OFFICIAL STATEMENT

New Issue

This Official Statement provides information about the 2006 Series 1 Bonds. Some of the information appears on this cover page for ready reference. To make an informed investment decision, a prospective investor should read the entire Official Statement. Unless otherwise indicated, capitalized terms are defined in APPENDIX C.

$80,000,000
STATE OF WISCONSIN
CLEAN WATER REVENUE BONDS, 2006 SERIES 1

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

Ratings	AA+ Fitch Ratings Aa2 Moody's Investors Service, Inc. AA+ Standard & Poor's Ratings Services
Tax Exemption	Interest on the 2006 Series 1 Bonds is excluded from gross income, and is not an item of tax preference, for federal income tax purposes. Interest on the 2006 Series 1 Bonds is not excluded from State of Wisconsin income and franchise taxes—*Pages 9-10*.
Redemption	The 2006 Series 1 Bonds maturing on or after June 1, 2017 are callable at par on or after June 1, 2016—*Page 3.*
Security	The 2006 Series 1 Bonds are payable solely from (1) Pledged Loan Repayments, (2) the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and (3) all other Pledged Receipts. The State (based on its general obligation bonds held in the Subsidy Fund) and one municipal entity are each currently the source of over 20% of the cash flow servicing the Outstanding Bonds—*Pages 6-7*.
Priority	The 2006 Series 1 Bonds are issued on a parity with all other Bonds previously or hereafter issued under the General Resolution —*Page 6.*
Purpose	Proceeds are being used to make Pledged Loans to Municipalities primarily for construction or improvement of their wastewater treatment facilities, to make a deposit into the Loan Credit Reserve Fund, and to pay for costs of issuance—*Pages 4*.
Interest Payment Dates	June 1 and December 1, commencing December 1, 2006
Closing/Settlement	On or about March 16, 2006
Denominations	Multiples of $5,000
Trustee/Registrar/Paying Agent	U.S. Bank National Association
Bond Counsel	Foley & Lardner LLP
Issuer Contact	Wisconsin Capital Finance Office (608) 266-2305; DOACapitalFinanceOffice@Wisconsin.gov
Book-Entry-System	The Depository Trust Company—*Pages 4-5.*
2005 Annual Report	This Official Statement incorporates by reference Parts I, II, III, and VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005.

The 2006 Series 1 Bonds were sold at competitive sale on February 23, 2006. The interest rates payable by the State, which are shown below, resulted from the award of the 2006 Series 1 Bonds.

CUSIP	Year (June 1)	Principal Amount	Interest Rate	First Optional Redemption Date	Call Price
977092 NT8	2008	$ 2,420,000	3.50%	Not Callable	-
977092 NU5	2009	2,540,000	3.50	Not Callable	-
977092 NV3	2010	2,665,000	4.00	Not Callable	-
977092 NW1	2011	2,800,000	4.00	Not Callable	-
977092 NX9	2012	2,940,000	4.00	Not Callable	-
977092 NY7	2013	3,090,000	4.00	Not Callable	-
977092 NZ4	2014	3,240,000	5.00	Not Callable	-
977092 PA7	2015	3,405,000	5.00	Not Callable	-
977092 PB5	2016	3,575,000	5.00	Not Callable	-
977092 PC3	2017	3,755,000	5.00	6/1/2016	100%
977092 PD1	2018	3,940,000	5.00	6/1/2016	100
977092 PE9	2019	4,140,000	5.00	6/1/2016	100
977092 PF6	2020	4,345,000	5.00	6/1/2016	100
977092 PG4	2021	4,560,000	5.00	6/1/2016	100
977092 PH2	2022	4,790,000	5.00	6/1/2016	100
977092 PJ8	2023	5,030,000	5.00	6/1/2016	100
977092 PK5	2024	5,280,000	5.00	6/1/2016	100
977092 PL3	2025	5,545,000	5.00	6/1/2016	100
977092 PM1	2026	5,825,000	5.00	6/1/2016	100
977092 PN9	2027	6,115,000	5.00	6/1/2016	100

Purchase Price: $84,800,000.00

February 23, 2006

This document is the State's *official* statement about the offering of the 2006 Series 1 Bonds; that is, it is the only document the State has authorized for providing information about the 2006 Series 1 Bonds. This document is not an offer or solicitation for the 2006 Series 1 Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the 2006 Series 1 Bonds, and anything else related to the offering.

The purpose of this document is to provide prospective investors with information that may be important in making an investment decision. It may not be used for any other purpose without the State's permission. The State is the author of this document and is responsible for its accuracy and completeness. The Underwriters are not the authors of this document. In accordance with their responsibilities under federal securities laws, the Underwriters are required to review the information in this document and must have a reasonable basis for their belief in the accuracy and completeness of its key representations.

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

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the 2006 Series 1 Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. Neither the delivery of this document nor any sale of the 2006 Series 1 Bonds implies that there has been no change in the other matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly included.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE 2006 SERIES 1 BONDS

BUILDING COMMISSION MEMBERS

Voting Members	**Term of Office Expires**
Governor Jim Doyle, Chairperson	January 8, 2007
Senator Fred A. Risser, Vice-Chairperson	January 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

(*) Representative Phil Montgomery replaced Representative Jeff Fitzgerald for the Commission meeting of February 15, 2006.

