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	As of the date of this Offering Memorandum, several rating agencies have provided ratings on the Notes—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 page 12.
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 4-6.
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 6-8.
Denominations	$100,000 and $1,000 increments above $100,000
Dealers	Goldman, Sachs & Co. Bear, Stearns & Co. Inc. (expected to be merged with J.P. Morgan Securities Inc. as of October 1, 2008)
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 pages 3-4.
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 21, 2007. 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 26, 2008

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.

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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 2, 2011
Senator Fred A. Risser, Vice-Chairperson	January 4, 2009
Senator Ted Kanavas	January 4, 2009
Senator Jeffrey Plale	January 2, 2011
Representative Dean Kaufert	January 4, 2009
Representative Phil Montgomery	January 4, 2009
Representative Jennifer Shilling	January 4, 2009
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. David W. Helbach, Administrator Division of State Facilities Department of Administration	At the pleasure of the Building Commission and Secretary of Administration

OTHER PARTICIPANTS

Mr. J.B. Van Hollen State Attorney General	January 2, 2011
Mr. Frank J. Busalacchi, Secretary Department of Transportation	At the pleasure of the Governor
Mr. Michael L. Morgan, Secretary Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

Department of Administration
Capital Finance Office
101 E. Wilson Street, 10th Floor
P.O. Box 7864
Madison, WI 53707-7864
(608) 266-2305
Telefax (608) 266-7645
DOACapitalFinanceOffice@wisconsin.gov

Mr. Frank R. Hoadley
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Mr. David R. Erdman
Capital Finance Officer
(608) 267-0374
david.erdman@wisconsin.gov

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 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 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 21, 2007 **(2007 Annual Report)**. Parts I, II, and V of the 2007 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 to this Offering Memorandum or the Resolutions.

THE TRANSPORTATION REVENUE COMMERCIAL PAPER NOTE PROGRAM

This Offering Memorandum describes the Notes issued under the State of Wisconsin's Transportation Revenue Commercial Paper Note 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

Goldman, Sachs & Co. and Bear, Stearns & Co. Inc. (expected to be merged with J.P. Morgan Securities Inc. as of October 1, 2008) have been designated as Dealers for the Notes. Inquiries to the Dealers may be directed to the following:

Contact:	Goldman, Sachs & Co. Inc.	J.P. Morgan Securities Inc.
Address:	85 Broad Street, FLR 29	270 Park Avenue, FLR 6
	New York, NY 10004	New York, NY 10017
Phone:	(212) 902-6634	(212) 834-7224

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. Jeet Singh
Address:	60 Wall Street, FLR 27
	Mail Stop NYC60-2715
	New York, NY 10005
Phone:	(212) 250-3389
Telefax:	(212) 797-8618
E-mail:	charanjeet-a.singh@db.com

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

The Bank of New York Mellon Trust Company, N.A. is currently the **Trustee** for all obligations issued pursuant to the General Resolution.

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

The following table provides information concerning the outstanding Notes:

Series Designation	Initial Principal Amount	Outstanding Principal Amount (September 26, 2008)	Date of Supplemental Resolution	Date of Initial Issuance
1997 Series A	$157,763,000	$ 93,632,000	April 23, 1997	May 7, 1997
2006 Series A	91,290,000	83,986,000	June 28, 2006	October 2, 2006
	Total	$177,618,000		

Under the Program Resolution, the Commission may also adopt additional Supplemental Resolutions providing for the initial issuance of additional Notes. All 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. Proceeds from the initial issuance of Notes were used to pay the costs of major highway projects and certain State transportation facilities and to pay related costs of issuance.

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

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, 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 to this Offering Memorandum, which includes by reference Part V of the most recently published Annual Report, which is the 2007 Annual Report. Part V of the 2007 Annual Report also includes the independent auditor's reports and audited statements of cash receipts and disbursements for the fiscal years ending June 30, 2007 and June 30, 2006. APPENDIX A also includes any updates or additions to Part V of the 2007 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, 2001 Bonds, 2002 Series 1 Bonds, 2002 Series 2 Bonds, 2002 Series A Bonds, 2003 Bonds, 2004 Bonds, 2005 Series A Bonds, 2005 Series B Bonds, 2007

Series A Bonds, 2007 Series 1 Bonds, and 2008 Bonds and any other Bonds issued or to be issued pursuant to the General Resolution **(Outstanding Bonds)**. As of September 1, 2008, the amount of Outstanding Bonds was $1,511,135,000.

Program Income includes vehicle registration fees authorized under Section 341.25 of the Wisconsin Statutes (**Registration Fees**) and certain other vehicle registration-related fees added pursuant to 2003 Wisconsin Act 33 and a supplement to the General Resolution approved by the Commission on October 15, 2003 **(Other Registration-Related Fees).** Other Registration-Related Fees include many types of fees that are enumerated in Wisconsin Statutes, however, many of the Other Registration-Related Fees result in insignificant or sporadic annual revenues. Given this insignificant and sporadic nature, the State 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:

(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.

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."

With respect to Program Income deposited into the Subordinated Debt Service Fund, the State intends to periodically make the following deposits and subsequent transfers 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 Supplemental Resolutions. 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 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 July 1.

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 Noteholders, 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 is currently $207 million), 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 $15.30 trillion in assets under custody and $1.98 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, 2007 accounted for approximately 94% of the consolidated assets of the Corporation. At December 31, 2007 the Corporation had total assets of $142.54 billion, total deposits (including deposits in foreign offices) of $95.79 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately $15.8 billion and total equity capital of $11.30 billion.

State Street's Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2007, 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.

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, 2007. 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.

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, 2007 are taken from the audited financial statements presented in CalSTRS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. Financial data for fiscal years ended after 2007 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, 2007, the Fund had net assets held in trust for pension benefits with a market value of approximately $171.9 billion, compared to approximately $144.2 billion as of June 30, 2006. As of August 31, 2008, total investment assets had a total market value of approximately $158.7 billion (unaudited).

CalSTRS is independently rated "AA+/A-1+" by Standard and Poor's, a Division of the McGraw-Hill Companies, Inc., "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, 2007, which contains its financial statements for the years ended June 30, 2007 and 2006. 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.

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, and makes changes and additions to, Part V of the 2007 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 to this Offering Memorandum, which includes by reference Part II of the most recently published Annual Report, which is the 2007 Annual Report. APPENDIX B also includes any updated information and changes or additions to Part II of the 2007 Annual Report, including but not limited to:

- Preliminary general purpose revenue **(GPR)** tax collections for the 2007-08 fiscal year, as reported by the Department of Revenue.
- Projected and actual General Fund cash flows as of July 31, 2008.
- Information on the budget adjustment bill for the 2007-09 biennium, which was signed into law, with some vetoes, by the Governor on May 16, 2008 (2007 Wisconsin Act 226).

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 Notes were subject to the approval of Quarles & Brady LLP **(Bond Counsel)**. On the date of initial issuance of each series of Notes, Bond Counsel delivered an approving opinion with respect to the validity and enforceability of each series of Notes.

As required by law, the Attorney General has examined a certified copy of all proceedings preliminary to the initial issuance of each series of Notes to determine the regularity and validity of such proceedings. The Attorney General has previously delivered an opinion on the regularity and validity of the proceedings, with respect to, and dated the date of, the initial issuance of each series 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

In connection with the initial issuance of each series of Notes, Bond Counsel delivered a legal opinion, under existing law as of the respective date of such opinion, with respect to the federal income tax exemption applicable to the interest on such series of Notes. 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 expressed 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 were 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 did 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 2007 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 26, 2008

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/ DAVID W. HELBACH
David W. Helbach, 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)**, which can be obtained as described below. The Annual Report most recently published before this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007 (**2007 Annual Report**). This Appendix also includes changes or additions to the information presented in Part V of the 2007 Annual Report.

