OFFERING MEMORANDUM

This Offering Memorandum has been prepared by the State of Wisconsin and provides information on the Notes. Some of the information appears on this cover page for ready reference. To make an informed decision, a prospective investor should read the entire Offering Memorandum. Unless otherwise indicated, capitalized terms are defined in APPENDIX C or the Resolutions.

STATE OF WISCONSIN
TRANSPORTATION REVENUE COMMERCIAL PAPER NOTES

Note Ratings Ratings on the Notes have been provided, as of the date of this Offering Memorandum, by the following rating agencies—See page 3.

F1+	Fitch Ratings
P–1	Moody's Investors Service, Inc.
A–1+	Standard & Poor's Ratings Service

Tax Exemption Interest on the Notes is, for federal income tax purposes, excludable from gross income and not an item of tax preference. Interest on the Notes is not excluded from current State of Wisconsin income and franchise taxes–See pages 12-13.

Redemption The Notes are not subject to redemption prior to maturity.

Security The Notes are payable solely from Program Income, as defined in this Offering Memorandum, deposited into the Subordinated Debt Service Fund that is created and pledged by the Program Resolution for the Notes. This pledge is subordinate to the pledge of Program Income to payment of Bonds presently outstanding or to be issued by the State in accordance with the General Resolution–See pages 4-7.

Line of Credit The Liquidity Facility required by the Program Resolution is provided by State Street Bank and Trust Company and California State Teachers' Retirement System. Both are parties to a Credit Agreement under which they are severally and not jointly obligated to advance amounts equal to their respective percentages of a line of credit when a draw is made on it. Pursuant to the Credit Agreement, the respective percentages are 67% for State Street Bank and Trust Company and 33% for California State Teachers' Retirement System. The Credit Agreement currently terminates on April 28, 2013–See pages 7-9.

Denominations $100,000 and $1,000 increments above $100,000

Dealers Bear, Stearns & Co. Inc.
Lehman Brothers

Bond Counsel Quarles & Brady LLP

Issuing and Paying Agent Deutsche Bank Trust Company Americas

Issuer Contact Wisconsin Capital Finance Office
(608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov

Book-Entry Form The Depository Trust Company–See page 4.

Annual Report This Offering Memorandum incorporates by reference certain parts of the State of Wisconsin Continuing Disclosure Annual Report that is, at the time, the one most recently published pursuant to the State's continuing disclosure undertaking. The Offering Memorandum also incorporates any subsequent notice provided pursuant to that undertaking. The Annual Report that was most recently published before the date of this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005. The incorporation by reference of certain parts of the Annual Report occurs in both APPENDIX A and APPENDIX B. In addition, the Annual Report is available from the Wisconsin Capital Finance Office web site, which is located at the following address: www.doa.wi.gov/capitalfinance.

September 27, 2006

This document is the only document the State has authorized for providing information about the Notes. This document is not an offer or solicitation of an offer to buy, nor there any sale of the Notes by any person in any jurisdiction where it is unlawful for the person to make the offer, solicitation, or sale. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the Notes, and anything else related to the offering.

The purpose of this document is to provide prospective investors with information that may be important in making an investment decision. It may not be used for any other purpose without the State's permission. The State is the author of this document and is responsible for its accuracy and completeness.

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

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

TABLE OF CONTENTS

STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF NOTES

STATE OF WISCONSIN 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	——
Commission Secretary	
Mr. Robert G. Cramer, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and Secretary of Administration

OTHER PARTICIPANTS

Ms. Peggy Lautenschlager State Attorney General	January 8, 2007
Mr. Frank J. Busalacchi, Secretary Department of Transportation	At the pleasure of the Governor
Mr. Steven E. Bablitch, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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Capital Finance Office
101 E. Wilson Street, 10th Floor
P.O. Box 7864
Madison, WI 53707-7864
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OFFERING MEMORANDUM

STATE OF WISCONSIN

TRANSPORTATION REVENUE COMMERCIAL PAPER NOTES

INTRODUCTION

This Offering Memorandum provides information about the State of Wisconsin Transportation Revenue Commercial Paper Notes **(Notes)** issued by the State of Wisconsin **(State)**. The Notes are designated by series, based upon the dates of their initial issuance; however, once issued, the Notes are generally offered without reference to a series designation.

The Notes are authorized by Wisconsin Statutes and are issued pursuant to various resolutions adopted by the State of Wisconsin Building Commission **(Commission)**, including the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution, as amended **(General Resolution)**, the Transportation Revenue Commercial Paper Note Program Resolution, as amended **(Program Resolution)**, and specific **Supplemental Resolutions** relating to the Notes. The General Resolution, Program Resolution, and Supplemental Resolutions are collectively referred to as **Resolutions.**

The initial issuance of a new series of Notes is expected to occur on October 2, 2006 **(2006 Series A Notes)** pursuant to a Supplemental Resolution adopted by the Commission on June 28, 2006. The State expects to issue additional Notes, from time to time, to provide payment of previously issued and maturing Notes (the additional Notes are referred to as **roll-over Notes)**. The State may also increase the principal amount of Notes outstanding through additional initial issuances pursuant to the provisions of the Resolutions.

With respect to any Notes issued after the date of this Offering Memorandum (including roll-over Notes) and until such time as the State publishes a more current offering memorandum, the reader should also review certain parts of the State of Wisconsin Continuing Disclosure Annual Report **(Annual Report)** published pursuant to the State's continuing disclosure undertaking that is, at the time, the one most recently published, and any subsequent notice provided pursuant to the undertaking (all of which are incorporated by reference into this Offering Memorandum). The Annual Report most recently published before this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 **(2005 Annual Report)**. Parts I, II, and V of the 2005 Annual Report are expressly referred to in parts of this Offering Memorandum.

In connection with the issuance of the Notes, the Commission has authorized the Department of Administration to prepare this Offering Memorandum, which describes the terms of and security for the Notes. All references to the General Resolution, Program Resolution and Supplemental Resolutions are qualified by reference to such documents, copies of which are available from the Commission. All capitalized terms used in this Offering Memorandum and not otherwise defined shall have the meanings provided for in APPENDIX C or the Resolutions.

THE PROGRAM

This Offering Memorandum describes the Notes issued under the State of Wisconsin's Transportation Revenue Commercial Paper Note Program **(Program)**. The Program Resolution provides for the initial issuance of additional Notes, from time to time and in one or more series, provided that the aggregate outstanding principal amount of Notes does not exceed $275 million.

Dealers, Issuing and Paying Agent, and Trustee

The State has appointed Bear, Stearns & Co. Inc. and Lehman Brothers to serve as **Dealers** for the Notes. Inquiries to the Dealers may be directed to the following:

Contact:	Bear, Stearns & Co. Inc.	Lehman Brothers
Address:	383 Madison Avenue, FLR 11	745 Seventh Avenue, FLR 4
	New York, NY 10179	New York, NY 10016
Phone:	(212) 272-4930	(212) 528-1011

The State has appointed Deutsche Bank Trust Company Americas to serve as **Issuing and Paying Agent** for the Notes. Inquiries to the Issuing and Paying Agent may be directed to:

Contact:	Mr. Evangelos Ntavos
Address:	60 Wall Street, FLR 27
	Mail Stop NYC60-2715
	New York, NY 10005
Phone:	(212) 250-7590
Telefax:	(212) 797-8618
E-mail:	evangelos.ntavos@db.com

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

J.P. Morgan Trust Company, National Association is currently the **Trustee** for all obligations issued pursuant to the General Resolution. JPMorgan Chase & Co. has entered into an agreement with The Bank of New York pursuant to which JPMorgan Chase & Co. intends to exchange portions of its corporate trust business, including municipal trusteeships, for The Bank of New York's customer, small business, and middle market banking businesses. This transaction has been approved by both companies' boards of directors and is subject to regulatory approvals. As of October 1, 2006, this transaction is expected to be closed and The Bank of New York Trust Company, N.A., as legal successor to J.P. Morgan Trust Company, National Association, will then become the Trustee.

Liquidity Facility

The **Liquidity Facility** required by the Program Resolution is provided by State Street Bank and Trust Company and California State Teachers' Retirement System (collectively, **Liquidity Facility Providers).** The State and the Liquidity Facility Providers are parties to a **Credit Agreement**, dated as of April 1, 2006, under which the Liquidity Facility Providers are severally and not jointly obligated to advance amounts equal to their respective percentages of a line of credit when a draw is made on it. Pursuant to the Credit Agreement, the respective percentages are 67% for State Street Bank and Trust Company and 33% for California State Teachers' Retirement System.

Authorized Notes

Upon the initial issuance of the 2006 Series A Notes, there will be two series of Notes outstanding. The following table provides information concerning each series of Notes:

Series Designation of Notes	Initial Principal Amount	Outstanding Principal Amount (September 27, 2006)	Date of Supplemental Resolution	Date of Initial Issuance
1997 Series A	$157,763,000	$107,468,000	April 23, 1997	May 7, 1997
2006 Series A	91,290,000	n/a	June 28, 2006	October 2, 2006[a]

[a] Preliminary; subject to change.

The State expects to issue roll-over Notes to provide payment of maturing Notes. Under the Program Resolution, the Commission may also adopt additional Supplemental Resolutions providing for the initial issuance of additional Notes. All series of Notes have identical terms and provisions, except for amount, maturity, and interest rate, which are established in connection with both the initial issuance of the Notes and the issuance of roll-over Notes.

THE NOTES

Purpose of the Notes

The Notes are being issued pursuant to Subchapter II of Chapter 18 and Section 84.59 of the Wisconsin Statutes. The 2006 Series A Notes are being issued to pay the costs of major highway projects and certain State transportation facilities and to pay for costs of issuance related to the 2006 Series A Notes.