Nonvoting, Advisory Members	
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	——
Mr. Dave Haley, State Chief Architect Department of Administration	——

Building Commission Secretary	
Mr. Robert G. Cramer, Administrator Division of Facilities Development Department of Administration	At the pleasure of the Building Commission and 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
Mr. P. Scott Hassett, Secretary Department of Natural Resources	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
P.O. Box 7864
101 E. Wilson Street, 10th Floor
Madison, WI 53707-7864
Telefax (608) 266-7645
DOACapitalFinanceOffice@wisconsin.gov

Mr. Frank R. Hoadley
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Mr. Lawrence K. Dallia
Assistant Capital Finance Director
(608) 267-7399
larry.dallia@wisconsin.gov

Mr. Michael D. Wolff
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Mr. David R. Erdman
Capital Finance Officer
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david.erdman@wisconsin.gov

SUMMARY DESCRIPTION OF THE 2006 SERIES 1 BONDS

Selected information is presented on this page for the convenience of the user. To make an informed investment decision regarding the 2006 Series 1 Bonds, a prospective investor should read the entire Official Statement. Certain capitalized terms are defined in APPENDIX C.

Description:	State of Wisconsin Clean Water Revenue Bonds, 2006 Series 1
Principal Amount:	$80,000,000
Denominations:	$5,000 or multiples thereof
Dated Date:	Date of delivery
Interest Payment:	June 1 and December 1, commencing December 1, 2006
Maturities:	June 1, 2008-2027
Record Dates:	May 16 and November 15
Redemption:	*Optional*—2006 Series 1 Bonds maturing on or after June 1, 2017 are callable at par (100%) on or after June 1, 2016—See "2006 SERIES 1 BONDS; Redemption Provisions".
Form:	Book-entry-only form.
Trustee/Paying Agent:	All payments of principal and interest on the 2006 Series 1 Bonds will be paid by U.S. Bank National Association. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security for Bonds:	The 2006 Series 1 Bonds, and all other parity Bonds previously issued or to be issued in the future, are payable solely from: • Pledged Loan Repayments, • The Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, each established by the General Resolution, and • Any other Pledged Receipts. Based on cash-flow calculations as of September 30, 2005, the State (based on its general obligation bonds held in the Subsidy Fund) and one municipal entity are each the source of over 20% of the cash flow servicing the Outstanding Bonds. The municipal entity is the Milwaukee Metropolitan Sewerage District, which is obligated to repay its Pledged Loans—See "SECURITY".
Outstanding Parity Bonds:	$641,435,000 as of December 15, 2005.
Authority for Issuance:	The 2006 Series 1 Bonds are authorized under the Act and Chapter 18, Wisconsin Statutes.
Purpose:	Proceeds of the 2006 Series 1 Bonds are being used to make Pledged Loans to Municipalities primarily for construction or improvement of their wastewater treatment facilities, to make a deposit into the Loan Credit Reserve Fund, and to pay for costs of issuance
Additional Bonds:	Additional Bonds may be issued without limitation as to the amount, subject to any applicable statutory limitation, payable on a parity with the 2006 Series 1 Bonds and all other Bonds previously issued, provided that the Loan Credit Reserve Fund Requirement and the Subsidy Fund Requirement are satisfied—See "SECURITY".
Tax Exemption:	Interest on the 2006 Series 1 Bonds is excluded from gross income, and is not included as an item of tax preference, for federal income tax purposes—See "OTHER MATTERS; Tax Exemption". Interest on the 2006 Series 1 Bonds is not excluded from State of Wisconsin income and franchise taxes— See "OTHER MATTERS; Tax Exemption".
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP— See APPENDIX E.

OFFICIAL STATEMENT

$80,000,000

STATE OF WISCONSIN

CLEAN WATER REVENUE BONDS, 2006 SERIES 1

INTRODUCTION

This Official Statement provides information about the $80,000,000 Clean Water Revenue Bonds, 2006 Series 1 (**2006 Series 1 Bonds**), which are being issued by the State of Wisconsin **(State)**. This Official Statement includes by reference Parts I, II, III, and VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 **(2005 Annual Report)**.

The 2006 Series 1 Bonds are authorized under the Wisconsin Statutes, as well as a Clean Water Revenue Bond General Resolution (**General Resolution**) adopted by the State of Wisconsin Building Commission (**Commission**) on March 7, 1991, as amended by a resolution of the Commission on July 30, 2003, and a **Series Resolution** adopted by the Commission on October 19, 2005, as amended by a resolution of the Commission on February 15, 2006. The General Resolution and the Series Resolution are collectively referred to as the **Resolution**.

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

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

Unless otherwise indicated, capitalized terms used in this Official Statement are defined in APPENDIX C.

ENVIRONMENTAL IMPROVEMENT FUND

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

- **Clean Water Fund Program**. Established in 1990, the Clean Water Fund Program is a municipal financial assistance program for water pollution control projects and includes the State's implementation of a Federal State Revolving Fund Program under the Federal Water Quality Act of 1987. This program also funds the Land Recycling Loan Program, which is a municipal loan program for remediation of contaminated lands.

- **Safe Drinking Water Loan Program**. The Safe Drinking Water Loan Program is a municipal loan program for drinking water projects and includes the State's implementation of the Federal Safe Drinking Water Act Amendments of 1996.

The State has used, or intends to use, proceeds of the 2006 Series 1 Bonds and Outstanding Bonds (other than refunding Bonds) to make loans under the Clean Water Fund Program. These loans have terms not exceeding 20 years and interest rates at or below market interest rates. If changes occur to the Wisconsin Statutes, Bond proceeds may be used to make loans under the Safe Drinking Water Loan Program; however, no legislation is pending that would make such changes.

CLEAN WATER FUND PROGRAM

The Clean Water Fund Program consists of three portfolios:

- **Leveraged Portfolio**, consisting of **Pledged Loans** funded with Bond proceeds.
- **Direct Portfolio or Clean Water Portfolio**, consisting of **Direct Loans** funded with federal capitalization grants and the required State match along with repayments of principal and interest.
- **Proprietary Portfolio**, consisting of **Proprietary Loans** funded with State general obligation bond proceeds along with repayments of principal and interest.