Part V of the 2007 Annual Report contains information concerning the Transportation Revenue Bond Program, security for the Notes, 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 2007 Annual Report includes the independent auditor's reports 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 years ending June 30, 2007 and June 30, 2006.

The Annual Reports, including the 2007 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
Attn: Capital Finance Director
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 2007 Annual Report, certain changes or events may occur that affect items discussed in the 2007 Annual Report. Listed below, by reference to particular sections of Part V of the 2007 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.

Security; Reserve Fund (Part V; Page 149). Update with the following information, which includes corrections to certain information that was included in the description of the Reserve Fund in Part V of the 2007 Annual Report. This information is provided for the purpose of updating the 2007 Annual Report; however, the Reserve Fund does not secure the Notes.

Reserve Fund

The General Resolution creates a Reserve Fund and provides that it shall be used in the event there is a deficiency in the Redemption Fund for the payment of principal of and interest on all of the then Outstanding Bonds. If there is a deficiency in the Reserve Fund, the Trustee shall, after setting aside in the Principal and Interest Account the applicable amount required to be deposited therein, deposit Program Income into the Reserve Fund in an amount sufficient to remedy such deficiency.

The State pursuant to each Series Resolution specifies the Debt Service Reserve Requirement, if any, for each Series of Bonds. No representation is made as to the Debt Service Reserve Requirement that the State may specify for any Series of additional Bonds. Since 2005, the State has not specified a Debt Service Reserve Requirement for any Series of Bonds that have been issued. The State continued this practice with the issuance of the 2008 Bonds. Accordingly, the Debt Service Reserve Requirement for the 2008 Bonds was $0.00. The State will make future decisions about the Debt Service Reserve Requirement to be specified for any Series of additional Bonds, and any resulting change in the amount of Reserve Fund, on a case-by-case basis.

The individual Debt Service Reserve Requirements for each Series of the Outstanding Bonds are combined to determine the aggregate Debt Service Reserve Requirement for the Reserve Fund. If all of the Bonds of a Series cease to be Outstanding, then the aggregate Debt Service Reserve Requirement is reduced by the Debt Service Reserve Requirement attributable to that Series of Bonds. The aggregate Debt Service Reserve Requirement of all Outstanding Bonds is currently $16,341,600. If the State continues its practice of not specifying a Debt Service Reserve Requirement for future Series of additional Bonds, and as all Bonds of a Series that have a specified Debt Service Reserve Requirement cease to be Outstanding, the aggregate Debt Service Reserve Requirement is expected to decline. However, this depends on future decisions the State makes regarding the Debt Service Reserve Requirement to be specified for any Series of additional Bonds.

Since 1993, the State has funded the Reserve Fund, in part, with an irrevocable surety bond **(Surety Bond)** issued by Ambac Assurance Corporation **(Ambac Assurance)**, which is an asset of the Reserve Fund and noncancelable by the provider until it expires on the earlier of July 1, 2023, or when all Bonds are paid in full. Pursuant to the terms of the Surety Bond, the amount available thereunder is the lesser of $51,258,600 or the aggregate Debt Service Reserve Requirement, currently $16,341,600. No information is provided in this Offering Memorandum about any credit rating assigned to the obligations of Ambac Assurance; see the updates under "Security; Reserve Fund; Ambac Assurance (Part V; Pages 150-151)" in this APPENDIX A for information that has been supplied by Ambac Assurance.

The amount currently available in the Reserve Fund is $26,463,600, consisting of the amount currently available under the Surety Bond ($16,341,600) and cash and investments ($10,122,000). The State may, pursuant to the General Resolution, transfer cash and investments on deposit in the Reserve Fund that are in excess of the aggregate Debt Service Reserve Requirement to the Interest and Principal Account at the end of any fiscal year. While it has not been the State's practice to reduce the funds available in the Reserve Fund by making such transfers of cash and investments in conjunction with a reduction in the aggregate Debt Service Reserve Requirement, there is no assurance that the amount available in the Reserve Fund will be maintained at any amount in excess of the-then aggregate Debt Service Reserve Requirement calculated as of any particular date of computation.

2007 Annual Report—Correction of Reserve Fund Calculation

Part V of the 2007 Annual Report included a description of the Reserve Fund for the Bonds. The amount of the aggregate Debt Service Reserve Requirement in this description was not calculated correctly; the figure consisted of the total of the individual Debt Service Reserve Requirements specified for all previously issued Series of Bonds (whether or not Outstanding), rather than just those of the-then Outstanding Series of Bonds. As described above and in the description of the Reserve Fund in the 2007 Annual Report, the aggregate Debt Service Reserve Requirement is reduced by the amount of the individual Debt Service Reserve Requirements specified for any Series of Bonds which cease to be Outstanding. Since the amount of the aggregate Debt Service Reserve Requirement was not calculated correctly, the 2007 Annual Report also overstated both the amount of the Surety Bond (which by its terms is equal to the lesser of $51,258,600 or the aggregate Debt Service Reserve Requirement) and the amount available in the Reserve Fund. As stated in the 2007 Annual Report, there is no assurance that the Reserve Fund will be maintained at any amount in excess of the aggregate Debt Service Reserve Requirement.

Security; Reserve Fund; Ambac Assurance (Part V; Pages 150-151). Update with the following information. This information is provided for the purpose of updating the 2007 Annual Report. Ambac Assurance is the provider of a Surety Bond held in the Reserve Fund; however, this Reserve Fund does not secure the Notes.

The following information has been supplied by Ambac Assurance and no representation is made by the State or the Underwriters as to the accuracy or completeness of the information.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands, with admitted assets of approximately $12,438,000,000 (unaudited) and statutory capital of approximately $6,700,000,000 (unaudited) as of June 30, 2008. Ambac Assurance has been assigned the following financial strength ratings by the following rating agencies: Aa3, on review for possible downgrade, by Moody's Investors Service, Inc., and AA, with negative outlook, by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer.

Ambac Assurance makes no representation regarding the Bonds or Notes or the advisability of investing in the Bonds or Notes and makes no representation regarding, nor has it participated in the preparation of, this Offering Memorandum or the 2007 Annual Report other than the information supplied by Ambac Assurance and presented in this Appendix to the Offering Memorandum and in the 2007 Annual Report under the headings "Surety Bond" and "Ambac Assurance".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. **(Company)**, is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission **(SEC)**. These reports, proxy statements, and other information can be read and copied at the SEC's public reference room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800- SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements, and other information can also be read at Ambac Assurance's internet website at www.ambac.com and at the offices of the New York Stock Exchange, Inc. at 20 Broad Street, New York, New York 10005. The internet site and website included above are not incorporated by reference into this Offering Memorandum.

Copies of Ambac Assurance's financial statements prepared in accordance on the basis of accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance are available without charge from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number is One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in the information supplied by Ambac Assurance for use in this Offering Memorandum:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and filed on February 29, 2008;

2. The Company's Current Report on Form 8-K dated and filed on March 7, 2008;

3. The Company's Current Reports on Form 8-K dated and filed on March 12, 2008;

4. The Company's Current Report on Form 8-K dated and filed on April 23, 2008;

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2008 and filed on May 12, 2008;

6. The Company's Current Report on Form 8-K dated and filed on May 9, 2008;

7. The Company's Current Report on Form 8-K dated and filed on May 28, 2008;

8. The Company's Current Report on Form 8-K dated and filed on June 4, 2008;

9. The Company's Current Report on Form 8-K dated and filed on June 5, 2008;

10. The Company's Current Report on Form 8-K dated and filed on June 19, 2008;

11. The Company's Current Report on Form 8-K dated and filed on June 20, 2008;

12. The Company's Current Report on Form 8-K dated June 26, 2008 and filed on June 27, 2008;

13. The Company's Current Report on Form 8-K dated July 7, 2008 and filed on July 8, 2008;

14. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2008, dated and filed on August 11, 2008; and

15. The Company's Current Report on Form 8-K dated and filed September 19, 2008.

Ambac Assurance's consolidated financial statements and all other information relating to Ambac Assurance and subsidiaries included in the Company's periodic reports filed with the SEC subsequent to the date of this Offering Memorandum shall, to the extent filed (rather than furnished pursuant to Item 9 of Form 8-K), be deemed to be incorporated by reference into the information supplied by Ambac Assurance for use in this Offering Memorandum and to be a part hereof from the respective dates of filing of such reports.