Ratings

At the State's request, several rating agencies have rated the Notes:

Rating	Rating Agency
F1+	Fitch Ratings
P-1	Moody's Investors Service, Inc.
A-1+	Standard & Poor's Ratings Services

The same rating agencies also rate, at the State's prior request, the State's transportation revenue bonds:

Rating	Rating Agency
AA	Fitch Ratings
Aa3	Moody's Investors Service, Inc.
AA+	Standard & Poor's Ratings Services[a]

[a] On September 26, 2006, Standard & Poor's Rating Services upgraded its rating on the State's transportation revenue bonds from "AA–" to "AA+".

Any explanation of the significance of a rating may only be obtained from the rating service furnishing such rating. No one can offer any assurance that a rating given to the Notes will be maintained for any period of time; a rating agency may lower or withdraw the rating if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the Notes.

Description of the Notes

Each Note will be dated the date it is issued. It will be issued as an interest-bearing obligation in a denomination of $100,000, or increments of $1,000 above $100,000. Each Note will be issued through the book-entry system of the Depository.

Each Note will bear interest from its date of issuance, at the rate determined at the date of issuance (which may not exceed 12% per annum), and payable at maturity. Interest is computed on the basis of a year having 365 or 366 days and actual number of days elapsed (actual/actual basis). Payment of principal of and interest on each Note will be made to the Depository and then distributed by the Depository.

Each Note will mature from 1 to 270 days from its issuance date. Also, no Note may be issued with a maturity date later than two (2) business days prior to the expiration date of the Liquidity Facility or substitute Liquidity Facility.

Redemption of Notes

The Notes are not subject to redemption prior to maturity.

Book-Entry Form

The Notes will initially be issued in book-entry-only form. The State and the Issuing and Paying Agent have entered into an agreement with DTC to make the Notes eligible for deposit with DTC. Purchasers of the Notes will not receive note certificates but instead will have their ownership in the Notes recorded in the book-entry system. Ownership of the Notes by the purchasers is shown in the records of brokers and other organizations participating in the DTC book-entry system **(DTC Participants)**. All transfers of ownership in the Notes must be made, directly or indirectly, through DTC Participants.

Payment

The Trustee will make all payments of principal of, and interest on, the Notes to the Issuing and Paying Agent, which will make payment to DTC. Owners of the Notes will receive payments through the DTC Participants.

Notices and Voting Rights

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

Discontinued Service

In the event that participation in DTC's book-entry system were to be discontinued and a successor securities depository were not obtained, Note certificates would be executed and delivered to DTC Participants.

Further Information

Further information concerning DTC and DTC's book-entry system is available at www.dtcc.com. The State, Trustee, and Issuing and Paying Agent are not responsible for any information available on DTC's web site. That information may be subject to change without notice.

The State, Trustee and Issuing and Paying Agent are not responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the Notes or to follow the procedures established by DTC for its book-entry system.

SECURITY FOR THE NOTES

General

Information concerning the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program, security for the Notes, including sources of payment, registered vehicles, past and projected registration fees, past and projected other registration-related fees, registration fee collection procedures, Additional Bonds, and the Department of Transportation **(Department)** is included as APPENDIX A, which includes by reference Part V of the most recently published Annual Report, which is the 2005 Annual Report. Part V of the 2005 Annual Report also includes the independent auditor's report and audited statements of cash receipts and disbursements, together with unaudited information pertaining to Program Income, for the fiscal year ending June 30, 2005. APPENDIX A also includes any updates or additions to Part V of the 2005 Annual Report.

Security

The Notes are not general obligations of the State, its agencies, instrumentalities, or political subdivisions and the Notes do not constitute "public debt" of the State as that term is used in the Constitution and Statutes of the State.

The Notes, and any other obligations to be issued on parity with the Notes, are revenue obligations of the State payable from Program Income deposited into the Subordinated Debt Service Fund created pursuant to the Program Resolution. The pledge of such Program Income to payment of the Notes is subordinate to the pledge of Program Income to payment of the 1993 Bonds, 1998 Series A Bonds, 1998 Series B Bonds, 2000 Bonds, 2001 Bonds, 2002 Series 1 Bonds, 2002 Series 2 Bonds, 2002 Series A Bonds, 2003 Bonds, 2004 Bonds, 2005 Series A Bonds, and 2005 Series B Bonds, and any other Bonds issued or to be issued pursuant to the General Resolution **(Outstanding Bonds)**. As of September 1, 2006, the amount of Outstanding Bonds was $1,338,635,000.

Before July 24, 2003, Program Income included only vehicle registration fees authorized under Section 341.25 of the Wisconsin Statutes (**Registration Fees**). A statutory change that was part of 2003 Wisconsin Act 33 provided that many additional vehicle registration-related fees can also be pledged as Program Income **(Other Registration-Related Fees).** A supplement to the General Resolution approved by the Commission on October 15, 2003 amended the definition of Program Income to include both Registration Fees and Other Registration-Related Fees.

While all Other Registration-Related Fees are Program Income, many types of the Other Registration-Related Fees result in insignificant or sporadic annual revenues. As a result, the State has requested ratings based on, and is currently providing continuing disclosure on some, but not all, Other Registration-Related Fees. These specific Other Registration-Related Fees include vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees. See APPENDIX A.

All Program Income shall be collected by the Trustee, or the Department as agent of the Trustee, and deposited outside the State Treasury in an account with the Trustee defined as the **Redemption Fund**. Program Income is defined to include all the interest earned or gain realized from the investment of the Redemption Fund.

Program Income received or to be received by the Trustee in the Redemption Fund is to be used in the following order:

(1) to pay interest on all Outstanding Bonds,

(2) to pay the principal or Redemption Price of all Outstanding Bonds,

(3) to maintain the Debt Service Reserve Requirement in the Reserve Fund established for the Outstanding Bonds,

(4) to pay direct administrative expenses (**Program Expenses**) of the State's program of financing Projects, and

(5) to pay principal and interest on the Notes, as such amounts are deposited into the Subordinated Debt Service Fund.

Program Income in excess of the amount needed for such purposes is to be transferred to the Transportation Fund held by the Department free of the lien of the pledge of the General Resolution and will be used by the Department for any of its authorized purposes.

The State intends to pay the principal of and interest on the Notes from one or more of the following sources:

- Proceeds of roll-over Notes that are issued to provide payment of previously issued and maturing Notes.
- Proceeds of long-term Bonds issued by the State to fund the then outstanding Notes. The Supplemental Resolutions, and amendments thereto, already authorize Bonds for the purpose of funding the Notes. *Such Bonds will be issued on parity with Outstanding Bonds in accordance with the General Resolution. However, such long-term Bonds will only be issued at the discretion of the State; no assurance is given whether or when the State will issue long-term Bonds to fund any Notes.*
- Program Income deposited into the Subordinated Debt Service Fund, any other additional amounts of Program Income, and any other money made available and deposited by the State into the Note Fund for this purpose.

More specifically, the State intends to periodically make the following deposits of Program Income into the Subordinated Debt Service Fund, for subsequent transfer to the Note Fund held by the Issuing and Paying Agent, for the purpose of paying the principal of and interest on the Notes. The following describes the Subordinated Debt Service Fund Requirement for the Notes, as set forth in the respective Supplemental Resolution. The principal component of the Subordinated Debt Service Fund Requirement represents an annual amortization of the Notes, and the transfer and deposit of this amount on July 1 into the Note Fund will result in the reduction in the outstanding amount of Notes.

- *Starting on July 1 of each year*—an amount equal to the aggregate amount of interest on the Notes estimated for the period of October 1 through December 31, plus one-fourth of the principal component of the Subordinated Debt Service Fund Requirement scheduled to be paid the following July 1.
- *Starting on October 1 of each year*—an amount equal to the aggregate amount of interest on the Notes estimated for the period January 1 through March 31, plus one-fourth of the principal component of the Subordinated Debt Service Fund Requirement scheduled to be paid the following July 1.
- *Starting on January 1 of each year*—an amount equal to the aggregate amount of interest on the Notes estimated for the period April 1 through June 30, plus one-fourth of the principal component of the Subordinated Debt Service Fund Requirement scheduled to be paid the following July 1.
- *Starting on April 1 of each year*—an amount equal to the aggregate amount of interest on the Notes estimated for the period of July 1 through September 30, plus one-fourth of the principal component of the Subordinated Debt Service Fund Requirement scheduled to be paid the following July 1.

If payment of principal or interest on the Notes is not made when due, then the Program Resolution requires the Issuing and Paying Agent to make a draw on the line of credit under the Credit Agreement to provide money for such payment. The obligation of the Liquidity Facility Providers to make pro rata advances when a draw is made is subject to certain conditions. *See "LIQUIDITY FACILITY."*

To provide additional security for payment of the principal of and interest on the Notes as the same shall become due and payable there has been granted to the Noteholders a lien and pledge of the Note Fund created by the Program Resolution and held by the Issuing and Paying Agent. Amounts held in the Note Fund which are derived from different sources are not commingled, but established and maintained in separate accounts or subaccounts, as necessary, for each source of money.

The State pledges and agrees with the Noteholders that the State will not limit or alter its powers to fulfill the terms of any agreements (made in the General Resolution or in the Notes) with the Noteholders, or in any way impair the rights and remedies of the Noteholders until the Notes, together with interest, including interest on any unpaid installments of interest thereon, Redemption Price and all costs and expenses in connection with any action or proceeding by or on behalf of the Nondholders, are fully met and discharged.

LIQUIDITY FACILITY

General

The Program Resolution requires the State to arrange for a Liquidity Facility to be provided to the Issuing and Paying Agent in order to provide liquidity for the payment of principal of and interest on maturing Notes. At the present time the Liquidity Facility is the Credit Agreement, under which the Liquidity Facility Providers are severally and not jointly obligated to advance amounts equal to their respective percentages of a line of credit when a draw is made on it. Pursuant to the Credit Agreement, the respective percentages are 67% for State Street Bank and Trust Company and 33% for California State Teachers' Retirement System.

