

New Issue

This Official Statement provides information about the 2006 Series 2 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.

\$100,000,000
STATE OF WISCONSIN
CLEAN WATER REVENUE BONDS, 2006 SERIES 2

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

Ratings AA+ Fitch Ratings
Aa1 Moody's Investors Service, Inc.
AA+ Standard & Poor's Ratings Services

Tax Exemption For federal income tax purposes, interest on the 2006 Series 2 Bonds is excluded from gross income and is not an item of tax preference. Interest on the 2006 Series 2 Bonds is not excluded from current State of Wisconsin income and franchise taxes—*Pages 9-11*.

Redemption The 2006 Series 2 Bonds maturing on or after June 1, 2016 are callable at par on or after June 1, 2015—*Page 3*.

Security The 2006 Series 2 Bonds are payable solely from (1) Pledged Loan Repayments, (2) amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and (3) all other Pledged Receipts. The State and the Milwaukee Metropolitan Sewerage District are each expected to be the source of approximately 20% of the cash flow servicing the Outstanding Bonds—*Pages 6-7*.

Priority The 2006 Series 2 Bonds are issued on 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—*Page 4*.

Interest Payment Dates June 1 and December 1, commencing June 1, 2007

Closing/Settlement On or about November 7, 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 2 Bonds were sold at competitive sale on October 17, 2006. The interest rates shown below resulted from the award of the 2006 Series 2 Bonds.

CUSIP	Year (June 1)	Principal Amount	Interest Rate	First Optional Redemption Date	Call Price
977092 PP4	2008	\$ 3,025,000	5.00%	Not Callable	-
977092 PQ2	2009	3,175,000	5.00	Not Callable	-
977092 PR0	2010	3,335,000	5.00	Not Callable	-
977092 PS8	2011	3,500,000	5.00	Not Callable	-
977092 PT6	2012	3,675,000	4.00	Not Callable	-
977092 PU3	2013	3,860,000	4.00	Not Callable	-
977092 PV1	2014	4,055,000	5.00	Not Callable	-
977092 PW9	2015	4,255,000	5.00	Not Callable	-
977092 PX7	2016	4,470,000	5.00	6/1/2015	100%
977092 PY5	2017	4,690,000	5.00	6/1/2015	100
977092 PZ2	2018	4,925,000	5.00	6/1/2015	100
977092 QA6	2019	5,175,000	5.00	6/1/2015	100
977092 QB4	2020	5,430,000	5.00	6/1/2015	100
977092 QC2	2021	5,705,000	5.00	6/1/2015	100
977092 QD0	2022	5,990,000	5.00	6/1/2015	100
977092 QE8	2023	6,285,000	5.00	6/1/2015	100
977092 QF5	2024	6,600,000	4.50	6/1/2015	100
977092 QG3	2025	6,930,000	4.50	6/1/2015	100
977092 QH1	2026	7,280,000	4.75	6/1/2015	100
977092 QJ7	2027	7,640,000	4.75	6/1/2015	100

Purchase Price: \$104,149,018.20

October 17, 2006

This document is the State’s *official* statement about the offering of the 2006 Series 2 Bonds; that is, it is the only document the State has authorized for providing information about the 2006 Series 2 Bonds. This document is not an offer or solicitation for the 2006 Series 2 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 2 Bonds, and anything else related to the offering.

The purpose of this document is to provide prospective investors with information that may be important in making an investment decision. It may not be used for any other purpose without the State’s permission. The State is the author of this document and is responsible for its accuracy and completeness. The Underwriter is not the author of this document. In accordance with its responsibilities under federal securities laws, the Underwriter is required to review the information in this document and must have a reasonable basis for its 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 2 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 2 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 2 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
Nonvoting, Advisory Members	
Mr. Adel Tabrizi, State Chief Engineer Department of Administration	_____
Mr. Dave Haley, State Chief Architect Department of Administration	_____
Building Commission Secretary	
Mr. Robert G. Cramer, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration

OTHER PARTICIPANTS

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

DEBT MANAGEMENT AND DISCLOSURE

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Capital Finance Office
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SUMMARY DESCRIPTION OF THE 2006 SERIES 2 BONDS

*Selected information is presented on this page for the convenience of the user. To make an informed investment decision regarding the 2006 Series 2 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 2
Principal Amount:	\$100,000,000
Denominations:	\$5,000 or multiples thereof
Dated Date:	Date of delivery
Interest Payment:	June 1 and December 1, commencing June 1, 2007
Maturities:	June 1, 2008-2027
Record Dates:	May 15 and November 15
Redemption:	<i>Optional</i> —2006 Series 2 Bonds maturing on or after June 1, 2016 are callable at par on or after June 1, 2015—See “2006 Series 2 BONDS; Redemption Provisions” .
Form:	Book-entry-only form.
Trustee/Paying Agent:	All payments of principal and interest on the 2006 Series 2 Bonds will be made by U.S. Bank National Association, as Paying Agent. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security for Bonds:	<p>The 2006 Series 2 Bonds, and all other parity Bonds previously issued or to be issued in the future, are payable solely from:</p> <ul style="list-style-type: none">• Pledged Loan Repayments,• Amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, each established by the General Resolution, and• Any other Pledged Receipts. <p>Based on cash-flow calculations as of June 30, 2006, the State and the Milwaukee Metropolitan Sewerage District are each expected to be the source of approximately 20% of the cash flow servicing the Outstanding Bonds—See “SECURITY”.</p>
Outstanding Parity Bonds:	\$676,660,000 as of June 30, 2006.
Authority for Issuance:	The 2006 Series 2 Bonds are authorized under the Act and Chapter 18, Wisconsin Statutes.
Purpose:	Proceeds of the 2006 Series 2 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 parity with the 2006 Series 2 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:	<p>For federal income tax purposes, interest on the 2006 Series 2 Bonds is excluded from gross income and is not an item of tax preference—See “OTHER MATTERS; Tax Exemption”.</p> <p>Interest on the 2006 Series 2 Bonds is not excluded from current State of Wisconsin income and franchise taxes— See “OTHER MATTERS; Tax Exemption”.</p>
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP— See APPENDIX E .

OFFICIAL STATEMENT
\$100,000,000
STATE OF WISCONSIN
CLEAN WATER REVENUE BONDS, 2006 SERIES 2
INTRODUCTION

This Official Statement provides information about the \$100,000,000 Clean Water Revenue Bonds, 2006 Series 2 (**2006 Series 2 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 2 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 resolutions adopted by the Commission on July 30, 2003 and June 28, 2006, and as supplemented by a resolution adopted by the Commission on June 28, 2006 (**Series Resolution**). 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 intends to use proceeds of the 2006 Series 2 Bonds, as it has done with proceeds of previously issued Bonds (other than refunding Bonds), to make loans under the Clean Water Fund Program. These loans have terms not exceeding 20 years, and most loans have interest rates at or below market interest rates at the times the loans are made. If changes were made to the Wisconsin Statutes, Bond proceeds could 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 loan 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.

Pledged Loans, Direct Loans, and Proprietary 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.

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

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 2 BONDS

General

The **front cover of this Official Statement** sets forth the maturity dates, principal amounts, and interest rates for the 2006 Series 2 Bonds.

The 2006 Series 2 Bonds will be dated the date of their delivery (expected to be November 7, 2006) and will bear interest from that date payable on June 1 and December 1 of each year, beginning on June 1, 2007.

Interest on the 2006 Series 2 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 2 Bond will be paid to the registered owner of the 2006 Series 2 Bonds. The 2006 Series 2 Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository or its nominee. The Commission has appointed The Depository Trust Company, New York, New York (**DTC**) as the securities depository for the 2006 Series 2 Bonds. See “**2006 SERIES 2 BONDS; Book-Entry-Only Form**”

The 2006 Series 2 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 2 Bonds.

Redemption Provisions

Optional Redemption

The 2006 Series 2 Bonds maturing on or after June 1, 2016 are subject to redemption prior to their maturity at the option of the Commission on June 1, 2015 or any date thereafter, 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 direct the amounts and maturities of the 2006 Series 2 Bonds to be redeemed.

Selection of 2006 Series 2 Bonds

If less than all the 2006 Series 2 Bonds of a particular maturity are to be redeemed, the selection of 2006 Series 2 Bonds to be redeemed depends on whether the 2006 Series 2 Bonds are in book-entry-only form or in certificated form. See “**2006 SERIES 2 BONDS; Book-Entry-Only Form**”. If the 2006 Series 2 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 2 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 2 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 2 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 2 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 2 Bonds will not affect the validity of the call for redemption of any 2006 Series 2 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 2 Bond called for redemption will cease to accrue on the redemption date so long as the 2006 Series 2 Bond is paid or money is provided for its payment.

Ratings

At the State’s request, ratings have been assigned to the 2006 Series 2 Bonds by several Rating Agencies:

<u>Rating</u>	<u>Rating Agency</u>
AA+	Fitch Ratings
Aa1	Moody’s Investors Service, Inc. ⁽¹⁾
AA+	Standard & Poor’s Ratings Services

⁽¹⁾ On October 11, 2006, Moody’s Investors Service, Inc. upgraded the rating on the State’s clean water revenue bonds from “Aa2” to “Aa1”.

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 2 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 2 Bonds.

Sources and Uses of Funds

The State anticipates that the proceeds of the 2006 Series 2 Bonds will be applied as follows.

Sources

Principal Amount of 2006 Series 2 Bonds.....	\$100,000,000.00
Net Original Issue Premium	4,359,628.20
Total Sources	<u>\$104,359,628.20</u>

Uses

Deposit to Loan Fund	\$ 95,999,018.20
Deposit to Loan Credit Reserve Fund.....	8,000,000.00
Underwriters’ Discount	210,610.00
Costs of Issuance	150,000.00
Total Uses	<u>\$104,359,628.20</u>

Moneys for Leveraged Portfolio

Proceeds of the 2006 Series 2 Bonds 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 2 Bonds will initially be issued in book-entry-only form. Purchasers of the 2006 Series 2 Bonds will not receive bond certificates but instead will have their ownership in the 2006 Series 2 Bonds recorded in the book-entry system.

Certificates evidencing the 2006 Series 2 Bonds are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the 2006 Series 2 Bonds. Ownership of the 2006 Series 2 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 2 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 2 Bonds to DTC. Owners of the 2006 Series 2 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 2 Bonds to DTC. Owners of the 2006 Series 2 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 2 Bonds of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the 2006 Series 2 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 2 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 2 Bonds or to follow the procedures established by DTC for its book-entry system.