Any statement contained in a document incorporated by reference in the information supplied by Ambac Assurance for use in this Offering Memorandum shall be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained in a subsequently filed document 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 the information supplied by Ambac Assurance for use in this Offering Memorandum.

Copies of all information regarding Ambac Assurance that is incorporated by reference in the information supplied by Ambac Assurance for use in this Offering Memorandum are available for inspection in the same manner as described above.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Offering Memorandum will be available for inspection in the same manner as described above.

Table V-2; Debt Service of Outstanding Transportation Revenue Bonds and Estimated Revenue Coverage (Pages 151-152). Replace with the following updated table:

The table on the following page shows the forecasted coverage of annual debt service on the Outstanding Bonds, based on the Department's estimated Program Income for 2009-2017. There can be no assurance that the estimated vehicle registration and other vehicle registration-related fees will be realized in the amounts shown.

Table V-5; Actual Number of Motor Vehicle Registrations (Page 154). Replace with the following updated table:

ACTUAL NUMBER OF MOTOR VEHICLE REGISTRATIONS[a]
(Millions of Vehicles)

Fiscal Year (June 30)	Automobiles[b]	Trucks[c]	Other Vehicles [d]	Total	% Change
1999	3.03	0.92	.66	4.61	—
2000	3.10	0.96	.64	4.70	1.6%
2001	3.17	1.00	.69	4.86	3.4
2002	3.22	1.03	.70	4.95	1.9
2003	3.29	1.05	.75	5.09	2.8
2004	3.32	1.08	.77	5.17	1.6
2005	3.36	1.11	.85	5.32	2.9
2006	3.41	1.14	.89	5.44	2.3
2007	3.47	1.14	.97	5.58	2.5
2008[e]	3.52	1.14	.98	5.64	1.1

(a) In fiscal year 2005, the methodology for reporting vehicle registrations was changed from vehicle frame-based to vehicle registration-type. All of the information in this table reflects the use of the new vehicle registration-type methodology.

(b) "Automobiles" include autos, minivans, and sport utility vehicles.

(c) "Trucks" includes trucks and other vehicles that pay Registration Fees based on the vehicle's gross weight.

(d) "Other Vehicles" include mobile homes, motorcycles, mopeds, buses, and several other vehicle types.

(e) Preliminary; subject to adjustment as the State completes accounting entries for fiscal year 2007-08.

Source: Wisconsin Department of Transportation

DEBT SERVICE ON OUTSTANDING TRANSPORTATION REVENUE BONDS AND ESTIMATED REVENUE COVERAGE

Maturity (July 1)	Total Debt Service[(a)]	Estimated Registration Fees (Millions) [(b)]	Estimated Certain Other Registration-Related Fees (Millions) [(b)]	Estimated Total Program Income (Millions) [(b)]	Estimated Coverage Ratio[(a)(c)]
2009	$176,852,792	$538.30	$88.34	$626.64	3.54
2010	172,364,946	555.80	88.34	644.14	3.74
2011	172,444,048	561.00	88.34	649.34	3.77
2012	170,036,879	580.50	88.34	668.84	3.93
2013	170,255,871	587.10	88.34	675.44	3.97
2014	170,147,281	607.70	88.34	696.04	4.09
2015	162,235,144	615.50	88.34	703.84	4.34
2016	153,935,600	637.30	88.34	725.64	4.71
2017	144,646,963	646.20	88.34	734.54	5.08
2018	141,233,438				
2019	132,245,673				
2020	124,262,795				
2021	124,468,240				
2022	108,370,145				
2023	87,433,670				
2024	71,528,723				
2025	51,569,220				
2026	33,877,600				
2027	33,965,950				
2028	14,845,250				
2029	14,847,000				

(a) Includes estimated debt service for assumed aggregate $178 million in Bonds that could be issued to fund the two Outstanding issues of Notes. 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.

(b) The estimated fees for 2009 through 2017 reflect revenue projections completed by the Department using data available at the end of April, 2008, and also reflect the various fee increases contained within the 2007-09 biennial budget (2007 Wisconsin Act 20). Excludes interest earnings.

(c) Assumes that no additional Bonds will be issued and continuation of current Registration Fees and Other Registration-Related Fees. Estimates of Program Income and coverage beyond 2017 are not available.

Table V-6; Actual Registration Fee Revenues (Page 155). Replace with the following updated table:

ACTUAL REGISTRATION FEE REVENUES
(Amounts in Millions)

Fiscal Year (June 30)	Non-IRP Fees	Pledged IRP Fees[(a)]	Total	% Change
1999	$244.6	$49.9	$294.5	—
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[(a)]	302.1	57.1[(b)]	359.2	12.1
2005	314.4	60.7[(b)]	375.1	4.4
2006	333.6	62.7[(b)]	396.3	5.7
2007	322.6	62.2	384.8	(2.9)
2008[(c)(d)]	385.4	71.8	457.3	18.8

[(a)] The increase in fiscal year 2004 reflects the $10 increase in registration fees for automobiles that went into effect on October 1, 2003.

[(b)] The Pledged IRP fees for fiscal years 2004, 2005, and 2006 have been revised and restated to reflect a correction in the recording of revenue obtained through the IRP program.

[(c)] The increase in fiscal year 2008 reflects the $20 increase in registration fees for automobiles, along with other fee increases for other vehicle types, which went into effect on January 1, 2008.

[(d)] Preliminary; subject to adjustment as the State completes accounting entries for fiscal year 2007-08.

Source: Wisconsin Department of Transportation

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

PROJECTED REGISTRATION FEE REVENUES
(Amounts in Millions)

Fiscal Year	Revenues[(a)]	% Change
2009	$538.3	—
2010	555.8	3.2
2011	561.0	0.9
2012	580.5	3.5
2013	587.1	1.1
2014	607.7	3.5
2015	615.5	1.3
2016	637.3	3.5
2017	646.2	1.4

[(a)] Includes both IRP and non-IRP Registration Fees pursuant to Section 341.25, Wisconsin Statutes. Reflects revenue projections completed by DOT using data available at the end of April 2008 and various fee increases contained within the 2007-09 biennial budget (2007 Wisconsin Act 20). Does not include Other Registration-Related Fees, which are addressed in Part V of the 2007 Annual Report and in the table that appears on the next page of this appendix to the Offering Memorandum.