Advances

Pursuant to the Credit Agreement, the Liquidity Facility Providers are severally and not jointly obligated, subject to certain conditions, to make **Advances** in amounts equal to their respective percentages of the line of credit from time to time on any business day during the term of the Credit Agreement, only for providing funds to pay the principal of and interest on the Notes on the maturity date thereof to the extent that proceeds of roll-over Notes or other moneys on deposit in the Note Fund for the Notes are not available. The aggregate principal amount of all Advances made on any date may not exceed the outstanding commitment amount under the Credit Agreement (which will be increased to $207 million on October 2, 2006, which is the expected initial issuance date of the 2006 Series A Notes), as such amount may be increased or decreased from time to time. The Program Resolution requires that the commitment amount cannot be less than the sum of the outstanding Notes plus the aggregate principal amount of all outstanding Advances provided by the Liquidity Facility Providers.

The Credit Agreement currently terminates on April 28, 2013. The Credit Agreement provides that the termination date may be extended, if the parties agree.

The State has delivered one or more promissory notes **(Promissory Notes)** to each Liquidity Facility Provider, evidencing its obligation to repay all Advances. Each Promissory Note ranks equally with the Notes.

Conditions to Advances

Event of Termination

If an **Event of Termination** occurs, the Liquidity Facility Providers are permitted to immediately terminate their obligation to make Advances, and all Advances shall immediately become due and payable. Events of Termination arise under the following circumstances:

- The State shall become insolvent or admit in writing its inability to pay its debts as they mature or shall declare a moratorium on the payment of its debts or apply for, consent to or acquiesce in the appointment of a trustee, custodian, liquidator, or receiver for itself or any part of its property, or shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent, or acquiescence, a trustee, custodian, liquidator or receiver shall be appointed for its or for a substantial part of its property or revenues and shall not be discharged within a period of 60 days; or the Wisconsin Legislature imposes a debt moratorium, debt restructuring, or comparable restriction on repayment when due and payable of the principal of or interest on any Debt (as defined in the Credit Agreement) by the State; or all, or any substantial part, of the property of the State shall be condemned, seized, or otherwise appropriated, or any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the State (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and if instituted against it, shall be consented to or acquiesced in by it, or shall not be dismissed within a period of 60 days;

- The State shall fail to pay any amount of principal of or interest on any Advance when the same shall become due and payable pursuant to the Credit Agreement or the Promissory Notes, or the State shall fail to pay any principal of or interest on any Note when the same shall become due and payable for any reason other than the willful failure of any Liquidity Facility Provider to perform its obligations under the Credit Agreement;
- The Credit Agreement or the Program Resolution (or, in each case, any material provision thereof relating to payment of principal or interest on the Notes or the security thereof) at any time after its execution and delivery, or the Promissory Notes or any Note shall, for any reason, cease to be valid and binding on the State or in full force and effect or shall be declared to be null and void, in each case, pursuant to a final administrative determination or judicial decision from which there shall not exist any further right of appeal or against which a timely appeal shall not have been filed by the State; or the validity or enforceability of the Credit Agreement, the Promissory Notes, the Program Resolution, or any Note (or, in each case, any material provision thereof relating to payment of principal or interest on the Notes or the security thereof) shall be contested (i) by the State or (ii) by any governmental agency or authority having jurisdiction over the State, unless with respect to clause (ii) above, the same is being contested by the State in good faith and by appropriate proceedings or the State shall deny that it has any or further liability or obligation under the Credit Agreement, the Promissory Notes, the Program Resolution, or any Note (or, in each case, any material provision thereof relating to payment of principal or interest on the Notes or the security thereof);
- The State shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) any general obligation public debt issued pursuant to subchapter I of Chapter 18, Wisconsin Statutes, or any Outstanding Bonds or Notes as defined herein (collectively, **Bonded Debt)**, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Bonded Debt, or pursuant to the provisions of any such indenture, contract or instrument, the maturity of any Bonded Debt of the State shall have been or, as a result of a payment default of any nature, may be accelerated or required to be prepaid prior to the stated maturity thereof;
- Each rating agency then rating the Notes shall have downgraded any Bonded Debt of the State to below investment grade or withdrawn or suspended its rating on any Bonded Debt of the State due to credit considerations.

Event of Default

In addition, if any **Event of Default** under the Credit Agreement occurs, the Liquidity Facility Providers may deliver a notice to the State and Issuing and Paying Agent that requires the State to not issue, rollover, or otherwise extend the maturity of any outstanding Notes from and after the date of such notice. The Liquidity Facility Providers must nevertheless make Advances with respect to Notes issued before the State receives the notice, which notice shall declare the commitment to be terminated automatically on the date set forth in such notice, provided such date shall be the latest maturity date of any Note outstanding as of the date of the notice.

Substitute Liquidity Facility

The Program Resolution permits the State to replace the Credit Agreement with another comparable agreement or agreements with any other provider or providers so long as the substitution meets all of the qualifications set forth in the Program Resolution. These include written evidence from each rating agency which, at the State's request, is then rating the Notes to the effect that the substitution of the Liquidity Facility will not by itself result in a withdrawal, suspension, or reduction of its ratings of the Notes. Any such substituted agreement may have covenants, events of default, conditions to borrowing, and other provisions different from the current Credit Agreement. The State will notify the Dealers of any change in the Credit Agreement or provider of the Liquidity Facility. The State will also notify each nationally recognized municipal securities information repository (**NRMSIR**) of any change in the Credit Agreement or provider of the Liquidity Facility. See "CONTINUING DISCLOSURE".

Notice Requirements

The Issuing and Paying Agency Agreement between the State and Issuing and Paying Agent, as amended, requires the Issuing and Paying Agent to provide notice to each holder of the Notes (DTC for Notes in book-entry form) if the State provides for a substitute Liquidity Facility, and such notice must be provided at least 15 days before the substitute Liquidity Facility goes into effect.

DESCRIPTION OF THE LIQUIDITY FACILITY PROVIDERS

The following information concerning State Street Bank and Trust Company **(State Street)** and California State Teachers' Retirement System **(CalSTRS)** has been provided by respective representatives of State Street and CalSTRS and has not been independently confirmed or verified by the State. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

State Street Bank and Trust Company

State Street is a wholly-owned subsidiary of State Street Corporation **(Corporation)**. The Corporation (NYSE: STT) is a leading specialist in providing institutional investors with investment servicing, investment management and investment research and trading. With $10.1 trillion in assets under custody and $1.4 trillion in assets under management, the Corporation operates in 26 countries and more than 100 markets worldwide. The assets of State Street at December 31, 2005 accounted for approximately 90% of the consolidated assets of the Corporation. At December 31, 2005, the Corporation had total assets of $98.0 billion, total deposits (including deposits in foreign offices) of $59.6 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately $6.5 billion and total equity capital of $6.4 billion.

State Street's Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2005, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference in this section of the Offering Memorandum and shall be deemed to be a part hereof.

In addition, all reports filed by State Street pursuant to 12 U.S.C. §324 after the date of this Offering Memorandum shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and State Street is set forth in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005. The annual report and the quarterly reports can be found on the Corporation's web site, www.statestreet.com. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Offering Memorandum are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Credit Agreement is an obligation of State Street and not of the Corporation.

With respect to this information concerning State Street, any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Offering Memorandum to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

State Street undertakes to provide, without charge, to each person to whom a copy of this Offering Memorandum has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Offering Memorandum by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

Neither State Street nor its affiliates make any representation as to the contents of this Offering Memorandum (except as to this section to the extent it relates to State Street), the suitability of the Notes for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.

California State Teachers' Retirement System

CalSTRS is a component unit of the State of California, organized and operating under the laws of the State of California, including the Teachers' Retirement Law, constituting Part 13 of Division 1 of Title 1 of the Education Code of the State of California, commencing at Section 22000 **(Law)**, as amended. The Law establishes the Teachers' Retirement Board **(Board)**, which has the sole and exclusive fiduciary responsibility over the administration and investment of funds held in the Teachers' Retirement Fund **(Fund)**, in which the bulk of the assets of CalSTRS are held. School districts and other agencies employing members of CalSTRS are required to make monthly contributions to the Fund in an amount equal to 8.25% of the total of the salaries upon which members' contributions are based. All full-time certificated employees in the public school system from kindergarten through the community college level are required by law to be members of CalSTRS. CalSTRS provides defined retirement, survivor and disability benefits to all members based on the final compensation attained by the member, the age of retirement and the term of service, and other factors.

Financial data for June 30, 2005 are taken from the audited financial statements presented in CalSTRS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. Financial data for fiscal years ended after 2005 presented in CalSTRS Comprehensive Annual Financial Report for such fiscal years are incorporated by reference in this section and shall be deemed to be a part hereof.

As of June 30, 2005, the Fund had net assets held in trust for pension benefits with a market value of approximately $129.6 billion, compared to approximately $116.1 billion as of June 30, 2004. As of May 31, 2006, net assets had a total market value of approximately $143.0 billion (unaudited).

CalSTRS is independently rated "AA+/A-1+" by Standard and Poor's, a Division of the McGraw-Hill Companies, Inc. **(S&P)**, "Aaa/VMIG1" by Moody's Investors Service, and "AAA/F-1+" by Fitch Ratings.

CalSTRS will provide without charge, upon request, a copy of its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005, which contains its financial statements for the years ended June 30, 2005 and 2004. Requests to CalSTRS for the Comprehensive Annual Financial Report should be directed by mail to State Teachers' Retirement System, P.O. Box 163740, Sacramento, California 95816-3710, Attention: Credit Enhancement Program, or by e-mail to cepinquiries@calstrs.com. The most recent Comprehensive Annual Financial Report and other information regarding CalSTRS can be viewed at www.calstrs.com.