Payment and Registration of 2006 Series 2 Bonds

How the 2006 Series 2 Bonds are paid depends on whether or not they are in book-entry-only form.

If the 2006 Series 2 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 2 Bonds at the principal office of the Paying Agent—which is U.S. Bank National Association. Payment of interest will be made by wire transfer on the payment date to the securities depository or its nominee.

If the 2006 Series 2 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 2 Bonds at the principal office of the Paying Agent. Payment of interest due on the 2006 Series 2 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 (whether or not a business day) of the calendar month next preceding the interest payment date. An owner of \$1 million or more in principal amount of 2006 Series 2 Bonds outstanding will be paid by wire transfer to such account as the owner may designate.

The Trustee is not required to transfer or exchange any 2006 Series 2 Bond during the 15 days before any interest payment date for the 2006 Series 2 Bonds, or in the case of the proposed redemption of 2006 Series 2 Bonds, next preceding the date of the selection of the 2006 Series 2 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 2 Bond certificate or certificates in the principal amount outstanding after redemption on the redemption date.

SECURITY

The 2006 Series 2 Bonds are issued on parity with all other bonds previously issued or to be issued under the General Resolution. The 2006 Series 2 Bonds and all other bonds issued under the General Resolution are collectively referred to as the **Bonds**.

The 2006 Series 2 Bonds are the fifteenth 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 \$989 million of Bonds and an additional \$396 million of refunding Bonds. As of June 30, 2006, \$677 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 2 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 2 Bonds or any other 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 2 Bonds or any other Bonds.

Prior to the issuance of the 2006 Series 2 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 limits 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 June 30, 2006, the deposits in the Loan Credit Reserve Fund consisted of \$66 million in cash and investments and a Debt Service Reserve Insurance Policy in the amount of \$17 million issued by XL Capital Assurance Inc. The total deposits of \$83 million exceeded the amount required on such date, which was approximately \$80 million. See [APPENDIX A](#) and [APPENDIX D](#).

Subsidy Fund

Since most Pledged Loans are made at interest rates below the Clean Water Fund Program's cost of borrowing, the General Resolution establishes a Subsidy Fund and requires that the amount on deposit meet the Subsidy Fund Requirement and that the Subsidy Fund Transfer Amount be transferred to the Debt Service Fund before each Interest Payment Date. Prior to any 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 June 30, 2006, \$117 million principal amount of State general obligation bonds were on deposit in the Subsidy Fund.

Milwaukee Metropolitan Sewerage District

Based on cash-flow calculations as of June 30, 2006, the Milwaukee Metropolitan Sewerage District (MMSD) is expected to be the source of approximately 21% of the cash flow servicing the Outstanding Bonds. This percentage will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on the Outstanding Bonds. MMSD has issued Municipal Obligations to evidence its obligation to repay its Pledged Loans. The Municipal Obligations issued by MMSD are general obligations; 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, 2005 (MMSD CAFR). See [APPENDIX A](#).

The State

Based on the general obligations of the State deposited in the Subsidy Fund and cash-flow calculations as of June 30, 2006, the State is expected to be the source of approximately 19% of the cash flow servicing the Outstanding Bonds. This percentage will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on 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 second series of Bonds to be issued in this calendar year, and the State does not expect to issue any additional Bonds in this calendar year that would be used for the same purpose. 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 2 Bonds were purchased at competitive bidding on October 17, 2006 by Banc of America Securities LLC (**Underwriter**). The Underwriter paid \$104,149,018.20, and its bid resulted in a true interest cost rate of 4.363223%.

Reference Information About 2006 Series 2 Bonds

Both the following table and [the table on the front cover](#) include information about the 2006 Series 2 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 Underwriter has provided the initial reoffering yields and prices. For each of the 2006 Series 2 Bonds maturing on or after June 1, 2016, the dollar price at issuance is computed to the lower of the first optional redemption date or the nominal maturity date.

\$100,000,000
State of Wisconsin
Clean Water Revenue Bonds, 2006 Series 2

Dated Date: Delivery Date
First Interest Date: June 1, 2007
Delivery Date: On or About November 7, 2006

CUSIP	Year (June 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Redemption Date	Call Price
977092 PP4	2008	\$3,025,000	5.00%	3.67%	102.004%	Not Callable	-
977092 PQ2	2009	3,175,000	5.00	3.68	103.202	Not Callable	-
977092 PR0	2010	3,335,000	5.00	3.70	104.303	Not Callable	-
977092 PS8	2011	3,500,000	5.00	3.72	105.327	Not Callable	-
977092 PT6	2012	3,675,000	4.00	3.75	101.243	Not Callable	-
977092 PU3	2013	3,860,000	4.00	3.79	101.208	Not Callable	-
977092 PV1	2014	4,055,000	5.00	3.79	107.892	Not Callable	-
977092 PW9	2015	4,255,000	5.00	3.83	108.473	Not Callable	-
977092 PX7	2016	4,470,000	5.00	3.90	107.942	^(a) 6/1/2015	100%
977092 PY5	2017	4,690,000	5.00	3.96	107.490	^(a) 6/1/2015	100
977092 PZ2	2018	4,925,000	5.00	4.00	107.190	^(a) 6/1/2015	100
977092 QA6	2019	5,175,000	5.00	4.04	106.890	^(a) 6/1/2015	100
977092 QB4	2020	5,430,000	5.00	4.08	106.592	^(a) 6/1/2015	100
977092 QC2	2021	5,705,000	5.00	4.11	106.369	^(a) 6/1/2015	100
977092 QD0	2022	5,990,000	5.00	4.14	106.146	^(a) 6/1/2015	100
977092 QE8	2023	6,285,000	5.00	4.17	105.924	^(a) 6/1/2015	100
977092 QF5	2024	6,600,000	4.50	4.53	99.636	6/1/2015	100
977092 QG3	2025	6,930,000	4.50	4.55	99.374	6/1/2015	100
977092 QH1	2026	7,280,000	4.75	4.47	101.971	^(a) 6/1/2015	100
977092 QJ7	2027	7,640,000	4.75	4.49	101.829	^(a) 6/1/2015	100

^(a) These bonds are priced to the June 1, 2015 call date.

Legal Investment

State law provides that the 2006 Series 2 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 relating to the authorization, issuance, and sale of the 2006 Series 2 Bonds are subject to the approval of **Bond Counsel**, which is Foley & Lardner LLP. Bond Counsel will deliver an approving opinion when the 2006 Series 2 Bonds are delivered, in substantially the form shown in

APPENDIX E. If certificated 2006 Series 2 Bonds are issued, then the opinion will be printed on the reverse side of each 2006 Series 2 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

As required by law, the office of the Attorney General will examine a certified copy of all proceedings preliminary to issuance of the 2006 Series 2 Bonds. Upon delivery of the 2006 Series 2 Bonds, the State will furnish an opinion of the Attorney General of the State, dated the date of delivery of the 2006 Series 2 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 2 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 2 Bonds or the validity of the 2006 Series 2 Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the pledge or application of any moneys or security to the payment of the 2006 Series 2 Bonds. In addition, the opinion will state that there is no controversy or litigation of any nature then pending or threatened by or against the State in which 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 2 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, the certificate must state that there is no controversy or litigation of any nature then pending or, to the Municipality's knowledge, threatened by or against the Municipality in which 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 (if the Municipal Obligation is a general obligation) or the imposition of rates or charges (if the Municipal Obligation is a revenue obligation) or the collection of any of the foregoing 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 2 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 2 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 (**Code**), that must be satisfied after the 2006 Series 2 Bonds are issued for interest on the 2006 Series 2 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 2 Bonds to be included in gross income for federal income tax

purposes, perhaps even starting from the date the 2006 Series 2 Bonds were issued. The proceedings authorizing the 2006 Series 2 Bonds do not provide for an increase in interest rates or a redemption of the 2006 Series 2 Bonds in the event interest on the 2006 Series 2 Bonds ceases to be excluded from gross income for federal income tax purposes.

Bond Counsel expresses no opinion about other federal tax consequences of ownership of the 2006 Series 2 Bonds. There may be other federal tax law provisions that could adversely affect the value of an investment in the 2006 Series 2 Bonds for particular owners of 2006 Series 2 Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a 2006 Series 2 Bond.

State of Wisconsin Income and Franchise Taxes

Interest on the 2006 Series 2 Bonds is not excluded from current 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 2 Bond.

Discount Bonds

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each of the 2006 Series 2 Bonds maturing in the years 2024 and 2025 (**Discount Bond**), to the extent properly allocable to the owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of a Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (**Issue Price**).

Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals:

- The Issue Price of the Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, *multiplied by* the yield to maturity of the Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period), *less*
- Any interest payable on the Discount Bond during such accrual period.

The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner's tax basis in the Discount Bond. The adjusted tax basis in a Discount 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 Discount Bond.

Owners of Discount Bonds who do not purchase their Discount Bonds in the initial offering at the Issue Price should consult their own tax advisors with respect to the tax consequences of owning Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning Discount Bonds. It is possible that under the applicable provisions governing the determination of state and local taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Premium Bonds

Each of the 2006 Series 2 Bonds maturing in the years 2008 through 2023, 2026, and 2027 (**Premium Bond**) has an Issue Price that is greater than the amount payable at the maturity of the 2006 Series 2 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.

IRS Tax-Exempt Bond Enforcement Program

The Internal Revenue Service (**IRS**) has an active tax-exempt bond enforcement program. Under current IRS procedures, the owners of the 2006 Series 2 Bonds and other parties other than the State would have little, if any, right to participate in an IRS examination of the 2006 Series 2 Bonds. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt bonds is difficult, obtaining independent review of IRS positions with which the State legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2006 Series 2 Bonds for examination, or the course or result of such an examination, or an examination of bonds presenting similar tax issues may affect the market price, or the marketability, of the 2006 Series 2 Bonds, and may cause the State or the owners of the 2006 Series 2 Bonds to incur significant expense.

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**). The Annual Reports currently include information about the State and MMSD, which are each currently expected to be the source of approximately 20 percent of the cash flow servicing the Outstanding Bonds. 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 Clean Water Revenue Bond Program. 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 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 the preceding paragraph and section under "**CONTINUING DISCLOSURE**".

Dated: October 17, 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 as contained in [Part VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 \(2005 Annual Report\)](#), and includes certain changes and additions to the information presented in Part VI of the 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
- 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 have occurred that affect items discussed in the 2005 Annual Report. Listed below, by reference to particular sections of Part VI 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.