Source: Wisconsin Department of Transportation

Table V-8; Actual and Projected Other Registration-Related Fees (Pages 161-162). Replace with the following updated table:

ACTUAL AND PROJECTED OTHER REGISTRATION-RELATED FEES

Fiscal Year (June 30)	Title Transaction Fees [(a)]	Counter Service Fees and Personalized License Plates	Subtotal	Other Miscellaneous Vehicle Registration-Related Fees	Total Registration-Related Fees
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	57,155,880	8,494,960	65,650,840
2007	50,470,381	8,487,460	58,957,841	8,457,789	67,415,630
2008[(b)]	63,825,116	8,504,542	72,329,658	8,690,501	81,020,159
2009	78,861,800	9,481,500	88,343,300	9,612,200	97,955,500
2010	78,861,800	9,481,500	88,343,300	9,647,100	97,990,400
2011	78,861,800	9,481,500	88,343,300	9,685,900	98,029,200
2012	78,861,800	9,481,500	88,343,300	9,727,900	98,071,200
2013	78,861,800	9,481,500	88,343,300	9,771,400	98,114,700
2014	78,861,800	9,481,500	88,343,300	9,816,900	98,160,200
2015	78,861,800	9,481,500	88,343,300	9,864,400	98,207,700
2016	78,861,800	9,481,500	88,343,300	9,913,900	98,257,200
2017	78,861,800	9,481,500	88,343,300	9,965,200	98,308,500

(a) Reflects (i) effective date of October 1, 2003 for $10 increase in title transaction fees, (ii) effective date of October 1, 2005 for additional $10 increase in title transaction fees and $12 increase in duplicate title fee, and (iii) effective date of January 1, 2008 for $24.50 increase in title transaction fees.
(b) Preliminary; subject to adjustment as the State completes accounting entries for fiscal year 2007-08.
Source: Wisconsin Department of Transportation.

APPENDIX B

INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin **(State)**, contained in Part II of the most recently published State of Wisconsin Continuing Disclosure Annual Report **(Annual Report)**, which can be obtained as described below. The Annual Report most recently published before this Offering Memorandum is the State of Wisconsin Continuing Disclosure Annual Report, dated December 21, 2007 **(2007 Annual Report)**. This Appendix also includes changes or additions to the information presented in Part II of the 2007 Annual Report.

The changes or additions include information on the following:

- Preliminary general purpose revenue **(GPR)** tax collections for the 2007-08 fiscal year, as reported by the Department of Revenue **(DOR).**
- Projected and actual General Fund cash flows, as of July 31, 2008.
- The budget adjustment bill for the 2007-09 biennium, as signed into law, with some vetoes, by the Governor on May 16, 2008 (2007 Wisconsin Act 226).

Part II of the 2007 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 2006-07
- 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 2007 Annual Report are the audited general purpose external financial statements for the fiscal year ending June 30, 2007, prepared in conformity with generally accepted accounting principles **(GAAP)** for governments as prescribed by the Government Accounting Standards Board, and the independent auditor's report provided by the State Auditor.

The 2007 Annual Report has been filed with each nationally recognized municipal securities information repository **(NRMSIR)** and is also 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 2007 Annual Report may also be obtained from:

State of Wisconsin Capital Finance Office
Department of Administration
Attn: Capital Finance Director
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 2007 Annual Report, certain changes or events have occurred that affect items discussed in the 2007 Annual Report. Listed below, by reference to particular sections of Part II of the 2007 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 describe matters other than listed material events under the State's Master Agreement on Continuing Disclosure.

Budget for 2007-08 and 2008-09 Fiscal Years (Part II; Pages 26-27). Add the following new sections:

Results of 2007-08 Fiscal Year

The Annual Fiscal Report (budgetary basis) for the 2007-08 fiscal year will be published by October 15, 2008. This report will include the ending budgetary undesignated balance for the 2007-08 fiscal year.

Preliminary General Fund Tax Collections; 2007-08 Fiscal Year

On September 17, 2008, DOR released preliminary GPR tax collections for the 2007-08 fiscal year. These GPR tax collections, on a budgetary basis, are about $423 million, or 3.4%, above collections in the 2006-07 fiscal year. The following table provides a summary of the DOR preliminary GPR tax collections compared to previous projections, including those provided in February, 2008 by the Legislative Fiscal Bureau **(LFB)**.

Preliminary General Fund Tax Collections Compared to Previous Projections
2007-08 Fiscal Year
(in Millions)

	2007-09 Biennial Budget	LFB Projections February 2008	DOR Preliminary September 2008	Difference (LFB Feb. 2008 to DOR Sept. 2008)
Individual Income	$ 6,758.8	$ 6,660.0	$ 6,706.0	$ 46.0
Sales and Use	4,310.0	4,210.0	4,269.1	59.1
Corp. Income & Franchise	887.8	810.0	841.1	31.4
Public Utility	297.2	295.6	297.4	1.8
Excise				
Cigarettes	456.5	448.9	455.7	6.8
Liquor & Wine	42.5	42.5	45.2	2.7
Tobacco Products	28.9	28.9	29.7	0.8
Beer	9.4	9.4	9.6	0.2
Insurance Company	141.0	140.0	158.8	18.8
Estate	95.0	150.0	156.6	6.6
Miscellaneous Taxes	73.0	83.0	71.9	(1.1)
TOTAL	$13,100.1	$12,868.3	$13,041.4	$ 173.1

DOR's release of these preliminary GPR tax collections included the following additional information. First, these are unaudited figures subject to final review prior to the publication of the Annual Fiscal Report (budgetary basis) for the 2007-08 fiscal year, which will be published by October 15, 2008. These preliminary figures do not offer guidance on the General Fund budgetary balance for the 2007-08 fiscal year; other revenues and the final GPR expenditures will have a substantial bearing on the final budgetary balance for this fiscal year. Second, the difference between the LFB estimated tax collections and the preliminary figures can be attributed to two sources; $88.2 million from a stronger economy in the first half of calendar year 2008, and $84.9 million from process improvements at DOR. Finally, with respect to the stronger economy in the first half of calendar year 2008, much of the gain was realized in sales tax revenues and related to the $2.1 billion of stimulus checks issued by the U.S.

Treasury to Wisconsin taxpayers. These gains suggest little as to the likely pace of revenue collections for the 2008-09 fiscal year and later.

Budget Adjustment Bill

A budget adjustment bill for the 2007-09 biennium was passed by the Senate and the Assembly and signed into law, with some vetoes, by the Governor on May 16, 2008 (2007 Wisconsin Act 226). A two-thirds vote in each house of the Legislature is required to override any veto and enact the vetoed portion into law. Action to override any veto may be taken before or after the effective date of the act. This budget adjustment bill was in response to the February 13, 2008 LFB memorandum (see below) and the Secretary of Administration's determination that, as a result of the revised projections of General Fund tax collections, budgeted expenditures would exceed revenues by more than one-half of one percent of general purpose revenues

The table on the following page provides the estimated General Fund condition statement for the 2007-08 and 2008-09 fiscal years, as of the effective date of 2007 Wisconsin Act 226. The following table also includes, for comparison, the estimated General Fund condition statement for the budget as initially enacted for the 2007-09 biennium (2007 Wisconsin Act 20).

The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget (which the Legislature has done for the 2007-09 biennium) and also requires that if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take action to balance the budget in the succeeding fiscal year.

Estimated General Fund Condition Statement
2007-08 and 2008-09 Fiscal Years
(in Millions)

	2007-08 Fiscal Year		2008-09 Fiscal Year	
	2007 Act 20	Budget Adjustment Bill (2007 Act 226)	2007 Act 20	Budget Adjustment Bill (2007 Act 226)
Revenues				
Opening Balance	$ 66.3	$ 66.3	$ 67.0	$ 80.5
Taxes	13,100.1	12,868.3	13,626.2	13,286.5
Department Revenues				
Tribal Gaming	96.7	96.7	46.3	46.3
Other	428.2	643.1	435.0	514.2
Total Available	13,691.4	13,674.4	14,174.5	13,917.5
Appropriations				
Gross Appropriations	13,824.0	13,799.4	14,212.1	14,117.9
Compensation Reserves	62.8	62.8	156.6	132.6
Less: Lapses	(262.4)	(268.3)	(262.0)	(429.3)
Net Appropriations	13,624.4	13,593.9	14,106.8	13,821.2
Balances				
Gross Balance	67.0	80.5	67.7	106.2
Less: Req. Statutory Balance	(65.0)	(65.0)	(65.0)	(65.0)
Net Balance, June 30	$ 2.0	$ 15.5	$ 2.7	$ 41.3

February 2008 General Fund Revenue Projections - LFB

On February 13, 2008, LFB released projections of General Fund tax collections for the 2007-09 biennium. These projections differ adversely from the projections of General Fund tax collections that were made in January 2007 and used in preparing the State's 2007-09 biennial budget (2007 Wisconsin Act 20). For the 2007-09 biennium, the LFB memorandum projected:

- A decrease of $240 million in estimated individual income tax collections.
- A decrease of $284 million in estimated general sale and use tax collections.
- A decrease of $124 million in estimated corporate income and franchise tax collections.