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

Only Pledged Loans are funded with Bond proceeds, and only Pledged Loan Repayments are pledged to the repayment of the Bonds. In other words, Bond proceeds do not fund Direct Loans or Proprietary Loans, and repayments of Direct Loans or Proprietary Loans are not pledged to the repayment of the Bonds. This Official Statement uses the term “Pledged Loans” to refer to the same loans that are called “Leveraged Loans” and “Loans” in both the General Resolution and Part VI of the 2005 Annual Report.

Information concerning the Clean Water Fund Program is included as APPENDIX A, which includes by reference Part VI of the 2005 Annual Report. Part VI of the 2005 Annual Report presents the following information on the Clean Water Fund Program:

- Overview
- Plan of finance
- Financial assistance
- Capitalization grants
- Funding levels
- Interest subsidy
- Management
- Operating agreement with the United States Environmental Protection Agency (**EPA**).

Part VI of the 2005 Annual Report also includes the independent auditor’s report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2005 and 2004, along with supplemental information as of June 30, 2005, and independent auditor’s report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2005.

2006 SERIES 1 BONDS

General

The front cover of this Official Statement sets forth the maturity dates, principal amounts, and interest rates for the 2006 Series 1 Bonds.

The 2006 Series 1 Bonds will be dated the date of their delivery (expected to be March 16, 2006) and will bear interest from that date payable on June 1 and December 1 of each year, beginning on December 1, 2006.

Interest on the 2006 Series 1 Bonds will be computed on the basis of a 30-day month and a 360-day year. Payment of principal and interest for each 2006 Series 1 Bond will be paid to the registered owner of the 2006 Series 1 Bonds. The 2006 Series 1 Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository or it nominee. The Commission has appointed, as the securities depository for the 2006 Series 1 Bonds, The Depository Trust Company, New York, New York **(DTC)**. See "2006 SERIES 1 BONDS; Book-Entry-Only Form"

The 2006 Series 1 Bonds are issued as fully registered bonds without coupons in principal denominations of $5,000 or multiples thereof.

U. S. Bank National Association is the trustee for the Bonds (**Trustee**). In addition, the Trustee is the registrar (**Registrar**) and paying agent (**Paying Agent**) for the 2006 Series 1 Bonds.

Redemption Provisions

Optional Redemption

The 2006 Series 1 Bonds maturing on or after June 1, 2017 are subject to optional redemption on June 1, 2016 or any date after that date in whole or in part in multiples of $5,000, at a redemption price equal to par (100% of the principal amount to be redeemed) plus accrued interest to the redemption date. The Commission may decide whether to redeem the 2006 Series 1 Bonds, and it may direct the amounts and maturities of the 2006 Series 1 Bonds to be redeemed.

Selection of 2006 Series 1 Bonds

If less than all the 2006 Series 1 Bonds of a particular maturity are to be redeemed, the selection of 2006 Series 1 Bonds to be redeemed depends on whether the 2006 Series 1 Bonds are in book-entry-only form or in certificated form. See "2006 SERIES 1 BONDS; Book-Entry-Only Form". If the 2006 Series 1 Bonds are in book-entry-only form, selection of the beneficial owners affected by the redemption will be made by the securities depository and its participants in accordance with their rules. If the 2006 Series 1 Bonds are not in book-entry-only form, selection will be by lot or such other method as the Trustee may select.

Notice of Redemption

If the 2006 Series 1 Bonds are in book-entry-only form, any redemption notice will be sent by the Trustee (by registered or first class mail, postage prepaid) to the securities depository between 30 and 60 days before the redemption date.

If the 2006 Series 1 Bonds are not in book-entry-only form, any redemption notice will be sent by the Trustee (by registered or first class mail, postage prepaid) to the owners of the 2006 Series 1 Bonds being redeemed between 30 and 60 days before the redemption date.

All redemption notices will also be sent to each Rating Agency and the Information Services. Failure to give any required notice of redemption as to any particular 2006 Series 1 Bonds will not affect the validity of the call for redemption of any 2006 Series 1 Bonds in respect of which no such failure has occurred. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Interest on any 2006 Series 1 Bond called for redemption will cease to accrue on the redemption date so long as the 2006 Series 1 Bond is paid or money is provided for its payment.

Ratings

At the State's request, several Rating Agencies have assigned a rating to the 2006 Series 1 Bonds:

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

Any explanation of what a rating means may only be obtained from the Rating Agency giving the rating. No one can offer any assurance that a rating given to the 2006 Series 1 Bonds will be maintained for any period of time; a Rating Agency may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the 2006 Series 1 Bonds.

Sources and Uses of Funds

The State anticipates that the proceeds of the 2006 Series 1 Bonds will be applied as follows.

Sources	
Principal Amount of 2006 Series 1 Bonds	$80,000,000.00
Original Issue Premium	4,951,134.75
Total Sources	$84,951,134.75

Uses	
Deposit to Loan Fund	$78,258,000.00
Deposit to Loan Credit Reserve Fund	6,422,000.00
Underwriters' Discount	151,134.75
Costs of Issuance	120,000.00
Total Uses	$84,951,134.75

Moneys for Leveraged Portfolio

2006 Series 1 Bond proceeds deposited into the Loan Fund will be used to make Pledged Loans in the Leveraged Portfolio. The Leveraged Portfolio and the Pledged Loans are more fully described in "CLEAN WATER FUND PROGRAM". The State may use funds deposited in the Loan Fund to purchase existing loans from the Proprietary or Direct (or Clean Water) Portfolios, but is not obligated to do so. The State may transfer funds from the Loan Fund to the Revenue Fund to pay a portion of Debt Service on the Bonds, provided that following such transfer the Subsidy Fund Requirement is met.