Table VI-2; State of Wisconsin Environmental Improvement Fund Outstanding Loans (Pages 195-199). Replace with the following updated table:

**State of Wisconsin Environmental Improvement Fund
Outstanding Loans
June 30, 2006
(Amounts in Thousands)**

<u>Municipality^(a)</u>	<u>FAA Loan Amount^(b)</u>	<u>Total Loan Disbursed</u>	<u>Leveraged Balance^(c)</u>	<u>Non-Leveraged Balance</u>	<u>Total Outstanding Balance^(c)</u>	<u>Loan Remaining to Fund^(d)</u>	<u>% of Revenue Bond Payment^(e)</u>
<i>Leveraged Loans</i>							
Milwaukee Metropolitan Sewerage District	\$ 699,654	\$ 635,411	\$ 162,388	\$ 270,644	\$ 433,032	\$ 56,344	20.532%
Madison Metropolitan Sewerage District	95,742	89,427	60,804	2,796	63,600	3,131	7.891%
City of Manitowoc	22,018	21,512	15,912	-	15,912	-	2.049%
City of Fond du Lac	61,022	14,711	13,554	-	13,554	46,021	1.803%
Delafield - Hartland Pollution Control Commission	10,000	10,000	9,181	-	9,181	-	1.219%
Green Bay Metropolitan Sewerage District	60,910	56,084	9,105	20,068	29,173	765	1.132%
City of Reedsburg	14,471	8,840	8,840	-	8,840	5,630	1.181%
Village of Saukville	11,332	10,692	8,201	-	8,201	-	1.065%
City of Racine	120,486	118,844	7,023	96,131	103,154	916	0.887%
Village of Union Grove	10,218	9,757	6,633	1,245	7,878	434	0.871%
City of Waupaca	12,721	12,216	6,404	972	7,376	-	0.799%
Village of Cross Plains	8,287	6,237	5,943	-	5,943	2,041	0.777%
Heart of the Valley Metropolitan Sewerage District	35,872	8,742	5,671	2,892	8,563	27,130	0.751%
City of Menomonie	8,732	8,653	5,632	-	5,632	-	0.747%
City of Stevens Point	13,560	13,117	5,461	-	5,461	-	0.653%
City of Mineral Point	6,884	6,244	5,459	-	5,459	-	0.716%
City of Brookfield	30,606	29,304	5,410	14,715	20,125	-	0.701%
City of Waupun	6,249	6,062	5,395	-	5,395	-	0.737%
City of Stoughton - Utilities	9,463	8,883	5,236	102	5,338	-	0.658%
City of Ripon	6,337	5,773	5,047	-	5,047	-	0.662%
City of Fort Atkinson	14,594	14,266	5,034	-	5,034	-	0.604%
Village of Marshall	7,744	7,507	4,921	-	4,921	-	0.616%
Village of Twin Lakes	5,941	5,941	4,483	-	4,483	-	0.583%
City of Bloomer	6,694	6,690	4,326	-	4,326	-	0.540%
Village of Jackson	6,130	6,130	4,234	-	4,234	-	0.526%
City of Brodhead	6,549	6,284	4,123	-	4,123	-	0.516%
Village of Sussex	11,029	10,605	4,017	-	4,017	-	0.477%
Village of Deerfield	5,070	4,542	3,975	-	3,975	-	0.522%
City of South Milwaukee	6,413	6,344	3,946	-	3,946	-	0.497%
City of Hudson	6,165	5,823	3,804	-	3,804	-	0.474%
Green Lake Sanitary District	8,674	8,388	3,775	-	3,775	-	0.441%
Town of Salem	6,359	6,193	3,697	-	3,697	-	0.459%
City of Richland Center	6,998	6,660	3,602	-	3,602	-	0.465%
City of Dodgeville	4,995	4,995	3,600	-	3,600	-	0.449%
City of Milton	4,328	4,091	3,581	-	3,581	-	0.470%
City of Oconomowoc	5,449	5,414	3,482	-	3,482	-	0.431%
City of Sparta	15,726	14,528	3,346	3,555	6,901	-	0.395%
Norway Sanitary District #1	5,547	4,424	3,286	-	3,286	-	0.421%
City of Janesville	9,047	8,790	3,246	4,110	7,356	108	0.410%
City of Oshkosh	57,410	56,098	3,138	33,990	37,128	-	0.409%
Town of Oakland Sanitary District #1	4,797	3,131	3,131	-	3,131	1,665	0.412%
Village of Lake Delton	22,133	19,334	3,102	14,837	17,939	2,641	0.404%
Village of West Salem	4,990	4,634	3,089	-	3,089	-	0.378%
City of Edgerton	5,016	4,371	3,057	-	3,057	-	0.386%
City of De Pere	8,892	7,994	3,024	3,134	6,158	-	0.394%
Town of Bristol	6,364	5,419	3,002	-	3,002	729	0.379%
City of Chippewa Falls	7,593	7,252	2,994	1,713	4,707	-	0.371%
Village of Cambridge	4,528	2,836	2,836	-	2,836	1,693	0.373%
Village of Black Creek	4,332	4,332	2,602	-	2,602	-	0.323%
City of Chilton	3,945	3,868	2,517	412	2,929	-	0.316%
City of Antigo	4,317	4,286	2,498	-	2,498	-	0.310%
Village of Caledonia	4,465	3,874	2,435	813	3,248	540	0.319%
Village of Plover	6,730	6,730	2,376	2,672	5,048	-	0.299%
City of Lodi	4,050	3,907	2,351	-	2,351	-	0.293%
Village of Hammond	4,101	2,192	2,192	-	2,192	1,909	0.292%
Village of Luxemburg	3,178	2,945	2,176	-	2,176	-	0.278%
City of Mauston	2,905	2,759	2,172	-	2,172	-	0.309%
City of Marshfield	24,170	22,996	2,120	14,206	16,326	-	0.261%
Village of Somerset	2,981	2,744	2,097	-	2,097	-	0.272%
City of Viroqua	4,080	3,986	2,079	883	2,962	55	0.265%
City of New Richmond	3,320	3,202	2,071	-	2,071	-	0.256%
City of Rhinelander	5,136	5,123	2,065	-	2,065	-	0.248%
City of Sheboygan	13,517	13,057	1,964	7,250	9,214	-	0.244%
City of Baraboo	5,304	3,239	1,928	-	1,928	1,958	0.244%
City of Neillsville	3,238	3,210	1,927	-	1,927	-	0.239%

State of Wisconsin Environmental Improvement Fund
Outstanding Loans
June 30, 2006
(Amounts in Thousands)

<u>Municipality^(a)</u>	<u>FAA Loan Amount^(b)</u>	<u>Total Loan Disbursed</u>	<u>Leveraged Balance^(c)</u>	<u>Non-Leveraged Balance</u>	<u>Total Outstanding Balance^(c)</u>	<u>Loan Remaining to Fund^(d)</u>	<u>% of Revenue Bond Payment^(e)</u>
Village of Slinger	2,633	2,277	1,861	-	1,861	-	0.245%
Village of Allouez	3,072	3,062	1,836	-	1,836	-	0.227%
Village of North Fond du Lac	2,592	2,590	1,835	-	1,835	-	0.232%
Village of Cedar Grove	4,400	2,393	1,821	476	2,297	2,003	0.239%
Village of Silver Lake	2,318	2,318	1,792	-	1,792	-	0.235%
City of Monroe	3,470	2,956	1,786	-	1,786	-	0.227%
City of Cuba City	2,562	2,316	1,782	-	1,782	-	0.231%
City of Ashland	14,010	13,598	1,735	3,791	5,526	-	0.215%
City of Adams	2,464	2,238	1,651	-	1,651	-	0.213%
City of Tomahawk	3,026	2,864	1,627	-	1,627	-	0.198%
Village of Howards Grove	2,102	1,905	1,609	-	1,609	-	0.211%
Village of Reedsville	2,768	2,755	1,606	-	1,606	-	0.200%
Freedom Sanitary District #1	2,748	2,645	1,583	-	1,583	-	0.195%
City of Wautoma	6,848	6,847	1,568	2,032	3,600	-	0.177%
Village of Shorewood	2,512	2,298	1,521	-	1,521	-	0.188%
Village of Belleville	2,563	2,413	1,445	-	1,445	-	0.179%
Rib Mountain Metro Sewerage District	1,977	1,782	1,407	-	1,407	-	0.181%
Village of New Glarus	3,503	3,434	1,398	-	1,398	-	0.167%
City of Omro	3,510	1,386	1,386	-	1,386	2,124	0.187%
City of Amery	3,060	2,909	1,337	342	1,679	-	0.164%
City of Merrill	4,044	4,033	1,322	-	1,322	-	0.156%
City of Colby	2,837	2,647	1,320	-	1,320	-	0.160%
City of Delafield	1,556	1,556	1,302	-	1,302	-	0.169%
Village of Footville	2,131	2,097	1,266	394	1,660	-	0.165%
Village of Bangor	1,587	1,584	1,205	-	1,205	-	0.157%
Chain O'Lakes Sanitary District #1	2,082	2,063	1,185	-	1,185	-	0.153%
Village of Poyntette	2,288	2,112	1,156	-	1,156	-	0.141%
Village of Pewaukee	8,191	7,695	1,130	3,802	4,932	-	0.140%
Ixonia Sanitary District #1	1,340	1,308	1,109	-	1,109	-	0.145%
Village of Fremont	1,867	1,815	1,093	-	1,093	-	0.136%
City of Kenosha	33,144	29,370	1,078	11,892	12,970	-	0.129%
City of Weyauwega	3,285	3,108	1,062	-	1,062	-	0.127%
City of Kewaunee	1,684	1,684	1,061	-	1,061	-	0.133%
City of Jefferson	7,534	6,958	1,032	4,850	5,882	-	0.134%
Village of Monticello	2,345	2,319	975	-	975	-	0.106%
Village of Iron Ridge	1,441	1,254	941	-	941	-	0.125%
City of Lake Mills	1,246	1,165	938	-	938	-	0.124%
City of Whitewater	1,564	1,564	937	-	937	-	0.116%
Village of Wrightstown	1,427	1,427	926	-	926	-	0.115%
Village of Lake Nebagamon	1,539	1,456	913	-	913	-	0.115%
Village of Trempealeau	1,559	1,544	903	-	903	-	0.113%
Village of Newburg	1,549	1,430	894	-	894	-	0.112%
Western Racine County Sewerage District	11,459	9,390	875	8,083	8,958	2,068	0.116%
City of Crandon	1,537	1,454	869	-	869	-	0.107%
City of Two Rivers	5,878	5,515	858	3,784	4,642	139	0.108%
Village of Dane	1,228	1,228	824	-	824	-	0.102%
Black Wolf Sanitary District #1	4,327	4,065	815	-	815	-	0.092%
City of Brillion	1,064	1,061	812	-	812	-	0.106%
City of Lancaster	1,688	1,601	805	-	805	-	0.098%
Town of Menasha	1,659	1,642	786	-	786	-	0.095%
Wisconsin Dells - Lake Delton Sewerage Commission	1,935	1,892	775	-	775	-	0.093%
City of Manawa	1,408	1,391	770	-	770	-	0.095%
City of Tomah	18,635	17,577	768	11,735	12,503	193	0.094%
City of New Holstein	1,100	990	754	-	754	-	0.098%
City of Mayville	1,006	1,006	735	-	735	-	0.094%
Village of Mount Horeb	3,436	3,338	704	420	1,124	-	0.081%
Village of Valders	1,538	1,538	702	61	763	-	0.085%
City of Watertown	30,535	29,384	687	24,876	25,563	-	0.086%
Potosi/Tennyson Sewerage Commission	1,543	1,543	683	-	683	-	0.081%
City of Columbus	1,235	1,235	675	-	675	-	0.082%
City of Boscobel	1,337	1,182	647	-	647	-	0.080%
Village of Fontana	2,725	2,652	645	1,166	1,811	-	0.081%
City of Mosinee	1,383	1,297	643	-	643	-	0.078%
Village of Blue Mounds	1,152	1,064	638	-	638	-	0.079%
Village of Bay City	1,224	1,200	620	-	620	-	0.078%
Village of Mount Calvary	1,430	1,430	615	-	615	-	0.065%
Village of Mishicot	718	679	572	-	572	-	0.075%
City of Cumberland	928	808	555	-	555	-	0.069%
City of River Falls	4,766	3,955	555	2,833	3,388	812	0.068%
Village of Hewitt	1,467	1,298	545	-	545	-	0.063%
Village of Rockland	967	867	542	-	542	-	0.068%
Village of Muscoda	898	777	535	-	535	-	0.066%
Village of Spring Green	950	920	532	-	532	-	0.066%
City of Black River Falls	1,894	1,767	532	-	532	-	0.060%
Wrightstown Sanitary District #1	1,081	1,036	514	-	514	-	0.062%
Village of Brokaw	772	718	513	-	513	-	0.064%
Village of Highland	825	784	491	-	491	-	0.061%
Brazeau Sanitary District #1	793	758	472	-	472	-	0.059%
Village of Knapp	669	669	442	-	442	-	0.054%