Taking into account the actions completed by the Secretary of Administration before the release of the LFB memorandum, an updated General Fund condition statement projected a gross ending General Fund balance for the end of the current fiscal year (June 30, 2008) of negative $77 million, and for the end of the current biennium (June 30, 2009) of negative $351 million, not including the statutory required reserve. With respect to the projected gross ending balance for the end of the current biennium, the amount is approximately $419 million less than the balance included in the enacted budget for the 2007-09 biennium.

The February 13, 2008 LFB memorandum identified other items that may impact the projections and information presented in such memorandum. These items include the following, which have been previously discussed in the 2007 Annual Report:

- Budgetary assumptions related to payment of amounts due in previous fiscal years from a tribal government, pursuant to amended gaming compacts in calendar year 2003.
- Litigation from calendar year 2007 related to the transfer of certain amounts from the State's Patient and Families Compensation Fund to the Medical Assistance Trust Fund.
- The Supreme Court's consideration of an appeal from the State of Wisconsin related to the taxability of computer software.

Additional details can be found in the complete copy of the LFB memorandum, which appears on the pages B-5 to B-20 of this Offering Memorandum.

State Budget; Potential Effect of Litigation; Sales Tax on Customized Computer Software (Part II; Pages 30-31). Update with the following information:

On July 11, 2008, the Wisconsin Supreme Court affirmed a Wisconsin court of appeal's decision in this case, that sales of certain customized software are not subject to the State's sales tax (Wisconsin Department of Revenue v. Menasha Corporation).

The LFB memorandum of February 13, 2008 included prior estimates from DOR that such a decision could reduce the State sales tax revenues by approximately $28 million annually. This amount is less than the projected gross ending balance of $106 million for the 2008-09 fiscal year, as shown in the above estimated General Fund condition statement. In addition, the LFB memorandum estimates that refund requests associated with years prior to the 2008-09 fiscal year will be approximately $265 million. The State is currently reviewing the decision. The amount of refunds, if any, that will be paid in the 2008-09 fiscal year is not currently known; a more complete understanding on the timing and amount of refunds will be available on November 20, 2008, when the Department of Administration is required to provide revenue and expenditure estimates for the 2008-09 fiscal year.

Legislative Fiscal Bureau Robert Wm. Lang, Director

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State of Wisconsin

February 13, 2008

Senator Mark Miller, Senate Chair
Representative Kitty Rhoades, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Miller and Representative Rhoades:

On January 24, 2008, I sent a letter to you that discussed preliminary information regarding general fund tax revenue estimates for the remainder of the 2007-09 biennium. In that letter, I noted that the December, 2007, tax collection report was considerably weaker than in previous months and thought that it would be prudent to wait until February before issuing our analysis of the condition of the general fund. This would allow us to examine sales taxes paid on purchases during the Christmas shopping season and determine if the weak December report was an anomaly or a trend in collections. It would also provide the opportunity to review the February economic forecast and more recent data on a variety of factors, including the potential effect of interest rate decisions by the Federal Reserve Board and the federal economic stimulus plan.

We have now completed our review. Unfortunately, the January, 2008, collections report and the February forecast both point to further weakness in general fund tax collections.

Based upon our analysis, we project the closing net general fund balance at the end of the biennium to be -$652.3 million. This is prior to decisions made by the Department of Administration (DOA) on February 12, 2008 (described below). The -$652.3 million is $655.0 million below the $2.7 million ending balance that was indicated upon enactment of the state's 2007-09 biennial budget (2007 Act 20).

The $655.0 million is the net result of a decrease in estimated tax collections of $586.5 million, a decrease in departmental revenues of $34.9 million (primarily due to lower interest earnings), and an increase in net expenditures (laws enacted after Act 20, sum sufficient appropriation reestimates, and lapse reestimates) of $33.6 million.

Yesterday, DOA announced two administrative actions aimed at reducing the magnitude of the potential deficit.

In a memorandum to state agency heads dated February 12, 2008, the Secretary of DOA indicated that the Department is taking two actions relating to state agency spending. First, the previously announced allocation of lapses to meet the required $200 million lapse provision under Act 20 will be modified by DOA, so that the entire $200 million will accrue from segregated funds or program revenue accounts. Second, acting under s.16.50 of the statutes, DOA will require GPR-funded agencies to lapse the $106 million previously identified as part of the $200 million lapse under Act 20, as well as an additional $5 million in 2008-09. The effect of these actions will be to improve the general fund's balance by $53 million in 2007-08 and $58 million in 2008-09 compared to the estimates used under Act 20.

The administration also indicates that it will use its existing authority to roll over short-term general obligation borrowing that otherwise would have been paid off in 2007-08 and 2008-09. This action will reduce GPR debt service expenditures by an estimated $63.6 million in 2007-08 and $61.8 million in 2008-09 compared to estimated GPR debt service under Act 20.

These two decisions of the administration are projected to reduce the $652.3 million deficit by a biennial total of $236.4 million to $415.9 million.

The following table reflects the estimated 2007-09 general fund condition statement, which incorporates the revenue and expenditure estimates of this letter and the February 12 actions of the administration.

TABLE 1

2007-09 General Fund Condition Statement

	2007-08	2008-09
Revenues		
Opening Balance, July 1	$66,288,000*	-$76,860,200
Estimated Taxes	12,868,300,000	13,271,500,000
Departmental Revenues		
Tribal Gaming Revenues	96,731,600	46,250,700
Other	467,103,700	472,175,900
Total Available	$13,498,423,300	$13,713,066,400
Appropriations and Reserves		
Gross Appropriations	$13,780,810,400	$14,171,612,500
Compensation Reserves	62,759,600	156,617,900
Less Lapses	-268,286,500	-264,286,400
Net Appropriations	$13,575,283,500	$14,063,944,000
Balances		
Gross Balance	-$76,860,200	-$350,877,600
Less Required Statutory Balance	-65,000,000	-65,000,000
Net Balance, June 30	-$141,860,200	-$415,877,600

*In addition, $55.6 million of the 2006-07 ending balance has been transferred to the budget stabilization fund pursuant to s. 16.518 of the statutes.

There are three items that deserve mention which could impact the figures shown in Table 1. Those items are discussed below.

First, the 2007-09 tribal gaming revenues shown in Table 1 ($96,731,600 in 2007-08 and $46,250,700 in 2008-09) include certain state payments under the Ho-Chunk Nation's 2003 gaming compact amendments. Under the amendments, the Ho-Chunk Nation was to provide certain lump-sum payments to the state in 2003-04 and 2004-05 and payments based on a percent of net casino win in subsequent years. The general fund revenue from tribal gaming indicated in Table 1 assumes the Ho-Chunk will pay, in 2007-08, the lump-sum payment of $30 million originally due in 2004-05, as well as percent-of-net-win payments associated with 2005-06 and 2006-07 casino earnings. In 2008-09, the general fund revenue amount assumes the Ho-Chunk will make a percent-of-net-win payment associated with its 2007-08 casino earnings. However, the timing of any Ho-Chunk payments may be affected by the outcome of litigation, currently pending in the federal court for the Western District of Wisconsin, relating to a dispute between the state and the Ho-Chunk Nation. It is unclear at this time how or when the disputed issues will be resolved.