Book-Entry-Only Form

The 2006 Series 1 Bonds will initially be issued in book-entry-only form. Purchasers of the 2006 Series 1 Bonds will not receive bond certificates but instead will have their ownership in the 2006 Series 1 Bonds recorded in the book-entry system.

2006 Series 1 Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the 2006 Series 1 Bonds. Ownership of the 2006 Series 1 Bonds 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 2006 Series 1 Bonds must be made, directly or indirectly, through DTC Participants.

Payment

The Paying Agent will make all payments of principal of and interest on the 2006 Series 1 Bonds to DTC. Owners of the 2006 Series 1 Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

The State or the Trustee will provide notices and other communications about the 2006 Series 1 Bonds to DTC. Owners of the 2006 Series 1 Bonds will receive any notices or communications through the DTC Participants. In any situation involving voting rights, DTC will not vote but rather will give a proxy through the DTC Participants.

Redemption

If less than all of the 2006 Series 1 Bonds of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the 2006 Series 1 Bonds to be redeemed from each DTC Participant.

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, 2006 Series 1 Bond 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 Trustee 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 Trustee is responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the 2006 Series 1 Bonds or to follow the procedures established by DTC for its book-entry system.

Payment and Registration of 2006 Series 1 Bonds

How the 2006 Series 1 Bonds are paid depends on whether or not they are in book-entry-only form.

If the 2006 Series 1 Bonds are in book-entry-only form, then payment of principal will be made by wire transfer to the securities depository or its nominee upon the presentation and surrender of the 2006 Series 1 Bonds at the principal office of the Paying Agent–which is the Trustee. Payment of interest will be made by wire transfer on the payment date to the securities depository or its nominee.

If the 2006 Series 1 Bonds are not in book-entry-only form, then payment of principal will be made by check or draft issued upon the presentation and surrender of the 2006 Series 1 Bonds at the principal office of the Paying Agent. Payment of interest due on the 2006 Series 1 Bonds will be made by check or draft mailed on each interest payment date to the registered owner shown in the registration book at the close of business on the **Record Date**—which is the 15th day next preceding the interest payment date or, if such day is not a Business Day, the immediately preceding Business Day. With respect to the owner of $1 million principal amount or more of 2006 Series 1 Bonds outstanding, payment will be made by wire transfer to such account as the owner may designate.

The Trustee is not required to transfer or exchange any 2006 Series 1 Bond during the 15 days before any interest date for the 2006 Series 1 Bonds, or in the case of the proposed redemption of 2006 Series 1 Bonds, next preceding the date of the selection of the 2006 Series 1 Bonds to be redeemed. In the event that less than the entire principal amount of a maturity is redeemed, the Trustee shall issue a new 2006 Series 1 Bond certificate or certificates in the principal amount outstanding after redemption on the redemption date.

SECURITY

The 2006 Series 1 Bonds are issued on a parity with all other bonds previously or to be issued pursuant to the General Resolution. The 2006 Series 1 Bonds and all other bonds issued under the General Resolution are collectively referred to as the **Bonds**.

The 2006 Series 1 Bonds are the fourteenth Series of Bonds to be issued under the General Resolution. The Legislature has authorized the issuance of $1.616 billion of revenue bonds (not including refunding bonds) for the Clean Water Fund Program. The State has previously issued $909 million of Bonds and an additional $396 million of refunding Bonds. As of December 15, 2005, $641 million of Bonds were Outstanding.

The Bonds are special obligations of the State, payable solely from the revenues, receipts, funds, and moneys pledged under the General Resolution. Debt service on the 2006 Series 1 Bonds and all other parity Bonds is secured by a pledge of:

- Pledged Loan Repayments made by Municipalities.
- Amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, each established pursuant to the General Resolution.
- Any other Pledged Receipts.

The State is not obligated to pay the principal of and interest on the 2006 Series 1 Bonds or any other parity Bonds from any funds of the State other than those pledged pursuant to the General Resolution, and neither the full faith and credit nor the taxing power of the State or any agency, instrumentality, or political subdivision thereof is pledged to the payment of the principal of and interest on the 2006 Series 1 Bonds or any other parity Bonds.

Prior to the issuance of the 2006 Series 1 Bonds or additional parity Bonds the State must certify that, upon the delivery of such Bonds, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement, and in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

Further information concerning the security and source of payment for the Bonds is included as APPENDIX A, which includes by reference Part VI of the 2005 Annual Report. This information addresses the following:

- Pledge of revenues
- Pledged Loans (also referred to as Leveraged Loans or Loans)
- Subsidy Fund
- Loan Credit Reserve Fund
- Statutory powers
- State financial participation
- Additional Bonds, and
- General Resolution.

Loans

The Wisconsin Statutes set forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Additional information concerning the loan application process, lending criteria, levy limit for counties, commitments, and financial assistance agreements is described in Part VI of the 2005 Annual Report. See APPENDIX A.

Loan Credit Reserve Fund

The General Resolution establishes the amount and timing of funds and securities required to be deposited in the Loan Credit Reserve Fund, based on Loan Credit Reserve Fund Schedules reviewed by each Rating Agency. To the extent the amount of deposit required by the Schedule approved by one Rating Agency differs from the amount required by another Rating Agency, the larger amount is required. As of September 30, 2005, the amount held in the Loan Credit Reserve Fund consisted of $59 million in cash and investments and $17 million in a Debt Service Reserve Insurance Policy **(Surety Bond)** issued by XL Capital Assurance Inc. This total of $76 million exceeds the amount required on such date, which was approximately $73 million. See APPENDIX A and APPENDIX D.