The foregoing information has been provided by CalSTRS and is not intended to serve as a representation, warranty, or contract modification of any kind.

PLAN OF FINANCE

The Supplemental Resolution authorizing the 2006 Series A Notes included authorization for a total of not to exceed $240 million in transportation revenue obligations. The issuance of these obligations is expected to take place in two phases

- $91 million in the form of the 2006 Series A Notes, and
- $149 million in the form of fixed-rate Bonds. The Bonds are expected to be issued in the first or second quarter of calendar year 2007 depending upon Program cash needs. The Bonds will be issued on parity with the Outstanding Bonds and in accordance with provisions of the General Resolution.

In structuring the above phases, the entire authorized amount of $240 million was assumed to be amortized with level debt service payments over a 20-year period. The 2006 Series A Notes represent years one through ten of this overall structure, and the fixed-rate Bonds are expected to represent years 11 through 20 of this overall structure.

THE DEPARTMENT OF TRANSPORTATION

The State of Wisconsin Department of Transportation is the State agency that is involved with all forms of transportation in the State, including the construction and reconstruction of State highways and related transportation facilities and the registration of all motor vehicles. The Department is also the State agency responsible for the collection of the vehicle registration fees and other registration-related fees, which are pledged as security for the revenue obligations issued by the State pursuant to the General Resolution.

Information concerning the Department is included as APPENDIX A to this Offering Memorandum, which includes by reference Part V of the 2005 Annual Report. APPENDIX A also includes any updates or additions to Part V of the 2005 Annual Report.

THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 20th among the states in population and 26th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information concerning the State and its financial condition is included as APPENDIX B, which includes by reference Part II of the most recently published Annual Report, which is the 2005 Annual Report. APPENDIX B also includes any updates or additions to Part II of the 2005 Annual Report.

Requests for additional information about the State may be directed to:

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

LEGALITY

Legal matters incident to the authorization, issuance and delivery of the expected initial issuance of the 2006 Series A Notes on October 2, 2006 are subject to the approval of Quarles & Brady LLP **(Bond Counsel)**. Bond Counsel will deliver an approving opinion on the date of the initial issuance of the 2006 Series A Notes in substantially the form shown in APPENDIX D.

As required by law, the Attorney General has examined a certified copy of all proceedings preliminary to initial issuance of the 2006 Series A Notes to determine the regularity and validity of such proceedings. The Attorney General will deliver on the date of the initial issuance of the 2006 Series A Notes an opinion on the regularity and validity of the proceedings.

Bond Counsel and the Attorney General have delivered similar opinions with respect to, and dated the date of, each prior initial issuance of Notes.

Winston & Strawn LLP, as counsel to State Street Bank and Trust Company, and Fulbright & Jaworski L.L.P., as counsel to the California State Teachers' Retirement System, have previously provided an opinion as to the enforceability of the Credit Agreement against the respective Liquidity Facility Provider.

TAX EXEMPTION

On October 2, 2006, which is the expected initial issuance date of the 2006 Series A Notes, Bond Counsel will deliver a legal opinion substantially in the form set forth in APPENDIX D with respect to the federal income tax exemption applicable to the interest on the 2006 Series A Notes under existing law.

Each series of Notes is covered by a separate opinion of Bond Counsel. Each opinion speaks only as of the date of the opinion. In each case, the date of the opinion is the date of the initial issuance of the Notes of the series. The following discussion aggregates the opinions of Bond Counsel set forth in the separate opinions for each series.

The State has covenanted to comply with all such requirements referenced in the legal opinion to the extent it may lawfully do so. However, the proceedings authorizing the Notes do not provide for an increase in interest rates in the event of taxability or in the event of the inclusion of interest as an item of tax preference in computing the alternative minimum tax.

Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

In the opinion of Bond Counsel, as of the date of the opinion, the Notes are not "private activity bonds" under Section 141(a) of the Code.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel does not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

From time to time, legislation is proposed which, if enacted, could alter one or more of the federal tax matters referred to above or would adversely affect the market value of the Notes. It cannot be predicted whether or in what form any of such proposals may be enacted and whether, if enacted, such proposals will apply to obligations (such as the Notes) issued prior to enactment.

The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Notes, to 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 state information depository **(SID)** for the State. At this time, there is no SID for the State. Part I of the 2005 Annual Report, which contains information on the undertaking, is included by reference as part of this Offering Memorandum.

Copies of 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/captialfinance

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.

Dated: September 27, 2006

STATE OF WISCONSIN

/S/ JIM DOYLE
Governor Jim Doyle, Chairperson
State of Wisconsin Building Commission

/S/ FRANK J. BUSALACCHI
Frank J. Busalacchi, Secretary
State of Wisconsin Department of Transportation

/S/ ROBERT G. CRAMER
Robert G. Cramer, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE TRANSPORTATION REVENUE BOND PROGRAM

This Appendix includes by reference information concerning the State of Wisconsin Transportation Revenue Bond Program, as contained in Part V of the most recently published State of Wisconsin Continuing Disclosure Annual Report **(Annual Report)**. The Annual Report most recently published before this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 (**2005 Annual Report**). This Appendix also includes any changes or additions to the information presented in Part V of the 2005 Annual Report.

Part V of the 2005 Annual Report contains information concerning the Transportation Revenue Bond Program, security for the Notes, including sources of payment, registration fees, other registration-related fees, registration fee collection procedures, additional Bonds, the Wisconsin Department of Transportation, and a summary of the General Resolution.

APPENDIX A to Part V of the 2005 Annual Report includes the independent auditor's report and audited statements of cash receipts and disbursements for the transportation revenue bond and commercial paper programs, together with unaudited information pertaining to the Program Income, for the fiscal year ending June 30, 2005.

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

www.doa.wi.gov/capitalfinance

Copies of the Annual Reports may be obtained from:

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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

After publication and filing of the 2005 Annual Report, certain changes or events may occur that affect items discussed in the 2005 Annual Report. Listed below, by reference to particular sections of Part V 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.

Introduction; Part V (Page 145). Update the table with the following:

On September 26, 2006, Standard & Poor's Ratings Services upgraded its rating on the State's transportation revenue bonds from "AA–" to "AA+".

Table V-2; Debt Service on Outstanding Transportation Revenue Bonds and Estimated Revenue Coverage (Page 152). Replace with the following updated table. The following updated table includes estimated debt service on transportation revenue bonds that could be issued to fund the outstanding transportation revenue commercial paper notes, including the 2006 Series A Notes expected to be initially issued on October 2, 2006. The following updated table does not include estimated debt service on the transportation revenue bonds expected to be issued in the first or second quarter of calendar year 2007. See "PLAN OF FINANCE".

Year Ended (July 1)	Total Debt Service[(a)(b)]	Estimated Registration Fees (Millions) [(c)]	Estimated Certain Other Registration-Related Fees (Millions) [(c)(d)]	Estimated Total Program Income (Millions) [(c)]	Estimated Coverage Ratio[(e)]
2007	$164,379,908	$385.53	$64.19	$449.72	2.74
2008	167,362,074	399.67	64.19	463.86	2.77
2009	162,471,999	401.34	64.19	465.53	2.87
2010	150,950,264	419.73	64.19	483.92	3.21
2011	151,029,115	425.93	64.19	490.12	3.25
2012	148,620,696	445.02	64.19	509.21	3.43
2013	148,968,189	452.15	64.19	516.34	3.47
2014	148,701,161	472.28	64.19	536.47	3.61
2015	140,789,986	480.62	64.19	544.81	3.87
2016	132,485,893	501.99	64.19	566.18	4.27
2017	123,199,405				
2018	107,962,405				
2019	98,972,098				
2020	90,897,129				
2021	91,013,244				
2022	74,831,273				
2023	53,815,683				
2024	37,822,195				
2025	17,776,545				
	$2,212,049,259				

(a) Debt service amounts are reduced to reflect accrued interest and purchase premium that, pursuant to the General Resolution, are irrevocably deposited into the Interest Account and used to make interest payments due on the Bonds.
(b) Includes debt service for assumed $108 million bond issue that could be issued to fund currently Outstanding Transportation Revenue Commercial Paper Notes of 1997, Series A, and assumed $91 million bond issue that could be issued to fund Transportation Revenue Commercial Paper Notes of 2006, Series A, which are expected to be initially issued on October 2, 2006. These assumed bond issues are amortized with level debt service payments until 2018 and 2017, respectively, using an assumed interest rate of 5.00% per annum.
(c) Excludes interest earnings.
(d) Reflects increases in title fees and duplicate title fees that were effective October 1, 2005.
(e) Assumes that no additional bonds will be issued and continuation of current Registration Fees and Certain Other Registration-Related Fees. Estimates of Program Income and coverage beyond 2016 are not available.

Note: In conjunction with the initial issuance of the Transportation Revenue Commercial Paper Notes of 2006, Series A, the State is required to meet an additional bond test in which the annual debt service on transportation revenue commercial paper notes will be determined assuming a 20-year amortization at the maximum interest rate allowed (12%). The assumed debt service on the transportation revenue commercial paper notes for purposes of the additional bonds test is different than the assumed debt service for bonds that may be issued to fund transportation revenue commercial paper notes and included in the above table.