Second, 2007 Act 20 authorized the transfer of $71.5 million SEG in 2007-08 and $128.5 million SEG in 2008-09 from the injured patients and families compensation fund (IPFCF) to the medical assistance trust fund (MATF), and increased SEG funding from the MATF and reduced GPR funding for MA benefits by corresponding amounts. In response to the Act 20 directive, the Department of Administration has made the 2007-08 transfer.

On October 29, 2007, the Wisconsin Medical Society filed an action in Dane County Circuit Court seeking, among other things, to permanently enjoin the transfer of monies out of the IPFCF, the immediate return to the IPFCF of all monies so transferred, along with lost earnings, and the recovery of the Medical Society's attorneys' fees and costs. The lawsuit remains pending and its ultimate impact on the state's finances, including the MATF, cannot be predicted at this time.

Finally, the tax revenue estimates shown in Table 1 do not include the potential effect of a decision issued by the Court of Appeals on January 25, 2007, in the case Wisconsin Department of Revenue v. Menasha Corporation, with respect to the taxability of computer software. Under state law, while prewritten computer software is subject to the state sales tax on tangible personal property, sales of custom computer software are exempt. In 1998, Menasha Corporation filed a refund claim with the Department of Revenue (DOR) for sales taxes paid on certain computer software that the company believed was custom software. DOR denied the refund claim, and Menasha Corporation appealed to the Tax Appeals Commission, which decided in favor of Menasha Corporation on December 1, 2003. The decision broadened the DOR interpretation of what computer software is to be considered 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. Menasha Corporation appealed the Circuit Court's decision to the Court of Appeals, which decided in favor of Menasha Corporation. DOR has appealed the Appeals Court decision, and the Supreme Court agreed to hear the case. Oral arguments were presented in late 2007 and a ruling is expected this spring.

Subsequent to the Appeals Court decision, DOR had estimated the fiscal effect of a final decision in favor of Menasha Corporation as a reduction in state sales tax revenues of approximately $28 million annually. In addition, the Department estimated related refund requests associated with years prior to 2007-08 of up to $221 million. Assuming that the final decision will be made closer to the end of 2007-08, and based on the Department's methodology, this estimate should be updated to approximately $265 million associated with refunds for years prior to 2008-09.

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, longer periods may apply under certain conditions, such as audits or protective claims for refunds. The Department's estimate of the cost of refund requests associated with Menasha Corporation is based on the assumption that refund claims will be filed for 50% of potential claims for 1999 through 2002 and 80% of potential claims for 2003 through the time of final determination of the case. Actual refund requests could be higher or lower than the Department's estimate. Assuming that a final determination of the case would be made prior to the end of 2007-08 or early in 2008-09, the Department expects that most refunds would be paid in the current biennium.

Given the uncertainty of the final determination of the case, the sales tax estimates shown above for the 2007-09 biennium do not incorporate the potential effect of the decision. However, should the Appeals Court decision represent the final determination of the case, it is projected that general fund revenues would be reduced by up to approximately $293 million prior to the end of the 2007-09 biennium ($265 million for refunds for fiscal years through 2007-08 and $28 million associated with computer software sales during 2008-09). While both the precise magnitude and timing of the fiscal effect are uncertain, the $293 million total is based on DOR's expectations for the combined effect of refunds and annual costs through the end of the biennium.

General Fund Taxes

The following section provides information on general fund tax revenues for the 2007-09 biennium, including a discussion of the national economic forecast for 2008 and 2009 and general fund tax revenue projections for fiscal years 2007-08 and 2008-09.

National Economic Forecast. This office first prepared revenue estimates for the 2007-09 biennium in January, 2007, based on the January, 2007, forecast of the U.S. economy by Global Insight, Inc. At that time, positive economic growth was expected to continue in 2007, 2008, and 2009, although at a slower pace than that of 2006. The primary risks to the forecast were that the economy's excess production capacity was less than estimated and that foreign investors would diversify from the dollar in response to the large U.S. trade deficit, which would lead to an acceleration in inflation and interest rates and a lower level of economic growth.

In June, 2007, this office revised its fiscal year 2006-07 revenue estimates upward by $49 million (approximately 0.4%). The revision was based primarily on actual collections through May, 2007. However, because the more recent economic forecasts were somewhat weaker than the January, 2007, forecast, the estimates for 2007-08 and 2008-09 were not increased. Actual collections for 2006-07 exceeded the June estimates by an additional $22 million. However, individual income tax collections in 2006-07 were artificially high by approximately $75 million due to delays in paying refunds for tax year 2006 until 2007-08.

Despite considerable weakness in the housing market, high energy prices, and significant disruptions to credit markets, the economy continued to expand throughout 2007. After a sluggish first quarter of 0.6% real (inflation-adjusted) growth in gross domestic product (GDP), the second and third quarters showed real growth rates of 3.8% and 4.9%, respectively. However, it is believed that the economy slowed dramatically in the fourth quarter, with 0.6% real GDP growth. The slowdown in the fourth quarter reflects an accelerated decline in residential construction, slower consumption growth, and reduced growth in inventories following an unusually high accumulation in the third quarter. For the entire year, nominal (current-dollar) GDP growth is estimated at 4.9% and real growth is estimated at 2.2%. The nominal growth rate is 0.5% higher than projected last January, while the real growth rate is 0.1% lower. This discrepancy reflects a higher rate of inflation than was estimated last January, primarily due to increased prices for fuel.

The labor market was resilient in 2007. Personal income grew by an estimated 6.2% in 2007, compared to last January's estimate of 5.1%, which reflected higher than anticipated growth in both jobs and wages. The unemployment rate for 2007 is now estimated at 4.6%, compared to last January's estimate of 4.9%. The employment and income growth led to higher consumption expenditures, which increased by an estimated at 5.5%, compared to last January's projection of 4.7%. As anticipated, growth in corporate profits slowed significantly from the double-digit increases seen during 2002 through 2006. Growth in pre-tax profits in 2007 is now estimated at 4.2%, which is twice the rate of growth forecast last January.

As described above, by most measures, the economy performed better in 2007 than was anticipated last January, due to strength in the second and third quarters. However, as noted, growth slowed significantly in the fourth quarter, and the current (February, 2008) forecast assumes that the economy has begun to contract. Global Insight believes that the U.S. economy has entered into a recessionary phase that will last through the first half of this year. Real GDP growth is estimated at -0.4% in the first quarter and -0.5% in the second quarter. Positive growth is expected to resume in the third quarter of 2008, in part due to the effects of interest rate cuts and the federal stimulus package. Third-quarter growth is estimated at 3.4% and fourth-quarter growth is estimated at 2.7%. Significantly slower growth (0.7%) is expected in the first quarter of 2009 as the boost to consumer spending from the federal tax rebates diminishes. Real GDP growth is estimated at approximately 3% over the remainder of 2009.

For all of 2008 and 2009, the current forecast expects reduced levels of production, employment, income, profits, and consumption expenditures compared to last year's forecast. Nominal GDP growth is now estimated at 3.6% in 2008 and 4.0% in 2009, compared to last

January's estimates of 5.2% and 5.5%, respectively. Real GDP growth is now estimated at 1.4% in 2008 and 2.2% in 2009, compared to the previous forecast of 3.2% and 3.4%. As in recent months, the main areas of concern going forward are the housing and credit markets and high energy prices. However, new information regarding consumption expenditures, profits, and employment indicates a broader downturn has begun.