Subsidy Fund

Since most loans are made at interest rates below the Clean Water Fund Program's cost of borrowing, the General Resolution created a Subsidy Fund, Subsidy Fund Requirement, and Subsidy Fund Transfer Amount. Prior to disbursement from the Loan Fund, the State is required by the General Resolution to meet the Subsidy Fund Requirement by depositing amounts in the Subsidy Fund. As of December 15, 2005, the Environmental Improvement Fund had purchased $157 million of State general obligation bonds that were deposited into the Subsidy Fund, and the amortized balance as of that date was $117 million.

Milwaukee Metropolitan Sewerage District

Based on cash-flow calculations as of September 30, 2005, the Milwaukee Metropolitan Sewerage District **(MMSD)** was the source of approximately 22% of the gross cash flow servicing the Outstanding Bonds. To evidence its obligation to repay its Pledged Loans, MMSD has issued Municipal Obligations that constitute general obligations, for which MMSD has made an irrevocable levy of ad valorem property taxes sufficient to pay debt service on its Pledged Loans when due.

Information concerning MMSD is included in Part VI of the 2005 Annual Report, which incorporates by reference the MMSD Comprehensive Annual Financial Report for the period ending December 31, 2004 **(MMSD CAFR)**. See APPENDIX A.

The State

The Subsidy Fund currently holds general obligation bonds of the State. Based on Subsidy Fund levels and cash-flow calculations as of September 30, 2005, the State was the source of approximately 22% of the gross cash flow servicing the Outstanding Bonds.

Information concerning the State, its financial condition, and its general obligations is included as APPENDIX B, which includes by reference Parts II and III of the 2005 Annual Report.

OTHER MATTERS

Borrowing Plans for 2006

This is the first series of Clean Water Revenue Bonds to be issued in this calendar year. The State does not expect to issue any additional Bonds in this calendar year that would be used for the same purpose as the 2006 Series 1 Bonds. However, the Commission has authorized up to

$125 million of Clean Water Revenue Refunding Bonds. The timing and amount of any issuance of refunding bonds depends on market conditions.

Underwriting

The 2006 Series 1 Bonds were purchased at competitive bidding on February 23, 2006 by Morgan Stanley & Co. Incorporated **(Underwriter)**. The Underwriter paid $84,800,000.00, and its bid resulted in a true interest cost rate to the State of 4.278914%.

Reference Information About 2006 Series 1 Bonds

Both the table below and the table on the front cover include information about the 2006 Series 1 Bonds and are provided for reference. The CUSIP number for each maturity has been obtained from sources the State believes are reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriters have provided the reoffering yields and prices to allow the computation of yield for federal tax law compliance. For each of the 2006 Series 1 Bonds maturing on or after June 1, 2017, the dollar price at issuance is computed to the lower of the first optional redemption date or the nominal maturity date.

$80,000,000
State of Wisconsin
Clean Water Revenue Bonds, 2006 Series 1

Dated Date: Delivery Date
First Interest Date: December 1, 2006
Delivery Date: On or About March 16, 2006

CUSIP	Year (June 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance		First Optional Redemption Date	Call Price
977092 NT8	2008	$ 2,420,000	3.50%	3.42%	100.165%		Not Callable	-
977092 NU5	2009	2,540,000	3.50	3.45	100.146		Not Callable	-
977092 NV3	2010	2,665,000	4.00	3.49	101.975		Not Callable	-
977092 NW1	2011	2,800,000	4.00	3.56	102.070		Not Callable	-
977092 NX9	2012	2,940,000	4.00	3.64	101.980		Not Callable	-
977092 NY7	2013	3,090,000	4.00	3.70	101.878		Not Callable	-
977092 NZ4	2014	3,240,000	5.00	3.77	108.608		Not Callable	-
977092 PA7	2015	3,405,000	5.00	3.82	109.082		Not Callable	-
977092 PB5	2016	3,575,000	5.00	3.87	109.449		Not Callable	-
977092 PC3	2017	3,755,000	5.00	3.95	108.745	(a)	6/1/2016	100%
977092 PD1	2018	3,940,000	5.00	3.99	108.395	(a)	6/1/2016	100
977092 PE9	2019	4,140,000	5.00	4.03	108.046	(a)	6/1/2016	100
977092 PF6	2020	4,345,000	5.00	4.07	107.699	(a)	6/1/2016	100
977092 PG4	2021	4,560,000	5.00	4.11	107.353	(a)	6/1/2016	100
977092 PH2	2022	4,790,000	5.00	4.17	106.837	(a)	6/1/2016	100
977092 PJ8	2023	5,030,000	5.00	4.18	106.751	(a)	6/1/2016	100
977092 PK5	2024	5,280,000	5.00	4.19	106.665	(a)	6/1/2016	100
977092 PL3	2025	5,545,000	5.00	4.21	106.494	(a)	6/1/2016	100
977092 PM1	2026	5,825,000	5.00	4.22	106.408	(a)	6/1/2016	100
977092 PN9	2027	6,115,000	5.00	4.25	106.153	(a)	6/1/2016	100

(a) These bonds are priced to the June 1, 2016 call date.

Legal Investment

State law provides that the 2006 Series 1 Bonds are legal investments for the following:

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

Certain Legal Matters

Legal matters incident to the authorization, issuance and sale of the 2006 Series 1 Bonds are subject to the approval of Foley & Lardner LLP **(Bond Counsel)**, whose approving opinion, substantially in the form shown in APPENDIX E, will be delivered on the date of issue of the 2006 Series 1 Bonds. In the event certificated 2006 Series 1 Bonds are issued, the opinion will be printed on the reverse side of each 2006 Series 1 Bond.