Registration Fees – Table V-6; Registration Fees (Page 155). Replace with the following updated table:

Registration Fees
1997 to 2006
(Amounts in Millions)

Fiscal Year (June 30)	Non-IRP Fees	Pledged IRP Fees	Total	% Change
1996	$205.4	$43.3	$248.7	—
1997	207.4	46.8	254.2	2.2%
1998	232.4	48.2	280.6	10.4
1999	244.6	49.9	294.5	4.9
2000	255.7	55.1	310.8	5.5
2001	258.4	55.5	313.9	1.0
2002	267.9	55.8	323.7	3.1
2003	267.3	53.0	320.3	(1.1)
2004	302.1[a]	48.5	350.6	9.5
2005	314.4	49.6	364.0	3.8
2006[b]	333.6	51.3	384.9	5.7

[a] The increase in Fiscal Year 2004 Non-IRP fees reflected the $10 increase in registration fees for automobiles that went into effect on October 1, 2003.

[b] Unaudited.

Table V-7; Projected Registration Fees (Page 157). Replace with the following updated table:

Projected Registration Fee Revenues
2007 to 2016

Fiscal Year	Revenues[a] (Amounts in Millions)	% Change
2007	$385.5	—
2008	399.7	3.7%
2009	401.3	0.4
2010	419.7	4.6
2011	425.9	1.5
2012	445.0	4.5
2013	452.2	1.6
2014	472.3	4.5
2015	480.6	1.7
2016	502.0	4.5

[a] Includes both IRP and non-IRP Registration Fees pursuant to Section 341.25, Wisconsin Statutes. Does not include Other Registration-Related Fees that are addressed in Part V of the 2005 Annual Report.

Source: Department of Transportation

Other Registration-Related Fees; General; Registration and Title Counter Service Fees (Part V–Page 160). Update with the following:

The average volume of registration renewals for calendar years 2000 to 2004 was 464,100 transactions at the Division of Motor Vehicle Customer Service Centers (**DMV CSC**) throughout the State. The calendar year 2005 volume at the CSC for renewals was 470,200. The average volume of titling, temporary plates, hang tags, and registrations for calendar years 2000 to 2004 was 774,400 transactions at the DMV CSCs. The calendar year 2005 volume at the DMV CSCs for titling, temporary plates, hang tags, and registrations was 862,400.

Table V-8; Other Registration-Related Fees (Page 162). Replace with the following updated table:

Fiscal Year (June 30)	Title Transaction Fees [1]	Counter Service Fees and Personalized License Plates	Subtotal	Other Miscellaneous Vehicle Registration-Related Fees	Total Registration-Related Fees
1998	$ 16,206,906	$ 9,196,061	$ 25,402,967	$ 14,005,494	$ 39,408,461
1999	24,315,238	9,847,987	34,163,225	13,824,114	47,987,339
2000	24,977,188	10,227,975	35,205,163	17,872,550	53,077,713
2001	24,115,343	10,006,286	34,121,629	15,074,978	49,196,607
2002	24,904,447	10,383,485	35,287,932	18,249,990	53,537,922
2003	25,088,025	10,315,603	35,403,628	15,736,973	51,140,601
2004	35,178,866	10,394,684	45,573,550	19,833,030	65,406,580
2005	37,703,381	9,080,116	46,783,497	11,249,762	58,033,259
2006	48,026,267	9,129,613	57,155,881	8,494,960	65,650,841
2007	54,646,900	9,539,700	64,186,600	9,700,700	73,887,300
2008	54,646,900	9,539,700	64,186,600	9,744,900	73,931,500
2009	54,646,900	9,539,700	64,186,600	9,788,200	73,974,800
2010	54,646,900	9,539,700	64,186,600	9,861,700	74,048,300
2011	54,646,900	9,539,700	64,186,600	9,936,200	74,122,800
2012	54,646,900	9,539,700	64,186,600	10,013,800	74,200,400
2013	54,646,900	9,539,700	64,186,600	10,094,000	74,280,600
2014	54,646,900	9,539,700	64,186,600	10,178,100	74,364,700
2015	54,646,900	9,539,700	64,186,600	10,266,100	74,452,700
2016	54,646,900	9,539,700	64,186,600	10,358,100	74,544,700

[1] Reflects effective date of October 1, 2003 for $10 increase in title transaction fees and effective date of October 1, 2005 for additional $10 increase in title transaction fees and $12 increase in duplicate title fee.

Source: Department of Transportation.

Appendix B

INFORMATION ABOUT THE STATE

This appendix includes by reference information concerning the State of Wisconsin **(State)**, as contained in Part II of the most recently published State of Wisconsin Continuing Disclosure Annual Report **(Annual Report)**. The Annual Report most recently published before this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2005 **(2005 Annual Report)**. This appendix also includes any changes or additions to the information presented in Part II 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.

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

www.doa.wi.gov/capitalfinance

Copies of the Annual Reports 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

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 II 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. With regard to the major reporting categories, 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 both exceeded projections by $10 million and $17 million, respectively.

The State's Annual Fiscal Report will include the ending general fund balance for the 2005-06 fiscal year (unaudited, budgetary basis) and will be released by October 15, 2006.

Condition of General Fund Budget for 2005-07

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, this 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	686.0	506.0	674.8	513.6
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	(319.0)	(269.0)	(315.6)	(252.9)
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	(65.0)	(65.0)	(65.0)	(65.0)
Net Balance, June 30	$ (54.0)	$ (54.0)	$ (56.5)	$ (51.3)

LFB Projected General Fund Tax Collections

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

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.
- Second, 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 Offering Memorandum 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 July 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.

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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 <u>2004-05 Annual Fiscal Report.</u>

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

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

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

TABLE 1

2005-07 General Fund Condition Statement

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

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

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

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

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

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

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

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

General Fund Taxes

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

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

In May, 2005, this office revised its 2005-07 revenue estimates upward by approximately 1%. The revision was based on 2004-05 tax collections through April, 2005, and on more recent economic forecasts. The May forecast by Global Insight, Inc. projected higher levels of inflation and nominal (current-dollar) personal income, consumption, and corporate profits than the January forecast. Due to the increased inflation, the level of nominal gross domestic product (GDP) was also estimated to be higher than in January. However, the estimate of real (inflation-adjusted) GDP was reduced from the January projections. In May, growth in nominal GDP for 2004 was reported at 6.6% and growth was projected to be 6.1% in 2005, 5.1% in 2006, and 5.0% in 2007. As in the January, 2005, forecast, the primary risk was that the economy's spare capacity was less than estimated.

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

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

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

Gasoline prices increased steadily during the first half of 2005 and then spiked in September following the Gulf hurricanes. National average prices fell in the fourth quarter (from $2.63 per gallon to $2.51 per gallon) and are expected to decrease again in the first quarter of 2006 (to $2.29 per gallon). Prices are forecast to stay within the range of $2.20 to $2.30 per gallon for the remainder of 2006 and 2007. Natural gas prices are expected to remain high during the first quarter of 2006 (nearly double last year's prices) and then decline significantly beginning in the second quarter. However, even with these anticipated price decreases, gasoline and natural gas will be significantly more expensive than in 2004 and earlier years.

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

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

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

As noted, after several years of very strong growth, the housing market is expected to cool in 2006 and 2007. Housing continued to be a positive factor in the economy during 2005, with stable mortgage interest rates and significant price increases throughout most of the year. Housing starts reached 2.1 million units in 2005, which was one of the best years on record. However, mortgage rates rose by about 0.5% in the fourth quarter of 2005 and are expected to continue increasing throughout 2006 and 2007. With the higher interest rates and a larger inventory of unsold homes, it is expected that the big price increases of recent years will slow significantly. Prices are not expected to fall, but increases are anticipated to be below the overall rate of inflation for the next several years. Even with rebuilding in the areas affected by the hurricanes, housing starts are estimated to decrease by 8.8% in 2006 and 4.5% in 2007. The reduced housing activity is expected to lead to lower expenditures for furniture and appliances, and the slower pace of appreciation in home values will make it more difficult for families to use housing gains as a means of financing consumption.

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

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

It is anticipated that overall consumption growth will slow in 2006 and 2007 due to higher interest rates and a slower housing market, which will put downward pressure on sales of durable goods. Total personal consumption expenditures are estimated to increase by 5.5% in 2006 and 5.0% in 2007. Although these amounts are lower than the growth experienced in 2005, they are somewhat higher than last May's estimates. Spending for natural gas is expected to again increase by almost 25% in 2006, due to much higher prices this winter, but then decline by 13% in 2007 as production recovers and prices fall. Gasoline expenditures are anticipated to increase by about 1% in each year, and outlays for fuel oil and coal are expected to fall by 3.6% in 2006 and 10.4% in 2007. Services expenditures are again expected to increase more rapidly than overall consumption, with growth of 6.5% in 2006 and 5.7% in 2007. Sales of durable goods and non-durable goods, excluding food and energy, are expected to grow by 4.0% in 2006 and 4.8% in 2007. The higher growth rate in 2007 reflects improved motor vehicle sales following several weak years dating back to 2003.

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

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

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

Global Insight, Inc. has also prepared two alternative forecasts, one more optimistic and the other more pessimistic than the baseline forecast. In the optimistic scenario, which is assigned a probability of 20%, productivity growth and foreign economic growth are stronger and energy prices are lower than under the baseline forecast. These factors lead to lower levels of inflation and interest rates and to increased domestic production, investment, and housing starts. The federal budget deficit is also lower than under the baseline forecast due to increased tax revenues and lower expenditures for transfer payments and interest. Under this alternative forecast, real GDP growth is higher by 0.8% in 2006 and 1.0% in 2007.

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

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

TABLE 2

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

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

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

TABLE 3

Projected General Fund Tax Collections
($ in Millions)

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

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

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

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

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

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

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

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

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

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

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

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

It should be noted that these estimates have been adjusted to reflect the effect on collections of the phase-in of the single sales factor apportionment formula, repeal of the manufacturer's sales tax credit, implementation and expansion of the dairy investment tax credit, and updating state tax references to the federal Internal Revenue Code.