After increasing rapidly for several years, housing starts peaked at 2.1 million units in 2005, and then declined by 12.6% (to 1.8 million units) in 2006 and an estimated 25.8% (to 1.3 million units) in 2007. The forecast expects another significant decline in 2008, followed by a strong rebound in 2009. Housing starts are estimated at 0.9 million units in 2008 (a decrease of 33.0% from 2007) and 1.2 million units in 2009 (an increase of 31.1%). Sales of new and existing homes are expected to exhibit a similar pattern, with decreases of 9.5% in 2006, 14.6% in 2007, and 19.5% in 2008, followed by an increase of 10.2% in 2009. The recent declines in housing activity reflect high inventory levels and prices, along with reduced availability of credit. In addition, compared to historical trends, much of the demand for housing in 2004 and 2005 was from investors who did not intend to use the home as a primary residence. These former purchasers have now become sellers of homes, which has contributed to the imbalanced housing market.

The forecast expects housing activity to bottom out in the first half of 2008 and then begin to rebound as the excess inventory is sold off, interest rates decrease, and affordability improves as housing prices decline. Nationwide, housing prices (as measured by the constant-quality price index) decreased by 0.2% in 2007 and are expected to decrease by 5.1% in 2008 and 1.7% in 2009. Beginning in 2010, modest price increases are expected to resume. Median and average prices of new and existing homes are also expected to continue declining at least through 2009. All of these measures of housing activity have been revised downward since last January. As discussed later, a key risk to the baseline forecast is that the housing market will deteriorate further.

Closely tied to the housing market are the credit markets, which experienced significant uncertainty and financial losses during 2007, primarily due to weakness in subprime mortgage loans. In recent years, relaxed lending standards by banks and other lenders have allowed more families to become homeowners and to purchase homes that previously had been beyond their means. These loans often were made with small or no down-payments, and low initial interest rates, which would later adjust upward to reflect market rates. As housing price appreciation slowed and interest rates reset, delinquencies and foreclosures began to rise dramatically, leading to large losses by lenders and by investors who had purchased mortgage-backed securities. Toward the end of 2007, there was also a significant increase in delinquencies on prime-rate mortgages, auto loans, and credit card debt. In response, lending standards have been tightened and there has been a "flight to quality" as investors increased their purchases of less risky assets such as U.S. Treasury securities.

Since last September, the Federal Reserve Board has cut the federal funds rate five times by a total of 225 basis points (from 5.25% to 3.0%). The most recent rate cuts occurred on January 22nd (75 basis points) and January 30th (50 basis points). The January 22nd reduction followed an international stock sell-off based, in part, on fears of a U.S. recession. However, market rates on corporate bonds, mortgage loans, and other types of private-sector debt have not fallen by the same amounts due to increased risk-aversion by lenders. The forecast anticipates that the Federal Reserve will continue to cut rates in order to prevent or mitigate a recession. Specifically, it is expected that the federal funds rate will be reduced by an additional 100 basis points (to 2.0%) by the end of April, 2008, where it will remain through the rest of the year. It is expected that rates will be increased slightly beginning in the first quarter of 2009. Other interest rates are expected to fall by approximately 40 to 70 basis points over the next seven months and then begin rising slowly in the fourth quarter of 2008.

On February 7th, Congress approved a $168 billion economic stimulus package, which included tax rebates for individuals and tax reductions for businesses. As of this writing, the President has not signed the bill, but it is expected that he will do so this week. The plan will provide rebate checks of up to $600 for individuals and up to $1,200 for married couples, with an additional payment of $300 per child and a minimum payment of $300 for individuals who pay less than that amount in federal income taxes. The rebates will be phased out for higher-income taxpayers (individuals with incomes of at least $75,000 and married couples with incomes of at least $150,000). It is anticipated that the Treasury Department will begin distributing the checks in early May after federal income tax returns have been processed. The plan will also allow businesses to depreciate equipment purchases more quickly and increase the amount of capital expenses that small businesses can immediately deduct for tax purposes. The legislation will also increase the loan limits for Fannie Mae, Freddie Mac, and the Federal Housing Administration.

The stimulus package is very similar to, but somewhat larger than, what was assumed by Global Insight in the February forecast (a total package of approximately $150 billion). As noted, it is anticipated that the rebate checks will result in increased consumer spending in the second half of 2008 (6.5% growth in the third quarter and 3.9% growth in the fourth quarter compared to rates of 3.0% and 1.2% in the first and second quarters, respectively). Lower growth rates are expected in the first part of 2009 as the impact of the rebates fades. Global Insight believes that the business tax provisions will affect the timing of certain investments but not have a significant impact on overall economic growth.

After falling in the last quarter of 2006 and first quarter of 2007, oil prices again increased significantly during the remainder of 2007 and early 2008. Crude oil prices had receded to an average of $58 per barrel during the first quarter of 2007, but then rose to approximately $100 per barrel early this year (close to the inflation-adjusted record price of $102.81 per barrel in April, 1980). Prices have since receded to between $90 and $95 per barrel. Global Insight believes that the recent high oil prices reflect temporary geopolitical events and speculation, rather than fundamental supply and demand, and that the slowing economy will result in reduced demand for oil and lower prices in the coming months. Oil prices are expected to decline to approximately $73 per barrel by the fourth quarter of 2008, and then remain between $70 and $75 per barrel throughout the rest of that year and 2009.

As with crude oil, gasoline prices also rose significantly in 2007, from a national average price of $2.43 per gallon in the first quarter to $3.01 per gallon in the fourth quarter. Prices are expected to remain at approximately $3.00 per gallon in the first half of this year and then begin falling in the third quarter. The U.S. average price is expected to be between $2.60 and $2.80 per gallon in the fourth quarter of 2008 and in 2009. However, even with the anticipated decreases later this year, oil and gasoline prices are expected to be significantly higher than in last January's forecast. Natural gas prices are expected to increase by approximately 11.1% during 2008 and 10.2% in 2009. A significant risk to the baseline forecast is that the recent high oil prices will be sustained because they are more reflective of ongoing supply difficulties than speculative buying.

The overall consumer price index (CPI) increased by 2.9% in 2007, primarily due to rising prices for oil and other energy commodities. The CPI for energy commodities rose by 8.2%. Lower levels of inflation are forecast for 2008 and 2009 as the economy slows and oil prices fall. The overall CPI is now estimated at 2.5% in 2008 and 1.6% in 2009. The 2007 figure exceeded last January's forecast by 1.1%; the estimates for 2008 and 2009 are very close to last year's projections. Food prices also rose faster than overall inflation in 2007, with an increase of 4.0%. Food price inflation is estimated at 4.1% in 2008 and 2.1% in 2009. Inflation would be significantly higher (2.9% in 2008 and 3.1% in 2009) if oil prices do not fall as assumed in the baseline forecast.

As noted, personal income growth is estimated at 6.2% in 2007, which is 1.1% above last January's forecast of 5.1%. The higher rate of growth reflects a higher level of both jobs and wages. Other major sources of personal income (farm income, dividends, interest, and transfer payments) also exceeded expectations in 2007. Non-farm proprietors' income was lower than forecast. Personal income growth is now projected to be 4.1% in 2008 and 4.4% in 2009. These growth rates are lower than last January's forecast by 1.4% and 1.8%, respectively. Reduced rates of growth are expected for most components of personal income as overall economic growth slows.

Employment growth is estimated at 1.1% in 2007, which is slightly higher than the 1.0% growth projected last January. However, the projections for 2008 and 2009 have been reduced since last January's forecast. The current forecast anticipates employment growth of 0.3% in 2008 and 0.7% in 2009, compared to the previous estimates of 1.3% and 1.6%. Relative to last January, lower employment growth is expected for nearly all sectors of the economy, with particular weakness in construction jobs. Consistent with the jobs numbers, the unemployment rate is now projected to be higher than estimated last January. The current forecast is for an unemployment rate of 5.3% in 2008 and 5.6% in 2009, compared with last January's projection of 4.9% and 4.6%, respectively.