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

Absence of Litigation

Upon delivery of the 2006 Series 1 Bonds, the State shall furnish an opinion of the Attorney General of the State, dated the date of delivery of the 2006 Series 1 Bonds, to the effect that there is no action, suit, or proceeding, either pending or threatened in writing, known to the Attorney General, restraining or enjoining the issuance, sale, execution or delivery of the 2006 Series 1 Bonds, or in any way contesting or affecting the titles to their respective offices of any of the State officers involved in the issuance of the 2006 Series 1 Bonds or the validity of the 2006 Series 1 Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of any moneys or security to the payment of the 2006 Series 1 Bonds. In addition, such opinion shall state that there is no controversy or litigation of any nature then pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse impact on the power of the State to collect and enforce the collection of the Pledged Receipts or other revenues, receipts, funds or moneys pledged for the payment of the 2006 Series 1 Bonds.

Each Municipality entering into a Financial Assistance Agreement is required, as a condition of the loan, to deliver a certificate to the effect that there is no controversy or litigation of any nature pending or, to its knowledge, threatened against the Municipality contesting or affecting the validity or enforceability of the related Financial Assistance Agreement or Municipal Obligation or the use of the proceeds of the Municipal Obligation. In addition, such certificate shall state that there is no controversy or litigation of any nature then pending or, to its knowledge, threatened by or against the Municipality wherein an adverse ruling could have a material adverse impact on the financial condition of the Municipality or adversely affect the power of the Municipality to levy, collect and enforce the levying or collection of taxes, the imposition of rates or charges, or the collection of any of the foregoing, as applicable, for the payment of its Municipal Obligation.

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law, interest on the 2006 Series 1 Bonds is excluded from gross income for federal income tax purposes. Such interest also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the 2006 Series 1 Bonds is taken into account in determining adjusted current earnings. As to questions of fact material to Bond Counsel's opinion, Bond Counsel will rely upon certified proceedings and certificates of public officials without independently undertaking to review 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 2006 Series 1 Bonds are issued for interest on the 2006 Series 1 Bonds 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 2006 Series 1 Bonds to be included in gross income for federal income tax purposes, perhaps even starting from the date the 2006 Series 1 Bonds were issued. The proceedings authorizing the 2006 Series 1 Bonds do not provide for an increase in interest rates or a redemption of the 2006 Series 1 Bonds in the event interest on the 2006 Series 1 Bonds ceases to be excluded from gross income.

Bond Counsel expresses no opinion about other federal tax consequences arising regarding the 2006 Series 1 Bonds. There may be other federal tax law provisions that could adversely affect the value of an investment in the 2006 Series 1 Bonds for particular owners of 2006 Series 1 Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a 2006 Series 1 Bond.

State of Wisconsin Income and Franchise Taxes

Interest on the 2006 Series 1 Bonds is not excluded from 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 2006 Series 1 Bond.

Premium Bonds

Each 2006 Series 1 Bond (**Premium Bond**) has an issue price that is greater than the amount payable at the maturity of the 2006 Series 1 Bond.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium. During each taxable year, such an owner must reduce his or her tax basis in the Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the owner owned the Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of the Premium Bond.

Owners of Premium Bonds who do not purchase their Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning Premium Bonds.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the Clean Water Fund Program **(Annual Reports)**, which includes information about the State and MMSD. By 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 Official Statement.

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

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(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.

FURTHER INFORMATION

The State has covenanted to file with the Trustee, and to make available from DOA upon request, a copy of the audited financial statements for the Environmental Improvement Fund. The independent auditor's report and financial statements for the years ended June 30, 2005 and 2004, along with supplemental information as of June 30, 2005 and independent auditor's report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2005 are included by reference as part of APPENDIX A.

Copies of the General Resolution, any Series Resolution, the Financial Assistance Agreements, and the Municipal Obligations are available for inspection during normal business hours at the offices of DOA. The State has not committed to update information in this Official Statement or to provide any other continuing disclosure concerning the Environmental Improvement Fund or the Clean Water Fund Program, except as provided in "CONTINUING DISCLOSURE".

Dated: February 23, 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 CLEAN WATER FUND PROGRAM

This appendix includes by reference information concerning the State of Wisconsin Clean Water Fund Program contained in Part VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 **(2005 Annual Report)**. This Official Statement uses the term "Pledged Loans" to refer to the same loans that are called "Leveraged Loans" and "Loans" in both the General Resolution and Part VI of the 2005 Annual Report.

Part VI of the 2005 Annual Report contains general information about the Environmental Improvement Fund, the Clean Water Fund Program, and the security and source of payment for the Bonds. More specifically, Part VI of the 2005 Annual Report presents information about the following matters:

- Plan of finance
- Financial assistance
- Capitalization grants
- Funding levels
- Interest subsidy
- Management
- Operating agreement with EPA
- Pledge of revenues
- Pledged Loans
- Subsidy Fund
- Loan Credit Reserve Fund
- Statutory powers
- State financial participation
- Additional Bonds
- General Resolution

Included as APPENDIX A to Part VI of the 2005 Annual Report are the independent auditor's report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2005 and 2004, along with supplemental information as of June 30, 2005, and independent auditor's report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2005.

The 2005 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. As of the date of this Official Statement, Part VI of the 2005 Annual Report is available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin". The Capital Finance Office web site is located at the following address:

www.doa.wi.gov/capitalfinance

Copies of the 2005 Annual Report may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov

After publication and filing of the 2005 Annual Report, certain changes or events may occur that affect items discussed in the 2005 Annual Report.

APPENDIX B

INFORMATION ABOUT THE STATE

This appendix includes by reference information concerning the State of Wisconsin **(State)** and general obligations issued by the State, as contained in Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 **(2005 Annual Report)**. This appendix also includes any changes or additions to the information presented in Parts II and III of the 2005 Annual Report.