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

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

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

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

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

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

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

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

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

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

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

Table II-7; Actual and Projected General Fund Cash Flow (Part II–Page 43). 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 [(e)]	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 JULY 31, 2006
PROJECTED GENERAL FUND CASH FLOW; AUGUST 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)	$234,538	$292,287	$856,344	$595,873	($143,859)	$1,007,353	$1,071,952	($12,028)	$464,137	$1,014,280
Ending Balance [c]	($195,929)	$234,538	$292,287	$856,344	$595,873	($143,859)	$1,007,353	$1,071,952	($12,028)	$464,137	$1,014,280	($14,395)
Lowest Daily Balance [c]	($451,652)	($456,499)	($47,414)	$106,077	$417,127	($923,199)	($162,444)	$662,739	($30,143)	($426,234)	$326,263	($465,645)
RECEIPTS												
TAX RECEIPTS												
Individual Income	565,897	485,700	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	412,200	403,700	400,300	392,200	358,100	431,300	330,500	316,000	362,300	369,900	392,900
Corporate Income	37,496	19,900	151,400	33,500	25,400	172,500	26,300	19,400	214,300	32,100	20,700	153,200
Public Utility	50	0	300	4,500	144,700	2,000	0	1,300	100	3,300	138,000	1,000
Excise	34,911	32,100	32,500	30,200	37,600	30,000	29,200	30,800	25,900	28,600	31,800	31,500
Insurance	316	2,000	27,300	500	1,500	38,000	2,100	18,700	27,900	28,700	1,700	29,300
Inheritance	7,193	15,900	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	$967,800	$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	$576,533	$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	304,500	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	$881,033	$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	$1,848,833	$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	$125,806	$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	498,923	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	346,860	411,406	411,406	411,406	411,406	411,406	411,406	411,406	411,406	411,406	411,406
Tax Refunds	64,862	46,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000
Debt Service	58,612	5,001	0	0	0	0	0	0	0	0	0	0
Miscellaneous[d]	295,621	395,776	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	$1,418,366	$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 will be transferred from the Transportation Fund to the General Fund on September 1, 2006, $20 million will be 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 July 31, 2006
(Amounts in Thousands)

	FY06 through July 2005	FY07 through July 2006				
	Actual	Actual	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY05 Actual to FY06 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 457,176	$ 565,897	$ 575,300	$ (9,403)	$ (9,403)	$ 108,721
Sales	402,599	402,145	403,200	(1,055)	(1,055)	(454)
Corporate Income	31,786	37,496	21,300	16,196	16,196	5,710
Public Utility	24	50	100	(50)	(50)	26
Excise	36,572	34,911	32,500	2,411	2,411	(1,661)
Insurance	690	316	800	(484)	(484)	(374)
Inheritance	16,949	7,193	11,500	(4,307)	(4,307)	(9,756)
Total Tax Receipts	$ 945,796	$ 1,048,008	$ 1,044,700	$ 3,308	$ 3,308	$ 102,212
Non-Tax Receipts						
Federal	$ 524,946	$ 502,417	$ 545,944	$ (43,527)	$ (43,527)	$ (22,529)
Other and Transfers	355,748	370,205	353,400	16,805	16,805	14,457
Note Proceeds [(d)]	-	-	-	-	-	-
Total Non-Tax Receipts	$ 880,694	$ 872,622	$ 899,344	$ (26,722)	$ (26,722)	$ (8,072)
TOTAL RECEIPTS	$ 1,826,490	$ 1,920,630	$ 1,944,044	$ (23,414)	$ (23,414)	$ 94,140
DISBURSEMENTS						
Local Aids	$ 884,042	$ 896,807	$ 889,915	$ (6,892)	$ (6,892)	$ 12,765
Income Maintenance	489,129	509,527	496,788	(12,739)	(12,739)	20,398
Payroll & Related	315,952	295,693	297,986	2,293	2,293	(20,259)
Tax Refunds	60,810	64,862	52,900	(11,962)	(11,962)	4,052
Debt Service	-	58,612	58,612	-	-	58,612
Miscellaneous	299,953	295,621	304,876	9,255	9,255	(4,332)
Note Repayment [(d)]	-	-	-	-	-	-
TOTAL DISBURSEMENTS	$ 2,049,886	$ 2,121,122	$ 2,101,077	$ (20,045)	$ (20,045)	$ 71,236
VARIANCE FY06 YEAR-TO-DATE				$ (43,459)	$ (43,459)	

(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 July 31, 2006 — Actual
August 1, 2006 through June 30, 2007 — Estimated[b]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[c]	Disbursements[c]
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]	1,848,833	1,418,366
	September..........	234,538	[d]	2,265,318	2,207,570
	October..............	292,287		1,972,917	1,408,860
	November...........	856,344		1,929,665	2,190,136
	December...........	595,873	[d]	1,900,762	2,640,494
2007	January..............	(143,859)	[d]	2,746,420	1,595,208
	February............	1,007,353		1,971,914	1,907,315
	March................	1,071,952	[d]	2,007,918	3,091,898
	April..................	(12,028)	[d]	2,411,613	1,935,449
	May...................	464,137		2,145,560	1,595,417
	June...................	1,014,280	[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, 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 July 31, 2006 — Actual
August 31, 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)

Month (Last Day)	2004	2005	2006	2007
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	1,100	
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)

Month (Last Day)	2004	2005	2006	2007
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	3,823	
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 July 31, 2006 compared with previous year

	Annual Fiscal Report Revenues 2005-06 FY	Projected Revenues 2006-07 FY[(b)]	Recorded Revenues July 1, 2005 to July 31, 2005[(c)]	Recorded Revenues July 1, 2006 to July 31, 2006[(d)]
Individual Income Tax	Not Available. Final revenues for the 2005-06 fiscal year will be included in the Annual Fiscal Report for the 2005-06 fiscal year, which is expected to be available no later than October 15, 2006.	$ 6,405,000,000	$ 456,612,268	$ 563,084,494
General Sales and Use Tax		4,358,100,000	405,006,984	405,787,046
Corporate Franchise and Income Tax		785,000,000	30,925,530	35,351,384
Public Utility Taxes		283,400,000	-	-
Excise Taxes		364,600,000	36,572,088	34,839,480
Inheritance Taxes		130,000,000	17,583,459	7,193,482
Insurance Company Taxes		142,400,000	-	-
Miscellaneous Taxes		91,500,000	9,993,785	8,984,945
SUBTOTAL		$ 12,560,000,000	$ 956,694,115	$ 1,055,240,832
Federal and Other Inter-Governmental Revenues[(e)]		$ 5,976,875,800	$ 488,036,977	$ 522,966,231
Dedicated and Other Revenues[(f)]		4,327,051,300	200,852,599	264,238,858
TOTAL		$ 22,863,927,100	$ 1,645,583,690	$ 1,842,445,921

(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 July 31, 2006 compared with previous year

	Annual Fiscal Report Expenditures 2005–06 FY	Appropriations 2006–07 FY[b]	Recorded Expenditures July 1, 2005 to July 31, 2005[c]	Recorded Expenditures July 1, 2006 to July 31, 2006[d]
Commerce	Not Available. Final expenditures for the 2005-06 fiscal year will be included in the Annual Fiscal Report for the 2005-06 fiscal year, which is expected to be available no later than October 15, 2006.	$ 280,863,700	$ 12,664,546	$ 15,980,771
Education		10,374,195,600	422,744,750	457,277,960
Environmental Resources		337,924,200	5,580,253	6,043,615
Human Relations & Resources		8,957,964,800	661,489,866	784,729,779
General Executive		876,584,600	42,881,508	105,347,344
Judicial		113,301,400	19,312,048	19,685,521
Legislative		63,637,700	1,838,306	2,044,053
General Appropriations		1,875,696,800	653,235,678	662,409,447
TOTAL		$ 22,880,168,800	$ 1,819,746,956	$ 2,053,518,490

(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

GLOSSARY

This Glossary includes definitions from the General Resolution and the Program Resolution that apply to capitalized terms used in this Offering Memorandum.

Accountant means such reputable and experienced independent certified public accountant or firm of independent certified public accountants of nationally recognized standing as may be selected by the Department of Transportation and be satisfactory to the Trustee which may be the accountant or firm of accountants who regularly audit the books and accounts of the Department.

Act means Section 84.59, Wisconsin Statutes.

Authorized Newspaper means either The Wall Street Journal or The Bond Buyer, or such other financial newspaper or financial journal of general circulation, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, in the Borough of Manhattan, City and State of New York.

Authorized Officer when used with reference to the Department means the Secretary or other person designated from time to time by the Secretary, and when used with reference to the Commission, means the Chairperson of the Commission or other person designated from time to time by the Chairperson of the Commission and, in the case of any act to be performed or duty to be discharged, any other member, staff, officer or employee of the foregoing Department or Commission then authorized to perform such act or discharge such duty.

Bond or **Bonds** means any bond or any other evidence of revenue obligation authorized under the General Resolution and issued pursuant to a Series Resolution.

Bond Counsel's Opinion means an opinion executed by the Attorney General of Wisconsin or an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the State.

Bondholder and the term **Holder** or **holder** means the registered owner of any Outstanding Bond or Bonds, if registered to a particular person or persons, or the holder of any Outstanding Bond or Bonds in bearer form or registered as to principal only, or his duly authorized attorney in fact, representative or assigns.

1993 Bonds means the State of Wisconsin Transportation Revenue Bonds, 1993 Series A, issued on September 29, 1993.

1997 Series A Notes means the State of Wisconsin Transportation Revenue Commercial Paper Notes of 1997, Series A.

1998 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 1998 Series A, issued on September 17, 1998.

1998 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 1998 Series B, issued on October 29, 1998.

2000 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2000 Series A, issued on September 27, 2000.

2001 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2001 Series A, issued on December 6, 2001.

