



STATE OF WISCONSIN

Notice of **Material Information** #2006-06
Dated March 6, 2006

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Issue: State of Wisconsin
Petroleum Inspection Fee Obligations

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

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

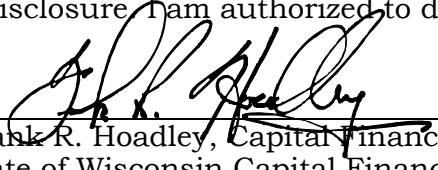
Summary: Standard & Poor's Ratings Services has revised the long-term rating outlook on the State's petroleum inspection fee revenue bonds from "negative" to "stable". Attached is a **report issued by Standard & Poor's Rating Services**.

The bond rating is affirmed at AA-. The rating on the petroleum inspection fee revenue extendible municipal commercial paper is affirmed at A-1+.

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

www.doa.state.wi.us/capitalfinance

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


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STANDARD & POOR'S	RATINGS DIRECT
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Research:

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

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Credit Profile

AFFIRMED

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

OUTLOOK: STABLE

Rationale

The long-term rating outlook on the state of Wisconsin's petroleum inspection fee (PIF) revenue bonds has been revised to stable from negative due to improvement in projected coverage of maximum annual debt service (MADS) in excess of 2.0x following a cash defeasance of certain bond maturities. The improved coverage takes into account the anticipated reduction in PIF revenues due to 2005 Assembly Bill 100, whereby the legislature reduced PIFs by 33%, or 1 cent/gallon to 2 cents/gallon from 3 cents/gallon, effective May 1, 2006. The 'AA-' rating has been affirmed.

In December 2005, the state department of administration legally defeased two large bond maturities due in 2007 and 2008 totaling \$30 million, which effectively increased coverage of MADS to no less than 2.0x for the life of the bonds, including a worst-case five-year amortization of outstanding extendible municipal commercial paper (EMCP) via a capital appreciation bond structure. The state funded the defeasance escrow with cash by reducing pay-as-you-go funding of remediation reimbursements of Petroleum Environmental Clean-up Fund Award (PECFA) claims over the upcoming year.

The 'AA-' long-term rating on the PIF revenue bonds reflects the strength of the pledged revenue stream, consisting of a statewide, single-tax source that is relatively inelastic to economic cycles. The 'A-1+' rating on the PIF EMCP reflects the general creditworthiness and historical market access of the PIF revenue bond program, the senior-lien status of EMCP interest, and bonding capacity sufficient to cover maturing EMCP principal. Additional credit factors of the PIF revenue bond program include:

- The underlying strength of Wisconsin's diverse economy;
- Pro forma debt service coverage (DSC) of about 2.0x through bond maturity assuming no growth in PIF revenues;
- Adequate legal provisions, including a 2x additional bonds test and a variable-rate bond take-out capacity test; and
- Strong oversight by the state of the PECFA program and PIF debt program by the state

department of administration.

The potential for dilution of DSC through legislative reduction of petroleum inspection fees combined with the potential for substantial variable-rate debt exposure offsets these factors.

PIF bond proceeds fund remediation costs related to soil and groundwater contamination and are administered under the state's PECFA program. The bonds and EMCP are secured solely by PIF revenues and funds and accounts under the program bond resolution.

Wisconsin has assessed PIFs on gasoline, kerosene, fuel oil, burner oil, and diesel fuel oil since 1880. The fee was restructured and legislatively designated to pay administrative and remediation claims for the newly created PECFA program in 1987. The fee is currently three cents per gallon, but pursuant to legislative action will decrease to two cents a gallon in 2006. In the late 1970s and early 1980s, around the time of the oil crisis, PIF collections dipped, but have remained fairly stable, growing about 2% annually over the past 15-20 years. The state's latest variable-rate take-out capacity test shows excess variable-rate take out capacity of \$55 million, while the additional bonds test shows PIF coverage of MADS in excess of 2.49x.

■ Outlook

The stable outlook reflects Standard & Poor's Ratings Services' expectation of balanced operations in the Petroleum Inspection Trust Fund, strong and active state oversight of all aspects of the PECFA program, and maintenance of debt service coverage levels consistently exceeding 2x. Any future deterioration of debt service coverage below this level, whether due to legislative action or economic reasons, will likely lead to a negative rating action.

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

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