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Mercer Sanitary District #1	787	787	434	-	434	-	0.058%
City of Galesville	1,143	1,111	426	-	426	-	0.051%
Village of Argyle	1,467	1,380	423	-	423	-	0.047%
Village of Rosholt	662	649	420	-	420	-	0.053%
City of Shullsburg	687	626	415	-	415	-	0.051%
Village of Montfort	779	756	415	-	415	-	0.051%
Wolf Treatment Plant Commission	12,847	12,377	401	8,220	8,621	-	0.047%
City of Abbotsford	722	660	384	-	384	-	0.048%
Iron River Sanitary District #1	717	710	384	-	384	-	0.047%
City of Cudahy	886	839	365	-	365	-	0.044%
Silver Lake Sanitary District	1,063	1,063	363	-	363	-	0.040%
Sextonville Sanitary District	589	564	355	-	355	-	0.044%
Village of Brownsville	1,017	917	355	341	696	-	0.044%
City of Oconto Falls	1,316	786	351	348	699	437	0.046%
Village of Redgranite	2,303	2,303	348	1,052	1,400	-	0.038%
City of Chetek	528	512	339	-	339	-	0.042%
City of Plymouth	5,848	5,427	330	2,383	2,713	-	0.041%
City of Beloit	2,927	2,610	311	-	311	-	0.034%
City of Beaver Dam	819	798	308	-	308	-	0.037%
Silver Lake Sanitary District-Waushara County	722	722	286	-	286	-	0.031%
Village of Kohler	401	367	273	-	273	-	0.035%
City of Prescott	5,349	4,956	271	2,211	2,482	-	0.033%
Neenah Sanitary District #2	1,057	1,057	270	-	270	-	0.029%
City of Westby	417	395	261	-	261	-	0.032%
Village of Campbellsport	405	359	258	-	258	-	0.033%
Village of Prentice	544	447	258	-	258	-	0.032%
Laona Sanitary District #1	746	746	249	-	249	-	0.029%
City of New Lisbon	5,845	5,434	245	4,403	4,648	136	0.030%
Village of Linden	389	369	241	-	241	-	0.031%
Village of Mattoon	628	586	240	151	391	-	0.030%
Village of Almond	530	504	240	-	240	-	0.029%
Village of Cottage Grove	506	360	238	-	238	-	0.029%
Village of North Freedom	498	473	228	-	228	-	0.028%
Village of Belmont	458	416	220	-	220	-	0.027%
Village of Pulaski	483	483	212	-	212	-	0.025%
Village of Wyoceña	389	298	211	-	211	-	0.026%
Village of Ellsworth	373	373	205	-	205	-	0.025%
Village of Walworth	332	305	198	-	198	-	0.025%
Village of Random Lake	464	441	194	-	194	-	0.023%
Iowa County	486	486	188	-	188	-	0.022%
City of Montello	260	256	184	-	184	-	0.024%
Village of Pepin	363	281	177	-	177	-	0.022%
Village of Cassville	442	401	175	-	175	-	0.021%
Goodman Sanitary District #1	1,074	1,074	172	450	622	-	0.018%
Village of Osceola	6,420	5,991	165	5,472	5,637	429	0.020%
Village of Potosi	291	260	164	-	164	-	0.020%
City of Shawano	252	225	159	-	159	-	0.020%
Village of Baldwin	262	262	145	-	145	-	0.018%
City of Prairie du Chien	4,645	4,590	145	1,932	2,077	-	0.017%
Village of Plum City	249	249	120	-	120	-	0.015%
Village of Coleman	507	449	119	-	119	-	0.014%
Village of Prairie du Sac	205	183	114	-	114	-	0.014%
Village of Blue River	281	272	108	-	108	-	0.013%
Village of Gays Mills	180	173	108	-	108	-	0.013%
Grand Chute - Menasha West Sewerage Commission	12,747	12,097	107	5,814	5,921	-	0.013%
Sunset Point Sanitary District	686	655	106	-	106	-	0.013%
Village of Hancock	151	131	100	-	100	-	0.013%
City of Hillsboro	160	129	81	-	81	-	0.010%
Village of Spring Valley	120	120	66	-	66	-	0.008%
Little Elkhart Lake Rehabilitation District	217	217	65	-	65	-	0.007%
Village of Webster	204	194	63	-	63	-	0.007%
Village of Roberts	81	81	45	-	45	-	0.006%
Village of Bowler	794	729	32	565	597	-	0.004%
<i>Direct (Clean Water), Proprietary, and Drinking Water Loans</i>							
Village of Adell - Onion River	721	721	-	221	221	-	-
Village of Adell	566	566	-	173	173	-	-
Village of Albany	536	472	-	342	342	-	-
Algoma Sanitary District #1	12,872	11,737	-	11,040	11,040	195	-
City of Algoma	5,547	5,432	-	1,806	1,806	-	-
City of Appleton	16,474	13,989	-	5,438	5,438	-	-
City of Arcadia	1,078	910	-	825	825	-	-
Village of Arena	1,486	1,449	-	998	998	-	-
Village of Arlington	1,662	1,608	-	1,158	1,158	-	-
Village of Avoca	359	344	-	189	189	-	-
Village of Bagley	229	218	-	155	155	-	-
City of Bayfield	2,364	2,300	-	2,147	2,147	-	-
Village of Bayside	1,612	1,399	-	1,288	1,288	-	-
Village of Bear Creek	432	387	-	223	223	-	-
Village of Belgium	3,855	3,838	-	3,189	3,189	-	-

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Town of Beloit	956	904		803	803	-	
Village of Benton	1,702	1,702		1,397	1,397	-	
Village of Black Earth	4,278	4,125		3,005	3,005	-	
Village of Boaz	106	106		32	32	-	
Bohner's Lake Sanitary District #1	8,007	7,857		2,420	2,420	-	
Brookfield Sanitary District #4	5,750	5,608		3,664	3,664	-	
Village of Brooklyn	641	615		543	543	-	
Brule Sanitary District	367	299		153	153	-	
City of Burlington	18,488	17,855		5,741	5,741	-	
Butte des Morts Consolidated Sanitary District #1	2,144	2,144		293	293	-	
Calumet Sanitary District #1	505	505		18	18	-	
Village of Cameron	365	365		315	315	-	
Caroline Sanitary District	83	83		25	25	-	
Christmas Mountain Sanitary District	1,659	1,614		1,231	1,231	-	
Village of Cleveland	3,610	3,452		1,887	1,887	-	
Village of Clinton	4,962	4,877		3,855	3,855	-	
City of Clintonville	1,035	860		815	815	176	
Cloverleaf Lakes Sanitary District #1	1,022	977		279	279	-	
Village of Cochrane	454	441		325	325	-	
Consolidated S.D. No. 1	155	155		47	47	-	
Village of Crivitz	1,725	1,725		638	638	-	
Crystal Lake Sanitary District #1	-	-		-	-	-	
Village of Curtiss	353	342		328	328	-	
Cushing Sanitary District #1	116	116		71	71	-	
City of Darlington	3,650	3,650		2,914	2,914	-	
City of Delavan	1,102	648		616	616	454	
Village of Denmark	2,241	2,223		930	930	-	
Village of Dickeyville	1,078	1,017		855	855	-	
Town of Dover	1,787	1,606		1,425	1,425	-	
Dyckesville Sanitary District	1,476	1,476		489	489	-	
City of Eagle River	3,563	3,401		1,756	1,756	-	
Village of Eagle	2,161	2,132		1,888	1,888	-	
Village of Eastman	323	323		97	97	-	
Edgewood-Shangri La Sanitary District	1,011	996		313	313	-	
Village of Egg Harbor	508	504		335	335	-	
Elcho Sanitary District #1	956	956		547	547	-	
Village of Elk Mound	350	349		185	185	-	
Village of Ephraim	1,629	1,457		1,399	1,399	172	
City of Evansville	1,800	1,603		1,539	1,539	197	
Village of Fairchild	740	719		489	489	-	
Village of Fairwater	1,554	1,481		1,360	1,360	-	
Village of Forestville	585	552		394	394	-	
City of Fountain City	451	451		414	414	-	
Fulton Sanitary District No. 2	211	211		177	177	-	
Village of Genoa City	4,227	4,015		3,379	3,379	-	
Germantown Sanitary District	34	34		10	10	-	
Gibbsville Sanitary District	1,518	1,383		1,325	1,325	135	
Gordon Sanitary District #1	395	395		125	125	-	
Village of Gratiot	724	723		632	632	-	
Green Valley Sanitary District #1	188	188		100	100	-	
Greenville Sanitary District No. 1	4,733	4,230		4,141	4,141	334	
Harmony Grove - Okee Sewerage Commission	2,327	2,155		1,886	1,886	-	
City of Hartford	13,168	13,081		8,421	8,421	-	
Hatfield Sanitary District #1	1,135	1,135		311	311	-	
Village of Haugen	285	285		211	211	-	
Village of Hilbert	2,502	2,496		1,368	1,368	-	
Village of Hingham - Onion River	227	227		74	74	-	
Holland Sanitary District #1	1,380	1,380		1,149	1,149	-	
Hub-Rock Sanitary District No. 1	494	494		287	287	-	
Village of Hustisford	1,057	1,036		954	954	21	
City of Independence	1,592	1,556		1,490	1,490	-	
Village of Ironton	107	107		18	18	-	
Island View Sanitary District	2,764	2,480		931	931	-	
Ithaca Sanitary District #1	412	412		237	237	-	
City of Juneau	271	237		148	148	-	
Kelly Lake Sanitary District #1	2,439	2,413		1,814	1,814	-	
City of Kiel	2,470	2,470		1,565	1,565	-	
Krakow Sanitary District No. 1	625	589		566	566	36	
Lake Como Sanitary District #1	4,459	4,459		2,675	2,675	-	
Lake Tomahawk Sanitary Dist #1	1,317	1,313		959	959	-	
Village of Lannon	2,982	2,982		1,604	1,604	-	
Lisbon Sanitary District #1	2,849	2,706		825	825	-	
Little Green Lake Protection & Rehab District	1,898	1,734		1,392	1,392	-	
Little Suamico Sanitary District #1	1,791	1,682		1,396	1,396	-	
Village of Lomira	1,932	1,784		889	889	-	
Village of Lyndon Station	615	583		418	418	-	
Village of Marathon City	1,890	1,853		1,330	1,330	-	
City of Marinette	7,232	6,282		5,668	5,668	-	
Village of Mazomanie	4,753	4,553		3,315	3,315	-	
Village of Melvina	-	-		-	-	-	