2002 Series 1 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2002 Series 1, issued on May 7, 2002.

2002 Series 2 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2002 Series 2, issued on May 7, 2002.

2002 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2002 Series A, issued on October 30, 2002.

2003 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2003 Series A, issued on November 25, 2003.

2004 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2004 Series 1, issued on September 30, 2004.

2005 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2005 Series A, issued on March 10, 2005.

2005 Series B Bonds means the State of Wisconsin Transportation Revenue Bonds, 2005 Series B, issued on September 29, 2005.

2006 Series A Notes means the State of Wisconsin Transportation Revenue Commercial Paper Notes of 2006, Series A.

Capitalized Interest Account shall mean the account established by Section 402 of the General Resolution.

Certificate means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the General Resolution, or (ii) the report of an Accountant as to audit or other procedures called for by the General Resolution.

Commercial Paper Notes or **Notes** means the State of Wisconsin Transportation Revenue Commercial Paper Notes including the 1997 Series A Notes and the 2006 Series A Notes.

Commission means the State of Wisconsin Building Commission established and existing pursuant to Section 13.48, Wisconsin Statutes, and any successor thereto to whom the powers and duties granted to or imposed by the General Resolution shall be given by law.

Costs of Issuance means all items of expense, directly or indirectly payable or reimbursable by or to the State which are related to the authorization, sale, credit support, liquidity or issuance of Bonds.

Credit Support and Liquidity Fund means an account established pursuant to Section 511 of the General Resolution.

Credit Support and Liquidity Fund Requirement means as of any date of calculation, an amount equal to the aggregate Credit Support and Liquidity Fund Requirements for each Series of Outstanding Bonds as specified with respect to each such Series in the applicable Series Resolution.

Debt Service Requirement means as of any particular date of calculation, the aggregate Interest Requirement and Principal Requirement for Outstanding Bonds as specified in each Series Resolution authorizing the issuance of a Series of Bonds.

Debt Service Reserve Requirement means, as of any particular date of computation, an amount equal to the aggregate of the amounts specified in each Series Resolution authorizing the issuance of a Series of Bonds (any of which are Outstanding on the date of computation) as the amount to be the Debt Service Reserve Requirement, provided that, with respect to any Series of Bonds, in lieu of a deposit to the Reserve Fund of an amount equal to the applicable Series Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Series Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

Department of Transportation or **Department** or **DOT** means the State of Wisconsin Department of Transportation established and existing pursuant to Section 15.46, Wisconsin Statutes, and any successor thereto to which the powers and duties granted to or imposed by the General Resolution shall be given by law.

Fiduciary means the Trustee, the Registrar and any Paying Agent, or any or all of them as may be appropriate.

Fiscal Year means the fiscal year of the State as established from time to time.

Fund means one or more, as the case may be, of the funds or accounts created and established pursuant to the General Resolution.

General Resolution means the General Resolution as the same may from time to time be amended, modified or supplemented by a Supplemental Resolution.

Interest Payment Dates means any date on which is due the payment of interest on any Series of Bonds as specified in each Series Resolution authorizing the issuance of the Series of Bonds.

Interest Requirement means as of any particular date of calculation, the amount equal to any unpaid interest then due, plus an amount to the interest accruing or payable during the period between the date of calculation and the next Redemption Fund Deposit Day with respect to each Series of Outstanding Bonds.

Investment Obligations means and includes any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act, the Revenue Obligations Act, or under other applicable law:

1. Direct obligations of or obligations guaranteed by the United States of America;
2. Obligations the payment of principal and interest on which, by act of Congress or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the United States of America;
3. Bonds, debentures, notes, participation certificates or other similar evidences of indebtedness issued by any of the following: Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, the Federal Financing Bank, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export Import Bank of the United States, Student Loan Marketing Association, Farmer's Home Administration, Government National Mortgage Association, Small Business Administration, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof or sponsored thereby (including but not limited to the fully guaranteed portion of an obligation partially guaranteed by any of the foregoing, if the State's ownership of such portion is acknowledged in writing by an officer of the guaranteeing agency or instrumentality);
4. Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an

annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

5. Obligations of any state within the United States or of any political subdivision of any state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
6. Bankers acceptances drawn on and accepted by banks (including the Trustee and Paying Agent) and certificates of deposit by banks (including the Trustee and Paying Agent), with a combined capital and surplus aggregating at least $100,000,000 and securities of which are currently rated within the two highest rating categories assigned by a nationally recognized rating agency, or the international branches or banking subsidiaries thereof;
7. Interest-bearing time deposits, or certificates of deposit of a bank (including the Trustee and Paying Agent) or trust company, continuously secured and collateralized by obligations of the type described in paragraphs (1), (2), (3) and (4) hereof, having a market value at least equal at all times to the amount of such deposit or certificate, to the extent such deposit or certificate is not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or any successors thereto;
8. Commercial paper given the highest rating by Standard & Poor’s Corporation and Moody’s Investors Service at the time of such investments;
9. Investment agreements with banks or bank holding companies the senior long-term debt securities of which are rated within the two highest categories by a nationally recognized rating agency and which have a capital and surplus of at least $100,000,000;
10. Repurchase agreements, with banks or other financial institutions (including the Trustee and Paying Agent) (**Repurchaser**) provided that each such repurchase agreement (a) is in a commercially reasonable form and is for a commercially reasonable period, and (b) result in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified obligations referred to in paragraphs (1), (2), (3) and (4) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agency solely of, or in trust solely for the benefit of the Trustee, provided that obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such obligations or the repurchase prices thereof set forth in the applicable repurchase agreement, such investments shall be made so as to mature on or prior to the date or dates that the Trustee anticipates that moneys therefrom be required;
11. Shares of beneficial interests in an investment fund or trust substantially all of whose assets consist of those identified obligations referred to in paragraphs (1) and (2) above; and
12. Any short term government fund whose assets consist of those identified obligations referred to in paragraphs (1), (2), (3), (4) and (10) above.

Notes or Commercial Paper Notes means the State of Wisconsin Transportation Revenue Commercial Paper Notes including the 1997 Series A Notes and the 2006 Series A Notes.

Outstanding, when used with reference to Bonds and as of any particular date, describes all Bonds that have been delivered and are expected to be delivered except (a) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Registrar, at or before said date, (b) any Bond deemed to have been paid in accordance with the provisions of Section 1201 of the General Resolution, and (c) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution.

Paying Agent for the payment of the principal of, Redemption Price and interest on the Bonds of a particular Series means the Treasurer or any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the General Resolution.

Principal and Interest Account means the account established by Section 502 of the General Resolution.

Principal Installment means (a) the principal amount of Outstanding Bonds that mature on a single future date, and (b) the amount of any Sinking Fund Installment required to be paid on a single future date.

Principal Installment Dates means any dates designated in a Series Resolution as a day a Principal Installment is to be paid.

Principal Office, when used with respect to a Fiduciary, means the principal, or corporate trust, or head, or principal trust office of such Fiduciary situated in the city in which such Fiduciary is described as being located.

Principal Requirement means, as of any particular date of calculation, the amount of money equal to any unpaid Principal Installment then due with respect to each Series of Outstanding Bonds and the amount of the next succeeding Principal Installment divided by the number of Redemption Fund Deposit Days prior to the next Principal Installment Date with respect to each Series of Outstanding Bonds.

Program means the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program financed under the Act, the Revenue Obligations Act and the General Resolution in accordance with any other enactment of the State which may hereafter specify an extension, expansion, addition or improvement of and for said Program pursuant to the Act, the Revenue Obligations Act and the General Resolution but not financed under the provisions of any other bond resolution or indenture of trust.

Program Account means the account so designated by Section 402 of the General Resolution.

Program Capital Fund means the Fund that is established and created by Section 402 of the General Resolution and pursuant to Section 18.57 of the Revenue Obligations Act.

Program Expense Fund means the Fund that is established and created by Section 514 of the General Resolution.

Program Expenses means the reasonable and proper costs and expenses of the Department for the operation and maintenance of the Program, including, without limitation, the administrative expenses allocable to the Program and the fees and expenses of the Trustee and the Paying Agents and Registrars of the Bonds.

Program Income means moneys derived under Sections 341.25, 341.09(2)(d), (2m)(a)1., (4), and(7), 341.14(2), (2m), (6)(d), (6m)(a), (6r)(b)2., (6w), and(8), 341.145(3), 341.16(1)(a) and (b), (2), and(2m), 341.17(8), 341.19(1)(a), 341.255(1), (2)(a), (b), and(c), (4), and(5), 341.26(1), (2), (2m)(am)and(b), (3), (3m), (4), (5), and(7), 341.264(1), 341.265(1), 341.266(2)(b)and(3), 341.268(2)(b)and(3), 341.30(3), 341.305(3), 341.308(3), 341.36(1)and(1m), 341.51(2), and 342.14, except Section 342.14(lr), of the Wisconsin Statutes or any other moneys that the State is authorized to pledge, which is to be deposited by the Department under Section 18.562(3) and (5) of the Revenue Obligations Act in a separate and distinct fund outside of the State Treasury in an account maintained by the Trustee as the Redemption Fund and all interest earned or gain realized from the investment of amounts in said fund.

Program Income Account means the account established by Section 502 of the General Resolution.

Program Resolution means the Transportation Revenue Commercial Paper Note Program Resolution, as amended, which provides for the issuance of the Notes.

Projects means the projects authorized under the Act and funded with proceeds of Bonds authorized by one or more Series Resolutions.

Record Date means with respect to any Series of Bonds, the Record Date established for such Series of Bonds under each Series Resolution pursuant to which such Series is issued (which, with respect to the Bonds, means the fifteenth day of the month preceding an Interest Payment Date on the Bonds).

Redemption Date means the date upon which Bonds are to be called for redemption.

Redemption Fund means the Fund that is established and created by Section 502 of the General Resolution pursuant to Section 18.562(3) of the Revenue Obligations Act.