Part II of the 2005 Annual Report contains general information about the State. More specifically, that part presents information about 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 Bonds are not general obligations of the State and the State is not obligated to pay the principal of or and interest on the 2006 Series 1 Bonds or any parity Bonds from any funds of the State other than those pledged pursuant to the General Resolution. However, information about general obligations of the State is provided because the Subsidy Fund holds general obligation bonds of the State.*

The 2005 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)**. As of the date of this Official Statement, 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
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Madison, WI 53707-7864
(608) 266-2305
DOACapitalFinanceOffice@wisconsin.gov
www.doa.wi.gov/capitalfinance

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 B-4 to B-16 of this Official Statement.

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 two 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 January 19, 2006 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 LFB Memorandum		October 18, 2005 LFB Memorandum	
	2005-06	2006-07	2005-06	2006-07
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	685.9	505.6	674.8	513.6
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	(318.9)	(325.2)	(315.6)	(252.9)
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	(65.0)	(65.0)	(65.0)	(65.0)
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 B-17 of this Official Statement 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

	2005-06	2006-07
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	685,850,200	505,645,700
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	-318,924,600	-325,212,100
Net Appropriations	$12,757,781,100	$13,045,687,300
Balances		
Gross Balance	$408,700	$106,716,200
Less Required Statutory Balance	- 65,000,000	-65,000,000
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)

	2004	2005	2006	2007
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) 2005-06	Budget Estimates (Act 25) 2006-07	Revised Estimates January, 2006 2005-06	Revised Estimates January, 2006 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,

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)

	FY05 through December 2004	FY06 through December 2005				
	Actual	Actual	Estimate[b]	Variance	Adjusted Variance[c]	Difference FY05 Actual to FY06 Actual
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)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
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)

Month (Last Day)	2003	2004	2005	2006
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	1,135	

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)

Month (Last Day)	2003	2004	2005	2006
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	3,692	

[(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 2004-05 FY[b]	Projected Revenues 2005-06 FY[c]	Recorded Revenues July 1, 2004 to December 31, 2004[d]	Recorded Revenues July 1, 2005 to December 31, 2005[e]
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............	$ 11,396,650,000	$ 11,957,105,000	4,917,587,778	5,281,300,979
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]	3,584,486,000	4,445,764,600	1,863,281,443	1,971,745,300
TOTAL............	$ 21,171,805,000	$ 22,284,838,600	$ 9,673,073,814	$ 10,394,501,740

(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 C

GLOSSARY

The following definitions apply to capitalized terms used in this Official Statement. All defined terms from the General Resolution are available in the "GLOSSARY" from Part VI of the 2005 State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005. See APPENDIX A.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit Facility means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy, guaranty or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution or the federal government or an agency thereof which (1) provides for payment of all or a portion of the principal of, Redemption Price of, or interest on any Series of Bonds, (2) provides funds for the purchase of such Bonds or portions thereof, (3) provides deposits for a fund or account under the General Resolution, or (4) provides for or further secures payment of Loans or Municipal Obligations, provided that with respect to (3) above, the issuer of which Credit Facility is rated, or the effect of which Credit Facility would cause bonds insured or secured thereby to be rated, in a rating category by each Rating Agency no lower than the then current rating on the Bonds (without such Credit Facility).

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

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

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

Direct Loan means loans made primarily from the proceeds of federal capitalization grants, the State match, or repayments of Direct Loans, and excludes any Pledged Loan or Proprietary Loan. This type of loan is not funded with Bond proceeds.

DNR means the State of Wisconsin Department of Natural Resources.

DOA means the State of Wisconsin Department of Administration.

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

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

EPA means the United States Environmental Protection Agency.

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

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

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

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

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

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

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

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

Leveraged Loan or Pledged Loan means a loan heretofore or hereafter made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act. This type of loan is funded from the Loan Fund, including from Bond proceeds.

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

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

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

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

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

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

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

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

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

NRMSIR means nationally recognized municipal securities information repository.

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

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

Pledged Loan or Leveraged Loan means a loan heretofore or hereafter made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act. This type of loan is funded from the Loan Fund and with Bond proceeds.

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

Pledged Receipts means:

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

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

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

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

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

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

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

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds Outstanding, (1) the principal amount or Accreted Value of Bonds of such Series due on any payment date for which no Sinking Fund Installments have been established, or (2) the Sinking Fund Installment due on a date for Bonds of such Series, or (3) if such dates coincide, the sum of such principal amount or Accreted Value of Bonds and of such Sinking Fund Installment(s) due on such future date; in each case in the amounts and on the dates as provided in the Series Resolution authorizing such Series of Bonds; provided, however, that Principal Installments shall not include the principal of Notes.

Proprietary Loan means financial assistance made primarily from the proceeds of State general obligation bonds or repayment of Proprietary Loans, and excludes any Direct Loan or Pledged Loan. This financial assistance or type of loan is not funded with Bond proceeds.

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

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

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

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

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

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

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

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

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

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

State means the State of Wisconsin.

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

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

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

Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to confirm that following the disbursement the Subsidy Fund Requirement is met, the State refrains from making a requisition for the disbursement.

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

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

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

APPENDIX D

LOAN CREDIT RESERVE FUND SCHEDULES

Introduction

The General Resolution establishes the amount and timing of funds and securities required to be deposited or on deposit in the Loan Credit Reserve Fund, based on Schedules reviewed by no fewer than two Rating Agencies. The State, with the consent of a Rating Agency, may from time to time change the Schedule previously approved by such Rating Agency so long as the change does not adversely affect the then-current rating on the Bonds. To the extent the amount of the deposit or amount on deposit required by the Schedule approved by one Rating Agency differs from the amount required by the Schedule approved by another Rating Agency, the larger amount is required. As of September 30, 2005, the amount held in the Loan Credit Reserve Fund consisted of $59 million in cash and investments and $17 million in the Surety Bond issued by XL Capital Assurance Inc. This balance of $76 million exceeds the amount required on such date, which was approximately $73 million.