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City of Menasha	13,139	2,059		1,991	1,991	10,994	
Village of Menomonee Falls	887	869		568	568	-	
Village of Milltown	337	302		191	191	-	
City of Milwaukee - Waterworks	19,358	17,559		12,075	12,075	-	
Mindoro Sanitary District #1	1,114	1,025		984	984	89	
Morrisonville Sanitary District #1	278	278		167	167	-	
Village of Mount Hope	386	367		339	339	19	
Village of Mukwonago	2,514	2,271		1,692	1,692	-	
Village of Necedah	2,937	2,937		2,441	2,441	-	
City of Neenah	26,390	18,593		18,016	18,016	7,797	
City of Nekoosa	6,709	6,564		5,133	5,133	-	
Village of Nelson	640	640		320	320	-	
Village of New Auburn	1,144	580		580	580	564	
City of Niagara	181	181		54	54	-	
Village of Oakdale	45	45		11	11	-	
Village of Oakfield	2,200	2,200		1,927	1,927	-	
Town of Oconomowoc	6,819	6,169		4,854	4,854	-	
City of Oconto	3,844	3,725		1,850	1,850	-	
Ogema Sanitary District #1	190	181		72	72	-	
Village of Oliver	588	588		353	353	-	
Omro Sanitary District #1	992	992		480	480	-	
Oneida Tribe of Indians	1,210	1,210		318	318	-	
Village of Oregon	7,217	7,073		3,602	3,602	-	
Orihula Sanitary District	2,522	2,485		943	943	-	
City of Osseo	1,575	1,575		1,265	1,265	-	
City of Owen	418	418		387	387	-	
Packwaukee Sanitary Dist No. 1	242	242		158	158	-	
City of Park Falls	1,469	1,469		1,090	1,090	-	
Pell Lake Sanitary District #1	5,917	5,917		3,788	3,788	-	
Pensaukee Sanitary District #1	1,279	1,279		673	673	-	
City of Pewaukee	8,049	7,831		5,114	5,114	-	
City of Phillips	2,233	2,189		1,752	1,752	45	
Pikes Bay Sanitary District	1,621	531		512	512	1,089	
City of Pittsville	2,768	2,431		2,327	2,327	337	
Pleasant Springs Sanitary District #1	1,029	934		510	510	-	
Village of Port Edwards	3,368	3,003		2,891	2,891	365	
City of Port Washington	3,404	3,404		2,751	2,751	-	
City of Portage	4,341	4,272		2,947	2,947	-	
Portland Sanitary District #1	295	287		262	262	-	
Poy Sippi Sanitary District	223	223		178	178	-	
Rockland Sanitary District #1	222	222		56	56	-	
Roxbury Sanitary District #1	940	914		647	647	-	
City of Seymour	708	549		549	549	160	
Village of Sharon	635	633		509	509	-	
Village of Sheldon	292	292		265	265	-	
Village of Sherwood	2,711	2,688		1,942	1,942	-	
Village of South Wayne	1,388	1,266		701	701	-	
Village of Stetsonville	1,141	1,141		866	866	-	
Village of Stoddard	556	517		517	517	39	
Village of Suamico	9,940	9,186		8,798	8,798	754	
Town of Summit	7,832	7,695		6,465	6,465	-	
City of Sun Prairie	16,114	13,422		13,422	13,422	2,692	
Village of Suring	840	357		357	357	483	
City of Thorp	1,198	1,177		1,123	1,123	-	
Village of Union Center	299	299		220	220	-	
Valley Ridge Clean Water Commission	749	749		211	211	-	
Village of Vesper	1,724	1,670		1,542	1,542	54	
Walworth County Metropolitan Sewerage District	19,994	19,088		9,428	9,428	-	
Village of Warrens	4,769	4,306		4,252	4,252	463	
City of Waukesha	42,072	40,531		14,410	14,410	-	
Village of Wausaukee	1,662	1,662		649	649	-	
Village of Wauzeka	128	107		62	62	-	
Westboro Sanitary District #1	51	51		27	27	-	
Village of Whitelaw	1,494	1,491		1,195	1,195	-	
Village of Williams Bay	885	836		558	558	-	
Winneconne Sanitary District #3	2,079	1,985		729	729	-	
Village of Winneconne	1,644	1,494		1,035	1,035	-	
City of Wisconsin Dells	2,503	2,055		2,055	2,055	448	
City of Wisconsin Rapids	11,670	11,348		3,917	3,917	-	
Village of Withee	120	120		108	108	-	
Totals	\$ 2,462,272	\$ 2,204,053	\$ 592,392	\$ 900,012	\$ 1,492,404	\$ 190,163	75.291%

(a) Municipalities that have received Financial Assistance Agreements that are funded with both Pledged Loans and Direct Loans or Proprietary Loans are included, along with the total of their loan activity and balances, within the group of Leveraged Loans.

- (b) The amount of financial assistance depicts only loans. Grants, which have been awarded in the aggregate amount of approximately \$100 million, are not included.
- (c) The principal balance may be less than the total amount disbursed due to repayment of loans.
- (d) "Loan Remaining to Fund" is the "FAA Loan Amount" less "Total Loan Disbursed", except for Loans that have been closed-out or paid-off, in which case the "Loan Remaining to Fund" is zero.
- (e) Total loan repayments of outstanding Pledged Loans (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) are shown as a percentage of total debt service on the Outstanding Bonds, less those Bonds that are defeased. Leveraged Loans with amortization periods of shorter duration than the Bonds will reflect a lower comparative percentage of the Bonds' debt service. Other revenues expected to be available for payment of the Bonds consist of Subsidy Fund transfers and repayments on Leveraged Loans to be originated in the future from the undisbursed 2006 Series 1 Bond proceeds.

Security and Source of Payment for Bonds; Subsidy Fund (Pages 200-201). Update with the following:

As of June 30, 2006, \$117 million principal amount of State general obligation bonds were on deposit in the Subsidy Fund. 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.

Security and Source of Payment for Bonds; Loan Credit Reserve Fund (Pages 201-203). Update with the following:

As of June 30, 2006, the deposits in the Loan Credit Reserve Fund consisted of \$66 million in cash and investments and a Debt Service Reserve Insurance Policy in the amount of \$17 million issued by XL Capital Assurance Inc. The total deposits of \$83 million exceeded the amount required on such date, which was approximately \$80 million. The cash and investments in the Loan Credit Reserve Fund were invested as follows:

- \$21 million were invested in an investment agreement with AIG Matched Funding Corp. with the payment obligations of AIGMFC guaranteed by American International Group, Inc.
- \$6 million were invested in an investment agreement with MBIA Investment Management Corp. with the payment obligations of IMC guaranteed by the MBIA Insurance Corporation.
- \$8 million were invested in a collateralized investment repurchase agreement with Bayerische Landesbank Girozentrale with the collateral held by Wells Fargo Bank, as custodian and as successor to Norwest Bank Minnesota, National Association.
- \$21 million were invested in direct obligations of the United States under three forward delivery agreements with Wachovia Bank, National Association, as successor to First Union National Bank of North Carolina.
- \$2 million were invested in a forward delivery agreement with Westdeutsche Landesbank Girozentrale.
- \$6 million were invested in a reserve fund forward delivery agreement with JPMorgan Chase Bank, N.A.
- \$1 million were invested in a pool managed by the State of Wisconsin Investment Board.

Security and Source of Payment for Bonds; Additional Information (Pages 204-205). Update with the following:

Based on cash-flow calculations as of June 30, 2006, the Milwaukee Metropolitan Sewerage District (**MMSD**) is expected to be the source of approximately 21 percent of the cash flow servicing the Outstanding Bonds. This percentage will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on the Outstanding Bonds.

The MMSD Comprehensive Annual Financial Report for the year ended December 31, 2005 (**MMSD CAFR**) is included by reference as part of this APPENDIX A to the Official Statement. The MMSD CAFR has been filed with each nationally recognized municipal securities information repository (**NRMSIR**) and should be consulted only with respect to MMSD. No representation is made as to the accuracy or completeness of the information included in the MMSD CAFR, or that there has been no material change since its date.