Redemption Fund Deposit Day means January 1, April 1, July 1, and October 1 of each Fiscal Year.

Redemption Price when used with respect to a Bond or portion thereof, means the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the General Resolution and to the Series Resolution.

Registrar means, with respect to Bonds of a particular Series, the Treasurer or any person with whom he has contracted with for the performance of any of his functions under Section 18.10(5) and (7), Wisconsin Statutes.

Reserve Fund means the Fund that is established and created by Section 508 of the General Resolution pursuant to Section 18.562 of the Revenue Obligations Act.

Revenue Obligations Act means Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended.

Secretary means the Secretary of the Department or any other officer, board, body, commission or agency succeeding to the powers, duties and functions thereof.

Serial Bonds means the Bonds so designated in a Series Resolution.

Series, when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the General Resolution or a Series Resolution.

Series Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article II of the General Resolution, providing for the issuance of a particular Series of Bonds.

Sinking Fund Installment means the amount of money unconditionally required by or pursuant to a Series Resolution to be paid toward the retirement of any particular Term Bonds prior to their respective stated maturities.

State means the State of Wisconsin, including the Commission, or Department of Transportation, as the case may be, acting on behalf of the State pursuant to the Act or the Revenue Obligations Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of any of the foregoing.

Statutes mean the Wisconsin Statutes.

Subordinated Debt Service Fund means an account established in Section 5.1 of 1997 State of Wisconsin Building Commission Resolution 7, adopted by the Commission on April 23, 1997, as amended, pursuant to Section 714(C) of the General Resolution, and pledged to the payment of the Commercial Paper Notes.

Subordinated Debt Service Fund Requirement means, as of any date of calculation, an amount equal to the aggregate Subordinated Debt Service Fund Requirements for each Subordinated Indebtedness Series of Outstanding Bonds (or Commercial Paper Notes) as specified with respect to each such Series in the applicable Series Resolution.

Subordinated Indebtedness means a Series of Bonds issued pursuant to Section 714 of the General Resolution, and includes the Commercial Paper Notes.

Supplemental Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article VIII of the General Resolution amending or supplementing the provisions of the General Resolution as originally adopted or as amended or supplemented prior to the amending or supplementing effected by the particular Supplemental Resolution.

Term Bonds means the Bonds so designated in a Series Resolution.

Transportation Fund means the fund established in Section 25.40, Wisconsin Statutes.

Treasurer means the State Treasurer or any other officer, board, body, commission or agency succeeding to any of the powers, duties and functions thereof.

Trustee currently means J.P. Morgan Trust Company, National Association, as legal successor to Bank One Trust Company, National Association, as trustee appointed by or pursuant to Section 1101 of the General Resolution, and its successor or successors and any other corporation or association that may at any time be substituted in its place pursuant to the General Resolution. JPMorgan Chase & Co. has entered into an agreement with The Bank of New York pursuant to which JPMorgan Chase & Co. intends to exchange portions of its corporate trust business, including municipal trusteeships, for The Bank of New York's customer, small business, and middle market banking businesses. This transaction has been approved by both companies' boards of directors and is subject to regulatory approvals. As of October 1, 2006, this transaction is expected to be closed and The Bank of New York Trust Company, N.A., as legal successor to J.P. Morgan Trust Company, National Association, will then become the Trustee.

APPENDIX D

FORM OF BOND COUNSEL OPINION

Upon delivery of the initial issuance of the 2006 Series A Notes on October 2, 2006, Quarles & Brady LLP expects to deliver a legal opinion in substantially the following form:

(Letterhead of Quarles & Brady LLP)

State of Wisconsin Building Commission
101 East Wilson Street, 7th Floor
Madison, WI 53702

RE: State of Wisconsin **(Issuer)** Transportation Revenue Commercial Paper Notes of 2006, Series A **(Notes)**

We have acted as bond counsel in connection with the issuance by the Issuer of the Notes in an aggregate principal amount not exceeding $91,290,000 outstanding at any one time. We hereby certify that, as bond counsel, we have examined a certified copy of the transcript of proceedings of record of the State of Wisconsin Building Commission **(Commission)** preliminary to and in connection with the issuance of the Notes, including the Resolutions (defined below), the Issuing and Paying Agency Agreement (defined below), the Credit Agreement dated as of April 1, 2006 among the Issuer, State Street Bank and Trust Company and California State Teachers' Retirement System **(Credit Agreement)**, the Dealer Agreements dated as of May 7, 1997 by and between the Issuer and Bear, Stearns & Co. Inc., Lehman Brothers, Inc., Goldman, Sachs & Co. and Merrill Lynch & Co. (transferred to Merrill Lynch, Pierce, Fenner & Smith, Incorporated), respectively **(Dealer Agreements)**, the Certificate with Respect to Arbitrage and other Tax Matters of the Issuer **(Tax Certificate)**, certificates of the Issuer, and others, opinions of counsel to the Issuer, and others, as well as the law and such other documents, opinions and records we deem necessary to render this opinion. We have relied upon such transcript and documents as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Offering Memorandum or other offering material relating to the Notes (except to the extent, if any, stated in the Offering Memorandum) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Offering Memorandum).

The Notes are authorized and issued pursuant to the provisions of Subchapter II of Chapter 18 of the Wisconsin Statutes and Section 84.59 of the Wisconsin Statutes, as now in force (collectively, the **Act**), the resolution of the Commission adopted on June 26, 1986 entitled "1986 State of Wisconsin Building Commission Resolution 9, State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution", as amended and supplemented by certain resolutions of the Commission adopted March 19, 1998, August 2, 2000 and October 15, 2003 (collectively, the **General Resolution**); a resolution of the Commission adopted on April 23, 1997 entitled "1997 State of Wisconsin Building Commission Resolution 7, Establishing State of Wisconsin Transportation Revenue Commercial Paper Note Program and Providing for the Issuance of Not to Exceed $200,000,000 State of Wisconsin Transportation Revenue Commercial Paper Notes", as amended and supplemented by a resolution of the Commission adopted September 19, 2001 (collectively, the **Program Resolution**) and "2006 State of Wisconsin Building Commission Resolution 8, Authorizing the Issuance and Sale of Not to Exceed $240,000,000 State of Wisconsin Transportation Revenue Obligations" **(Supplemental Resolution)** and an Issuing and Paying Agency Agreement, dated as of May 7, 1997, as amended **(Issuing and Paying Agency Agreement)**, between the Issuer and Bankers Trust Company (now

Deutsche Bank Trust Company Americas) **(Issuing and Paying Agent)**. Collectively, the General Resolution, Program Resolution and Supplemental Resolution shall be referred to herein as the **Resolutions**. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Notes are issued on a basis junior and subordinate to the outstanding transportation revenue bonds of the Issuer **(Prior Bonds)** and any other obligations hereafter incurred on a parity with said Prior Bonds in accordance with the terms of the General Resolution **(Additional Bonds)** (collectively, the Prior Bonds and any Additional Bonds shall be referred to as the **Senior Bonds)** and on a parity with the Transportation Revenue Commercial Paper Notes of 1997, Series A **(1997 Notes)**.

Certain agreements, requirements and procedures contained or referred to in the Resolutions, the Issuing and Paying Agency Agreement, the Credit Agreement, the Dealer Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, and no opinion is expressed herein as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or omitted or do occur, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have not undertaken to verify independently, and have assumed, that the factual matters represented, warranted or certified in the documents referred to in the first paragraph hereof are and will remain, at all times while Notes are outstanding, true and accurate. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Issuing and Paying Agency Agreement, the Credit Agreement, the Dealer Agreements and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We have assumed that the Issuing and Paying Agency Agreement, the Credit Agreement and the Dealer Agreements are valid and binding obligations enforceable in accordance with their respective terms as to parties other than the Issuer. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Issuer has valid right and lawful authority to finance State transportation facilities and major highway projects by the adoption of the Resolutions, to perform its obligations under the terms and conditions of the Resolutions, and to issue the Notes.

2. Each of the Resolutions has been duly adopted by the Commission and is in full force and effect, and constitutes a valid and binding obligation of the Issuer in accordance with its respective terms.

3. The Issuing and Paying Agency Agreement, the Credit Agreement and the Dealer Agreements have been duly executed and delivered by the Commission and constitute valid

and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms.

4. The Notes have been duly and validly authorized and, when issued in the form authorized by the Issuing and Paying Agency Agreement and authenticated by the Issuing and Paying Agent, in all respects in accordance with the Act, the Resolutions and the Issuing and Paying Agency Agreement, will constitute limited obligations of the Issuer, payable solely from Program Income deposited into the Subordinated Debt Service Fund in the manner and to the extent set forth in the Resolutions, on a basis junior and subordinate to the pledge of the Program Income granted to the Senior Bonds and on a parity with the pledge of Program Income granted to the 1997 Notes. The Notes do not constitute a debt or grant or loan of credit of the Issuer, and the Issuer shall not be generally liable thereon, nor shall the Notes be payable out of any funds other than those provided therefor pursuant to the Resolutions and the Act. Neither the faith and credit nor the taxing power of the Issuer or any political subdivision thereof is pledged to the payment of the principal, redemption price or the interest on the Notes.

5. The interest on the Notes, when the Notes are issued in accordance with the Issuing and Paying Agency Agreement and the Tax Certificate, is excludable for federal income tax purposes from the gross income of the owners of the Notes. Noncompliance with the representations in the Tax Certificate may cause interest on the Notes to be includable, for federal income tax purposes, retroactively in the gross income of the recipients thereof, irrespective of when such noncompliance may occur or be ascertained. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended **(Code)** on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Notes is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excluded from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements in the Tax Certificate. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes, the Resolutions, the Issuing and Paying Agency Agreement, the Credit Agreement and the Dealer Agreements may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP