the 2006 Series A Notes and the enforceability of the 2006 Series A Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or an equitable proceeding). This letter expresses no opinion as to the availability of any particular form of judicial relief.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Offering Memorandum, dated February 3, 2006 (**Offering Memorandum**) or other offering material relating to the 2006 Series A 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 2006 Series A Notes, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

Unless otherwise notified by us, you may continue to rely on this opinion to the extent that (1) there is no change in pertinent existing state or federal law, (2) the Program Resolution and the Supplemental Resolution, in the forms in effect on the date hereof, remain in full force and effect, (3) the representations, warranties, and covenants of the parties contained in the Issuing and Paying Agency Agreement and the Dealer Agreements and certain certificates dated the date hereof and delivered by authorized officers of the State remain true and accurate and are complied with in all material respects, and (4) no litigation affecting the issuance or validity of the 2006 Series A Notes is pending or threatened at the time of delivery of any such 2006 Series A Notes.

Very truly yours,

FOLEY & LARDNER LLP