Copies of the MMSD CAFR can be obtained from:

Mark T. Kaminski, Acting Controller/Treasurer
Milwaukee Metropolitan Sewerage District
260 West Seeboth Street
Milwaukee, Wisconsin 53204-1446
(414) 225-2050
bgraffin@mmsd.com

Based on the general obligations of the State deposited in the Subsidy Fund and cash-flow calculations as of June 30, 2006, the State is expected to be the source of approximately 19% of the cash flow servicing the Outstanding Bonds. This percentage will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on 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.

The Financial Assistance Agreements require that financial statements be provided to the Clean Water Fund Program by each Municipality that has received a Direct Loan, Proprietary Loan, or Pledged Loan. Only the financial statements for MMSD are made part of this Appendix A to the Official Statement.

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**), and includes certain changes and 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 Clean Water Revenue Bonds, 2006 Series 2 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 2 Bonds or any Bonds from any funds of the State other than those pledged pursuant to the Clean Water Revenue Bond General Resolution, as amended. 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**) and 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 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:

Results of 2005-06 Fiscal Year

On September 6, 2006, the Department of Revenue (**DOR**) released preliminary information pertaining to actual General Fund tax collections for the 2005-06 fiscal year. General Fund tax collections for the 2005-06 fiscal year, on a budgetary basis, were approximately \$80 million above the Legislative Fiscal Bureau (**LFB**) projections from January 2006, and nearly \$634 million, or 5.6%, above collections in the 2004-05 fiscal year. The DOR report shows that individual income tax exceeded projections by \$119 million, general sales and use tax collections fell short of projections by \$54 million, and corporate franchise and public utility tax collections exceeded projections by \$10 million and \$17 million, respectively.

The State’s Annual Fiscal Report includes the ending general fund balance for the 2005-06 fiscal year (unaudited, budgetary basis) and was released on October 15, 2006, and is available from its date of publication on the website, or from the address, shown on **page B-1** of this Official Statement.

Condition of General Fund Budget for 2005-07; June 6, 2006 LFB Memorandum

On June 6, 2006, LFB released a memorandum that contained information on the condition of the General Fund budget for the 2005-07 biennium. This memorandum reflected the Governor’s action, as of that date, on all enrolled bills that were passed by the Legislature in the past legislative session.

The June 6, 2006 LFB memorandum projected that the ending gross General Fund balance for the 2005-07 biennium would be approximately \$11 million. That amount is \$96 million less than the projected gross ending balance included in a prior memorandum provided by LFB on January 19, 2006. The discussion below in **“State Budget; Budget for 2005-07; LFB Projected General Fund Tax Collections”** contains more information on, and certain events that occurred subsequent to, the January 19, 2006 LFB memorandum.

The following table reflects the estimated General Fund condition statement for the 2005-06 and 2006-07 fiscal years, as included in the June 6, 2006 LFB memorandum. The following table also includes, for comparison, the estimated General Fund condition statements that were included in a prior memorandum provided by LFB on October 18, 2005, which at that time addressed modifications to the budget for the 2005-07 biennium resulting from the Annual Fiscal Report (budgetary basis) for the 2004-05 fiscal year.

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

	June 6, 2006 LFB Memorandum		October 18, 2005 LFB Memorandum	
	2005-06	2006-07	2005-06	2006-07
Revenues				
Opening Balance	\$ 4.0	\$ 11.0	\$ 4.1	\$ 8.5
Taxes	11,950.0	12,560.0	11,957.1	12,506.8
Department Revenues				
Tribal Gaming	118.0	86.0	118.6	86.3
Other	<u>686.0</u>	<u>506.0</u>	<u>674.8</u>	<u>513.6</u>
Total Available	12,758.0	13,163.0	12,754.6	13,115.3
Appropriations				
Gross Appropriations	12,634.0	13,218.0	12,681.2	13,176.2
Compensation Reserves	90.0	178.0	90.1	178.3
Transfers to Medical Assistance Trust Fund	342.0	25.0	290.5	
Less: Lapses	<u>(319.0)</u>	<u>(269.0)</u>	<u>(315.6)</u>	<u>(252.9)</u>
Net Appropriations	12,747.0	13,152.0	12,746.1	13,101.6
Balances				
Gross Balance	11.0	11.0	8.5	13.7
Less: Required Statutory Balance	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>
Net Balance, June 30	\$ (54.0)	\$ (54.0)	\$ (56.5)	\$ (51.3)

LFB Projected General Fund Tax Collections; January 19, 2006 LFB Memorandum

On January 19, 2006, LFB released a memorandum that contained projections of General Fund tax collections, re-estimates of departmental revenues and expenditures, and a projection of the gross ending General Fund balance for the 2005-07 biennium. A complete copy of the January 19, 2006 LFB memorandum appears on [pages B-4 through B-16 of this Official Statement](#).

The January 19, 2006 LFB memorandum also projected that estimated tax collections would be greater by \$46 million, and estimated department revenues would be greater by \$3 million, than the projections used in the enacted budget for the 2005-07 biennium. The January 19, 2006 LFB memorandum projected that the ending gross General Fund balance for the 2005-07 biennium would be \$107 million. That amount exceeds the projected gross ending balance included in the October 18, 2005 LFB memorandum by \$93 million.

The January 19, 2006 LFB memorandum identified two items regarding the General Fund projections and re-estimates. Subsequently, certain actions occurred that addressed these items.

- 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. On May 11, 2006, the State received payment of \$30 million from another tribal government. This payment, also due in the 2003-05 biennium, resulted from an agreement announced on May 10, 2006 regarding the negotiation between the State and that tribal government's gaming compact.
- The Medical Assistance Trust Fund was projected to experience a shortfall of \$77 million during the 2005-07 biennium. On March 27, 2006, the Governor signed into law 2005 Wisconsin Act 211, which among other provisions, transfers an aggregate of \$77 million from the General Fund to the Medical Assistance Trust Fund during the 2005-06 and 2006-07 fiscal years.

State Budget; Potential Effect of Litigation (Part II–Pages 34-35). Add the following:

Validity of Gaming Compacts

On July 14, 2006, the Wisconsin Supreme Court held that a 1993 amendment to the gambling provision of the Wisconsin Constitution did not invalidate or affect the extension, renewal, or amendment of compacts originally executed in 1991 and 1992 between the State and tribal governments. In addition, the Wisconsin Supreme Court overruled the portion of its earlier decision from 2004 that had invalidated compact amendments made in 2003 that allowed tribes to offer additional games beyond those agreed to in the original tribal compacts.

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 and additions to various tables containing General Fund information for the 2005-06 and 2006-07 fiscal years, which are presented on either a cash basis or agency recorded basis. The projections in these tables for the 2006-07 fiscal year reflect the revised General Fund revenue estimates from the January 19, 2006 LFB memorandum. The tables, unless noted, contain information through August 31, 2006.

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 and 2005-06 fiscal years and are not currently planned for the 2006-07 fiscal year. The following tables may show negative balances on a cash basis. The Wisconsin Statutes provide certain administrative remedies, such as interfund borrowing, to deal with periods when the balance, on a cash basis, is negative. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

The State can have a negative cash balance at the end of a fiscal year. By contrast, the Wisconsin Constitution requires the Legislature to enact a balanced biennial budget, and if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take actions to balance the budget in the succeeding fiscal year.



Legislative Fiscal Bureau

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

January 19, 2006

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

Dear Senator Fitzgerald and Representative Kaufert:

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

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

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

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

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

TABLE 1

2005-07 General Fund Condition Statement

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

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

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

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

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

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

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

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

General Fund Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE 2

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

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

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

TABLE 3

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

<u>Source</u>	<u>2004-05 Actual</u>	<u>Budget Estimates (Act 25)</u>		<u>Revised Estimates January, 2006</u>	
		<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
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	<u>87.7</u>	<u>89.5</u>	<u>91.5</u>	<u>91.2</u>	<u>91.5</u>
TOTAL	\$11,396.6	\$11,957.1	\$12,506.8	\$11,949.6	\$12,560.0
Change from Prior Year					
Amount		\$560.5	\$549.7	\$553.0	\$610.4
Percent		4.9%	4.6%	4.9%	5.1%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estate Tax. In 2004-05, state estate tax revenues were \$112.4 million. Under Act 25, estate taxes were estimated at \$105.0 million in 2005-06 and \$110.0 million in 2006-07. However, based on collections to date in 2005-06, estate taxes are reestimated at \$124.0 million in 2005-06 and \$130.0 million in 2006-07. The revised estimates are \$19.0 million higher in 2005-06 and \$20.0 million higher in 2006-07 than the Act 25 estimates. It should be noted, however, that estate tax collections are significantly affected by the settlement, or lack thereof, of a small number of large estates. Collections may, therefore, vary considerably from year to year.

Miscellaneous Taxes. Miscellaneous tax revenues were \$87.7 million in 2004-05, and are estimated at \$91.2 million in 2005-06 and \$91.5 million in 2006-07. The first-year estimate is \$1.7 million higher than the Act 25 estimate, and the second-year estimate is unchanged from Act 25. The revised estimate reflects year-to-date collections from the real estate transfer fee. Other miscellaneous taxes include municipal and circuit court related fees and the occupational tax on coal.