Current Schedules

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

Fitch Ratings

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

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

The State recognizes that the credit quality estimate, or "shadow rating", is not necessarily the official or public Fitch ratings for the Municipal Obligation and are used solely for purposes of analyzing the credit quality of the Bonds. The intercept power is described under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; State Aid Intercept" in Part VI of the 2005 Annual Report. See APPENDIX A. If the Municipal Obligation is not rated by Fitch, the State may request that Fitch assign a credit quality estimate, or "shadow rating", for the Municipal Obligation.

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

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

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

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

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

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

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

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

Category	Factor
“AAA” Credit Quality Category	0%
“AA” Credit Quality Category	0
“A” Credit Quality Category	6
“BBB” Credit Quality Category	12
Not Rated; Interceptable State Aid Factor 2.0 or Greater	6
Not Rated; Interceptable State Aid Factor Less Than 2.0	34

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

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

Moody's Investors Service, Inc.

As part of the Schedule submitted to Moody's, the State has indicated that it will maintain the Loan Credit Reserve Requirement at a level that corresponds to certain Loan portfolio credit characteristics. The amount required to be deposited or on deposit in the Loan Credit Reserve Fund is the product of the average annual debt service of the outstanding, disbursed Loans times a factor of 120%, and is based on an evaluation of the Loans shown in "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Loans" in Part VI of the 2005 Annual Report. See APPENDIX A. A different factor may be applied if Loan portfolio credit characteristics change.

Standard & Poor's Ratings Services

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

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

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

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

The intercept power is described under "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Statutory Powers" in Part VI of the 2005 Annual Report. See APPENDIX A. If the Municipal Obligation is not rated by S&P, the State may request permission from S&P to assign the Municipal Obligation to a particular category.

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

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

Medium Investment Grade Rating. A Loan is assigned to this category if the Municipal Obligation is rated by S&P in the third highest rating category (A). S&P may also permit a Loan to be assigned to this category, regardless of whether or not the Municipal Obligation is rated, in the event the State designates the Loan as one to which the State "moral obligation" applies. The State "moral obligation" is described in "SECURITY AND SOURCE OF PAYMENT FOR BONDS; Statutory Powers" in Part VI of the 2005 Annual Report. See APPENDIX A.

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

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

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

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

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

Ratings on Municipal Obligations

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

APPENDIX E

EXPECTED FORM OF BOND COUNSEL OPINION

Upon delivery of the 2006 Series 1 Bonds, Foley & Lardner LLP expects to deliver a legal opinion in substantially the following form:

(Letterhead of Foley & Lardner LLP)
$80,000,000
State of Wisconsin
Clean Water Revenue Bonds, 2006 Series 1

We have served as bond counsel in connection with the issuance by the State of Wisconsin **(State)** of its $80,000,000 Clean Water Revenue Bonds, 2006 Series 1, dated March 16, 2006 **(Bonds)**. The Bonds are being issued pursuant to Sections 281.58 and 281.59, Wisconsin Statutes **(Act)** (and in particular, Section 281.59(4), Wisconsin Statutes), Subchapter II of Chapter 18, Wisconsin Statutes, and a resolution **(General Resolution)** adopted by the State of Wisconsin Building Commission **(Commission)** on March 7, 1991, as amended by a resolution adopted by the Commission on July 30, 2003, and as supplemented by a resolution **(Series Resolution)** adopted by the Commission on October 19, 2005 and amended by a resolution adopted by the Commission on February 15, 2006.

Under the General Resolution, the Commission has also established various funds and accounts and designated U.S. Bank National Association, as trustee **(Trustee)**, to be the custodian of the funds and accounts. The Commission has pledged certain revenues received pursuant to the Act to secure the payment of the principal of, premium, if any, and interest on the Bonds, any other bonds heretofore or hereafter issued under the General Resolution, and certain other parity obligations. The Commission has directed the Trustee to deposit the amounts into the funds and accounts in the order and amounts provided in the General Resolution. The Bonds are payable solely from cash and securities held by the Trustee from time to time in the redemption fund created under the General Resolution.

We examined the law, a certified copy of the proceedings relating to the issuance of the Bonds, and certifications of public officials and others. 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 General Resolution and the Series Resolution have been duly and lawfully adopted by the Commission, are in full force and effect, and are valid and binding upon the State and enforceable in accordance with their respective terms. The Series Resolution has been adopted in accordance with the provisions of the General Resolution and is authorized or permitted by the General Resolution.

2. The General Resolution creates the valid pledge that it purports to create of the "Pledged Receipts," as defined in the General Resolution, moneys, securities, and funds held or set aside or to be held or set aside under the General Resolution.

3. The Bonds are legal, valid, and binding special obligations of the State as provided in the General Resolution, payable and enforceable in accordance with their terms and the terms of the General Resolution and entitled to the benefits of the General Resolution and of the Act. The Bonds have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of this letter, and in accordance with the General Resolution.

4. Interest on the Bonds 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 Bonds 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 Bonds are issued for interest on the Bonds 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 Bonds to be included in gross income for federal income tax purposes, in some cases retroactively to the date the Bonds were issued. This letter expresses no opinion as to other federal tax law consequences regarding the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds 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 Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only the matters set forth as our opinion in the Official Statement).

This letter speaks as of its date. We assume no duty to change this letter to reflect any facts or circumstances that later come to our attention or any changes in law.

Very truly yours,

FOLEY & LARDNER LLP