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

Sincerely,

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

Robert Wm. Lang
Director

RWL/sas

cc: Members, Wisconsin Legislature

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

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2005 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)	\$882,782	\$1,145,630	\$115,031	\$831,334	\$1,369,935
Ending Balance ^(c)	(417,079)	136,628	309,053	818,545	586,768	(118,926)	882,782	1,145,630	115,031	831,334	1,369,935	4,563
Lowest Daily Balance ^(c)	(522,613)	(589,150)	(264,889)	158,797	418,125	(864,503)	(173,681)	686,665	100,921	(225,788)	611,737	(397,541)
RECEIPTS												
TAX RECEIPTS												
Individual Income	\$457,176	\$546,087	\$625,591	\$566,601	\$461,234	\$484,890	\$966,768	\$489,178	\$522,941	\$979,881	\$555,643	\$657,624
Sales & Use	402,599	400,199	384,904	378,257	364,808	356,213	411,358	319,356	309,399	340,820	342,919	375,380
Corporate Income	31,786	24,880	170,441	34,258	31,377	130,776	28,752	19,203	197,151	40,032	27,154	149,264
Public Utility	24	0	196	2,667	125,226	130	356	81	157	1,530	155,348	54
Excise	36,572	30,625	36,942	32,048	32,403	29,800	30,316	26,764	26,799	28,888	28,775	34,874
Insurance	690	1,273	27,858	1,556	1,839	33,661	2,840	22,490	22,319	26,422	1,037	31,382
Inheritance	16,949	6,932	8,463	13,570	11,203	7,341	7,020	7,236	12,159	6,428	7,829	9,601
Subtotal Tax Receipts	\$945,796	\$1,009,996	\$1,254,395	\$1,028,957	\$1,028,090	\$1,042,811	\$1,447,410	\$884,308	\$1,090,925	\$1,424,001	\$1,118,705	\$1,258,179
NON-TAX RECEIPTS												
Federal	\$524,946	\$554,359	\$554,537	\$487,805	\$539,678	\$499,963	\$567,423	\$508,860	\$536,237	\$470,205	\$541,885	\$460,998
Other & Transfers ^(d)	355,748	298,506	470,126	316,093	283,115	286,968	438,937	689,774	322,126	422,228	374,934	314,764
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	\$1,006,360	\$1,198,634	\$858,363	\$892,433	\$916,819	\$775,762
TOTAL RECEIPTS	\$1,826,490	\$1,862,861	\$2,279,058	\$1,832,855	\$1,850,883	\$1,829,742	\$2,453,770	\$2,082,942	\$1,949,288	\$2,316,434	\$2,035,524	\$2,033,941
DISBURSEMENTS												
Local Aids	\$884,042	\$142,784	\$757,441	\$100,945	\$958,939	\$1,280,054	\$190,703	\$251,483	\$1,316,971	\$109,499	\$288,235	\$1,919,099
Income Maintenance	489,129	468,260	454,986	416,256	461,190	448,737	380,248	413,072	467,013	283,779	328,572	260,110
Payroll and Related	315,952	295,222	427,311	303,005	315,798	335,548	362,573	335,005	487,027	304,889	321,666	352,584
Tax Refunds	60,810	62,584	43,817	51,777	52,037	120,021	112,785	466,205	381,505	316,659	154,121	158,392
Debt Service	0	0	0	156,686	1,562	0	0	2,082	0	295,695	28,097	0
Miscellaneous ^(d)	299,953	340,304	423,078	294,694	293,134	351,076	405,753	352,247	327,371	289,610	376,232	709,128
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	\$1,452,062	\$1,820,094	\$2,979,887	\$1,600,131	\$1,496,923	\$3,399,313

(a) Projections reflected 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. No changes were needed to the projections as a result of the revised revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assumed that the State would receive approximately \$146 million pursuant to the amended gaming compacts with tribal governments. Included in this amount was \$73 million, which was an estimate of all payments due in the 2005-06 fiscal year. The amount of estimated payments due in the 2005-06 fiscal year was subsequently revised downward to \$67 million to reflect provisions of the compacts with the tribal governments. The State has received payments, totalling \$44 million, from all but one tribal government. The State and this tribal government continue arbitration with respect to this tribal government's amended gaming compact. Also included in this amount was \$74 million, which was an estimate of payments due in previous fiscal years that were expected to be made in the 2005-06 fiscal year by two tribal governments. The State has received the payments from the two tribal governments that equal this amount. 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 were 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 were 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 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.

(d) Includes \$175 million transferred from the Transportation Fund to the General Fund on February 1, 2006, \$100 million transferred from the Transportation Fund to the General Fund on April 18, 2006, \$63 million transferred from the Transportation Fund to the General Fund on June 1, 2006, \$235 million transferred from the General Fund to the Medical Assistance Trust Fund on June 16, 2006, and \$51 million transferred from the General Fund to the Medical Assistance Trust Fund on June 30, 2006 (pursuant to provisions of 2005 Wisconsin Act 211).

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

**ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2006 TO AUGUST 31, 2006
PROJECTED GENERAL FUND CASH FLOW; SEPTEMBER 1, 2006 TO JUNE 30, 2007^(a)**

(In Thousands of Dollars)

	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007
BALANCES^(b)												
Beginning Balance	\$4,563	(\$195,929)	\$108,161	\$165,909	\$729,967	\$469,496	(\$270,237)	\$880,975	\$945,575	(\$138,405)	\$337,759	\$887,903
Ending Balance^(c)	(\$195,929)	\$108,161	\$165,909	\$729,967	\$469,496	(\$270,237)	\$880,975	\$945,575	(\$138,405)	\$337,759	\$887,903	(\$140,773)
Lowest Daily Balance^(c)	(\$451,652)	(\$488,713)	(\$213,635)	\$30,296	\$290,749	(\$1,049,577)	(\$288,823)	\$536,360	(\$156,521)	(\$552,612)	\$199,884	(\$592,023)
RECEIPTS												
TAX RECEIPTS												
Individual Income	565,897	474,676	575,600	667,700	436,100	501,900	1,151,000	528,000	500,200	1,070,400	552,200	673,800
Sales & Use	402,145	401,109	403,700	400,300	392,200	358,100	431,300	330,500	316,000	362,300	369,900	392,900
Corporate Income	37,496	28,116	151,400	33,500	25,400	172,500	26,300	19,400	214,300	32,100	20,700	153,200
Public Utility	50	11	300	4,500	144,700	2,000	0	1,300	100	3,300	138,000	1,000
Excise	34,911	32,778	32,500	30,200	37,600	30,000	29,200	30,800	25,900	28,600	31,800	31,500
Insurance	316	938	27,300	500	1,500	38,000	2,100	18,700	27,900	28,700	1,700	29,300
Inheritance	7,193	9,971	20,500	8,700	10,400	8,100	13,700	9,300	10,400	17,300	10,600	9,500
Subtotal Tax Receipts	\$1,048,008	\$947,599	\$1,211,300	\$1,145,400	\$1,047,900	\$1,110,600	\$1,653,600	\$938,000	\$1,094,800	\$1,542,700	\$1,124,900	\$1,291,200
NON-TAX RECEIPTS												
Federal	\$502,417	\$581,763	\$576,718	\$507,317	\$561,265	\$519,962	\$590,120	\$529,214	\$557,686	\$489,013	\$563,560	\$563,435
Other & Transfers ^(d)	370,205	166,183	477,300	320,200	320,500	270,200	502,700	504,700	355,432	379,900	457,100	430,100
Note Proceeds	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal Non-Tax Receipts	\$872,622	\$747,946	\$1,054,018	\$827,517	\$881,765	\$790,162	\$1,092,820	\$1,033,914	\$913,118	\$868,913	\$1,020,660	\$993,535
TOTAL RECEIPTS	\$1,920,630	\$1,695,545	\$2,265,318	\$1,972,917	\$1,929,665	\$1,900,762	\$2,746,420	\$1,971,914	\$2,007,918	\$2,411,613	\$2,145,560	\$2,284,735
DISBURSEMENTS												
Local Aids	\$896,807	\$130,871	\$823,918	\$134,188	\$985,474	\$1,324,475	\$244,452	\$249,671	\$1,306,572	\$134,143	\$197,844	\$1,958,030
Income Maintenance	509,527	436,928	429,369	429,369	429,369	429,369	429,369	429,369	429,369	429,369	429,369	429,369
Payroll and Related	295,693	358,565	411,406	411,406	411,406	411,406	411,406	411,406	411,406	411,406	411,406	411,406
Tax Refunds	64,862	80,941	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000
Debt Service	58,612	2,473	0	0	0	0	0	0	0	0	0	0
Miscellaneous ^(d)	295,621	381,677	495,877	495,877	495,877	495,877	495,877	495,877	495,877	495,877	495,877	495,877
Note Repayment	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	\$2,121,122	\$1,391,455	\$2,207,570	\$1,517,840	\$2,369,126	\$2,708,127	\$1,628,104	\$1,633,323	\$2,690,224	\$1,517,795	\$1,581,496	\$3,341,682

(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 January 19, 2006. Projections assume that the State will receive approximately \$112 million pursuant to the amended gaming compacts with tribal governments. Included in this amount is \$82 million, which is the estimate of all payments due in the 2006-07 fiscal year, and \$30 million, which is an estimate of a payment due in the previous biennium that is expected to be made in the 2006-07 fiscal year by a tribal government. 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 \$160 to \$300 million during the 2006-07 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 \$30 million during the 2006-07 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 \$661 million for the 2006-07 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 \$397 million for the 2006-07 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) Assumes that \$88 million was transferred from the Transportation Fund to the General Fund on September 1, 2006, \$20 million was transferred from the Petroleum Inspection Fund to the General Fund on September 1, 2006, and \$25 million will be transferred from the General Fund to the Medical Assistance Trust Fund on June 30, 2007.

Table II-8; General Fund Cash Receipts and Disbursements Year To Date; Compared to Estimates and Previous Fiscal Year. (Part II–Page 44). Replace with the following updated table.

**2006-07 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR^(a)**

(Cash Basis)

As of August 31, 2006

(Amounts in Thousands)

	<u>FY06 through August 2005</u>	<u>FY07 through August 2006</u>				Difference FY05 Actual to FY06 Actual
	<u>Actual</u>	<u>Actual</u>	<u>Estimate^(b)</u>	<u>Variance</u>	<u>Adjusted Variance^(c)</u>	
RECEIPTS						
Tax Receipts						
Individual Income	\$ 1,003,263	\$ 1,040,573	\$ 1,061,000	\$ (20,427)	\$ (20,427)	\$ 37,310
Sales	802,798	803,254	815,400	(12,146)	(12,146)	456
Corporate Income	56,666	65,611	41,200	24,411	24,411	8,945
Public Utility	24	61	100	(39)	(39)	37
Excise	67,197	67,689	64,600	3,089	3,089	492
Insurance	1,963	1,254	2,800	(1,546)	(1,546)	(709)
Inheritance	23,881	17,164	27,400	(10,236)	(10,236)	(6,717)
Total Tax Receipts	\$ 1,955,792	\$ 1,995,606	\$ 2,012,500	\$ (16,894)	\$ (16,894)	\$ 39,814
Non-Tax Receipts						
Federal	\$ 1,079,305	\$ 1,084,180	\$ 1,122,477	\$ (38,297)	\$ (38,297)	\$ 4,875
Other and Transfers	654,254	539,315	657,900	(118,585)	(118,585)	(114,939)
Note Proceeds ^(d)	-	-	-	-	-	-
Total Non-Tax Receipts	\$ 1,733,559	\$ 1,623,495	\$ 1,780,377	\$ (156,882)	\$ (156,882)	\$ (110,064)
TOTAL RECEIPTS	\$ 3,689,351	\$ 3,619,101	\$ 3,792,877	\$ (173,776)	\$ (173,776)	\$ (70,250)
DISBURSEMENTS						
Local Aids	\$ 1,026,826	\$ 1,027,678	\$ 1,015,721	\$ (11,957)	\$ (11,957)	\$ 852
Income Maintenance	957,389	946,455	995,711	49,256	49,256	(10,934)
Payroll & Related	611,174	654,258	644,846	(9,412)	(9,412)	43,084
Tax Refunds	123,394	145,803	98,900	(46,903)	(46,903)	22,409
Debt Service	-	61,085	63,613	2,528	2,528	61,085
Miscellaneous	640,257	677,298	700,652	23,354	23,354	37,041
Note Repayment ^(d)	-	-	-	-	-	-
TOTAL DISBURSEMENTS	\$ 3,359,040	\$ 3,512,577	\$ 3,519,443	\$ 6,866	\$ 6,866	\$ 153,537

VARIANCE FY07 YEAR-TO-DATE

\$ (166,910) \$ (166,910)

- (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 January 19, 2006. Projections assume that the State will receive approximately \$112 million in the 2006-07 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects estimates of (i) all payments due this fiscal year (\$82 million), and (ii) a payment due in the previous fiscal biennium from a tribal government that is expected to be made in the 2006-07 fiscal year (\$30 million).
- (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 cannot 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 2005-06 fiscal year and are not currently expected for the 2006-07 fiscal year.

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

GENERAL FUND MONTHLY CASH POSITION^(a)
July 1, 2004 through August 31, 2006 — Actual
September 1, 2006 through June 30, 2007 — Estimated^(b)
(Amounts in Thousands)

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts^(c)</u>	<u>Disbursements^(c)</u>
2004	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)	2,453,770	1,452,062
	February.....	882,782	2,082,942	1,820,094
	March.....	1,145,630	1,949,288	2,979,887
	April.....	115,031 ^(d)	2,316,434	1,600,131
	May.....	831,334	2,035,524	1,496,923
	June.....	1,369,935 ^(d)	2,033,941	3,399,313
	July.....	4,563 ^(d)	1,920,630	2,121,122
	August.....	(195,929) ^(d)	1,695,545	1,391,455
	September.....	108,161 ^(d)	2,265,318	2,207,570
	October.....	165,909	1,972,917	1,408,860
	November.....	729,967	1,929,665	2,190,136
	December.....	469,496 ^(d)	1,900,762	2,640,494
2007	January.....	(270,237) ^(d)	2,746,420	1,595,208
	February.....	880,975	1,971,914	1,907,315
	March.....	945,575 ^(d)	2,007,918	3,091,898
	April.....	(138,405) ^(d)	2,411,613	1,935,449
	May.....	337,759	2,145,560	1,595,417
	June.....	887,903 ^(d)	2,284,735	3,313,410

- ^(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 January 19, 2006. Projections assume that the State will receive approximately \$112 million in the 2006-07 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects estimates of (i) all payments due this fiscal year (\$82 million) and (ii) a payment due in the previous biennium from a tribal government that is expected to be made in the 2006-07 fiscal year (\$30 million).
- ^(c) Operating notes were not issued for the 2004-05 and 2005-06 fiscal years and are not expected to be issued for the 2006-07 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 is approximately \$661 million for the 2006-07 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 \$397 million for the 2006-07 fiscal year) for a period of up to 30 days. 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.

Source: Wisconsin Department of Administration.

Table II-10; Balances in Funds Available for Interfund Borrowing (Part II–Page 46). Replace with the following updated table:

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING^(a)
July 31, 2003 to August 31, 2006 — Actual
September 30, 2006 to June 30, 2007— Estimated
(Amounts in Millions)

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

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

<u>Month (Last Day)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
January		\$ 830	\$ 1,118	\$ 1,118
February		960	1,041	1,041
March		1,043	1,188	1,188
April		964	957	957
May		1,045	912	912
June		1,182	1,074	1,074
July	\$ 908	1,048	932	
August	1,003	1,100	<u>1,052</u>	
September	997	1,176	1,176	
October	954	1,115	1,115	
November	827	1,167	1,167	
December	892	1,135	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)

<u>Month (Last Day)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
January		\$ 3,818	\$ 4,232	\$ 4,232
February		3,984	4,237	4,237
March		4,101	4,476	4,476
April		3,749	3,981	3,981
May		3,627	3,708	3,708
June		3,905	3,940	3,940
July	\$ 4,268	4,193	4,218	
August	3,904	3,823	<u>3,978</u>	
September	3,726	3,746	3,746	
October	3,233	3,361	3,361	
November	3,059	3,370	3,370	
December	3,392	3,692	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). Replace with the following updated table:

General Fund Recorded Revenues^(a)				
(Agency Recorded Basis)				
July 1, 2006 to August 31, 2006 compared with previous year				
	Annual Fiscal Report Revenues <u>2005-06 FY</u>	Projected Revenues <u>2006-07 FY^(b)</u>	Recorded Revenues July 1, 2005 to <u>August 31, 2005^(c)</u>	Recorded Revenues July 1, 2006 to <u>August 31, 2006^(d)</u>
Individual Income Tax	Final revenues for the 2005-06 fiscal year are included in the State's Annual Fiscal Report for the 2005-06 fiscal year, which was published on October 15, 2006.	\$ 6,405,000,000	\$ 555,729,345	\$ 633,288,579
General Sales and Use Tax		4,358,100,000	348,523,196	376,295,970
Corporate Franchise and Income Tax		785,000,000	47,639,382	53,217,286
Public Utility Taxes		283,400,000	0	0
Excise Taxes		364,600,000	30,497,175	32,382,374
Inheritance Taxes		130,000,000	24,296,181	16,018,724
Insurance Company Taxes		142,400,000	545,755	108,563
Miscellaneous Taxes		91,500,000	10,771,335	10,328,487
SUBTOTAL.....		\$ 12,560,000,000	1,018,002,370	1,121,639,983
Federal and Other Inter- Governmental Revenues ^(e)		\$ 5,976,875,800	1,043,752,329	1,088,970,077
Dedicated and Other Revenues ^(f)		4,327,051,300	474,574,476	511,543,795
TOTAL.....		\$ 22,863,927,100	\$ 2,536,329,175	\$ 2,722,153,855

(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) Projections reflect the biennial budget bill for the 2005-06 and 2006-07 fiscal years (2005 Wisconsin Act 25) and the General Fund revenue estimates released by the Legislative Fiscal Bureau on January 19, 2006. Projections assume that the State will receive approximately \$112 million in the 2006-07 fiscal year pursuant to the amended gaming compacts with tribal governments. This amount reflects estimates of (i) all payments due this fiscal year (\$82 million) and (ii) a payment due in the previous fiscal year from a tribal government that is expected to be made in the 2006-07 fiscal year (\$30 million).

(c) The amounts shown are fiscal year 2005-06 revenues as recorded by state agencies.

(d) The amounts shown are fiscal year 2006-07 revenues as recorded by state agencies.

(e) 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.

(f) 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). Replace with the following updated table:

**General Fund Recorded Expenditures By Function^(a)
(Agency Recorded Basis)
July 1, 2006 to August 31, 2006 compared with previous year**

	Annual Fiscal Report Expenditures <u>2005–06 FY</u>	Appropriations <u>2006–07 FY^(b)</u>	Recorded Expenditures July 1, 2005 to <u>August 31, 2005^(c)</u>	Recorded Expenditures July 1, 2006 to <u>August 31, 2006^(d)</u>
Commerce.....	Final expenditures for the 2005-06 fiscal year are included in the State's Annual Fiscal Report for the 2005-06 fiscal year, which was published on October 15, 2006	\$ 280,863,700	\$ 36,660,660	\$ 49,387,214
Education.....		10,374,195,600	842,408,104	906,279,351
Environmental Resources.....		337,924,200	11,836,892	15,946,685
Human Relations & Resources		8,957,964,800	1,432,834,969	1,574,782,277
General Executive.....		876,584,600	102,295,009	180,333,801
Judicial.....		113,301,400	26,041,442	30,062,322
Legislative.....		63,637,700	6,761,166	7,418,656
General Appropriations.....		<u>1,875,696,800</u>	<u>665,828,518</u>	<u>666,986,205</u>
TOTAL.....		<u>\$ 22,880,168,800</u>	<u>\$ 3,124,666,760</u>	<u>\$ 3,431,196,512</u>

- (a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) Estimated appropriations based on the 2005-07 biennial budget bill (2005 Wisconsin Act 25). This table does not reflect any acts subsequent to the biennial budget bill nor any information or projections contained in the memoranda released by the Legislative Fiscal Bureau on January 19, 2006 and June 6, 2006.
- (c) The amounts shown are fiscal year 2005-06 expenditures as recorded by state agencies.
- (d) The amounts shown are fiscal year 2006-07 expenditures as recorded by state agencies.

Source: Wisconsin Department of Administration.

APPENDIX C

DEFINITIONS OF CERTAIN TERMS

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 resolutions adopted by the Commission on July 30, 2003 and June 28, 2006, 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 different total Contribution Amounts, then the highest 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 evidences 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, or 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 (concerning 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 (concerning 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, as a result of the designation of an individual Loan as one to which the State's "moral obligation" applies),
- (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 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 preceding a payment date or, if such day shall not be a Business Day, the immediately preceding Business Day. The Series Resolution for the 2006 Series 2 Bonds provides that, for the 2006 Series 2 Bonds, **Record Date** means the close of business on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date.

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 on 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, with respect to any Interest Payment Date, the amount by which Aggregate Debt Service payable during the Period (as such term is used in the definition of Subsidy Fund Requirement) ending on such Interest Payment Date 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 Firststar 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 June 30, 2006, the deposits in the Loan Credit Reserve Fund consisted of \$66 million in cash and investments and a Surety Bond in the amount of \$17 million issued by XL Capital Assurance Inc. The total deposits of \$83 million exceeded the amount required on such date, which was approximately \$80 million.

Current Schedules

The Bonds are currently rated AA+ by Fitch Ratings (**Fitch**), Aa1 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.

<u>Category</u>	<u>Factor</u>
“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, 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.

<u>Category</u>	<u>Factor</u>
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 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 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

Foley & Lardner LLP expects to deliver, upon the delivery of the 2006 Series 2 Bonds, a legal opinion in substantially the following form:

(Letterhead of Foley & Lardner LLP)
\$100,000,000
State of Wisconsin
Clean Water Revenue Bonds, 2006 Series 2

We have served as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$100,000,000 Clean Water Revenue Bonds, 2006 Series 2, dated the date hereof (**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 resolutions adopted by the Commission on July 30, 2003 and June 28, 2006, and as supplemented by a resolution (**Series Resolution**) adopted by the Commission on June 28, 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 of 1986, as amended, 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 concerning 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