The forecast for personal consumption expenditures shows a similar pattern, with higher than anticipated growth in 2007, but a less optimistic forecast for 2008 and 2009. Consumption expenditures increased by an estimated 5.5% in 2007, compared to last year's estimate of 4.7%. As in recent years, areas of strength were concentrated in items that are generally not subject to the state sales tax, such as food (6.1% growth), gasoline (6.1%), heating fuel (16.6%), and services (6.0%). Purchases of items that are generally taxable grew more slowly. Sales of motor vehicles and parts increased by 1.6% and sales of other durable goods increased by 3.8%. Sales of nondurable goods, excluding food and fuel, increased by 4.1%.

Overall consumption growth is expected to slow to 4.1% in 2008 and 3.8% in 2009 due to lower personal income growth, tighter credit, and continued weakness in the housing market. The growth rate in 2008 would be even lower if the federal stimulus package had not been approved. As in 2007, higher rates of growth are forecast for food and services. However, due to falling prices, sales of gasoline are expected to show only a modest increase in 2008 and a small decrease in 2009. Sales of motor vehicles and parts are expected to be especially weak in 2008, with a decrease of 4.9%. However, a 4.9% increase is estimated for 2009 as employment and overall economic growth improve. Sales of other durable goods are forecast to rise by 0.5% in 2008 and fall by 0.4% in 2009, while sales of nondurable goods (excluding food and fuel) are expected to increase by 2.9% in 2008 and 3.7% in 2009.

Exports have been an area of strength for the U.S. economy in recent years and are expected to continue showing considerable growth in 2008 and 2009. Without the assumption of strong export growth, the baseline forecast would anticipate a longer and deeper recession. Exports increased by double-digit growth rates in each year from 2004 through 2007. An important factor in this growth has been the reduced value of the dollar relative to the currencies of the nation's major trading partners (more than 30% since early 2002), which makes U.S. products more affordable in foreign markets. In addition, the economies of Asian nations and other trading partners have experienced relatively robust growth. Export growth is estimated at 11.6% in 2008 and 8.6% in 2009, as the dollar continues to weaken throughout the first three quarters of this year before rising in the fourth quarter and stabilizing in 2009. Despite strong export growth, the U.S. trade deficit rose each year between 2002 and 2006. This occurred primarily due to increased imports of consumer goods and oil. As oil prices moderate and U.S. exports of other goods and services continue to show strong growth, it is expected that the trade deficit will decrease in 2008 and 2009.

After double-digit increases in 2005 and 2006, growth in business investment spending moderated to 6.1% in 2007, but was still an area of relative strength for the economy. Spending on nonresidential structures was particularly strong in 2007, with growth of 16.8%. However, investment in software and equipment was much weaker, with 1.7% growth. The forecast anticipates a significant slowdown in business investment as credit markets tighten and overall demand slows. Total business investment is expected to increase by 1.9% in 2008 and decrease by 0.2% in 2009. Investment in structures is expected to grow by 2.9% in 2008 and decrease by 9.5% in 2009, while investment in equipment and software is expected to increase by 1.4% and 4.3%, respectively.

The federal stimulus package will allow a first-year "bonus depreciation" deduction equal to 50% of the adjusted basis of qualified property placed into service during 2008 (the applicable time period is extended through 2009 for certain types of property). In addition, the stimulus package will increase the amount of investment that may be immediately expensed by small businesses (section 179 property) from $128,000 to $250,000, beginning in tax year 2008.

Under current law, the $128,000 amount is reduced by the amount by which the cost of the qualifying property exceeds $510,000. The new federal provisions will increase the $510,000 threshold to $800,000.

Global Insight does not expect the federal bonus depreciation and expensing provisions to have a significant impact on business investment. In effect, the bonus depreciation amounts to an interest-free loan from the government because the beneficial cash-flow impact is reversed in later years. The forecast assumes that business spending will be more influenced by weakening demand than by the federal tax changes, although it is believed that some investments will be moved forward from early 2009 to 2008 before the new provisions expire. As discussed below, the new provisions will result in a significant decrease in before-tax book profits in 2008 and a an offsetting increase in 2009.

Following several very strong years, growth in corporate profits slowed to 4.2% in 2007. Pre-tax book profits are expected to fall by 14.8% in 2008 and increase by 20.9% in 2009. However, these growth rates are distorted by the expensing and depreciation provisions of the federal stimulus package. Economic profits, which are not affected by federal tax law changes, grew by 3.1% in 2007 and are estimated to increase by 0.2% in 2008 and 3.4% in 2009. The double-digit growth rates of recent years were driven in large part by productivity gains, which slowed considerably in 2007. The lower levels of profits also reflect continued weakness in housing-related businesses, large losses in the financial sector, high oil prices, and a general reduction in demand for goods and services as the economy slows.

Global Insight has also prepared two alternative forecasts, one more optimistic and one more pessimistic than the baseline forecast. In the optimistic scenario, productivity growth, business investment, and foreign economic growth are all stronger than under the baseline forecast, and energy prices are lower. These factors lead to lower inflation and to increased domestic production, investment, and housing starts. The federal budget deficit is also lower than under the baseline forecast due to stronger revenue growth and reduced expenditures for transfer payments. Under this alternative forecast, which is assigned a probability of 25%, there is no recession in 2008 and, compared to the baseline forecast, real GDP growth is higher by 0.8% in that year and in 2009.

The pessimistic alternative (also 25% probability) assumes a deeper contraction in the housing market and higher oil prices than under the baseline forecast. Housing starts and prices are significantly lower, which leads to reduced consumption expenditures. In turn, the lower consumer demand leads to reduced production and investment by businesses. Under this scenario, employment drops for five consecutive quarters and industrial production falls for seven quarters. Real GDP declines in the first two quarters of 2008, then rebounds slightly in the second half (less than 1% growth), before decreasing again in the first quarter of 2009. Real GDP growth is estimated at -0.1% in 2008 and 0.4% in 2009, compared to the baseline estimates of 1.4% and 2.2%, respectively. The pessimistic scenario in last January's forecast, which had a probability of 20%, called for a lower level of economic growth but no recession in 2007 through 2009.

Table 2 shows a summary of national economic indicators drawn from the February, 2008, forecast by Global Insight.

TABLE 2

Summary of National Economic Indicators
Global Insight, Inc., February, 2008
($ in Billions)

	2006	2007	2008	2009
Nominal Gross Domestic Product	$13,194.7	$13,843.0	$14,335.2	$14,902.5
Percent Change	6.1%	4.9%	3.6%	4.0%
Real Gross Domestic Product	11,319.4	11,567.3	11,724.3	11,978.4
Percent Change	2.9%	2.2%	1.4%	2.2%
Consumer Price Index	3.2%	2.9%	2.5%	1.6%
Personal Income	10,983.4	11,667.3	12,144.7	12,676.3
Percent Change	6.6%	6.2%	4.1%	4.4%
Personal Consumption	9,224.5	9,732.0	10,128.0	10,511.3
Percent Change	5.9%	5.5%	4.1%	3.8%
Economic Profits	1,553.7	1,601.9	1,604.8	1,659.7
Percent Change	13.2%	3.1%	0.2%	3.4%
Unemployment Rate	4.6%	4.6%	5.3%	5.6%

General Fund Tax Projections. Table 3 shows our revised general fund tax revenue estimates for the 2007-09 biennium. The estimates are based on the February, 2008, forecast of the U.S. economy by Global Insight, and incorporate all of the tax law changes included in Act 20.

TABLE 3

Projected General Fund Tax Collections
($ Millions)

Source	2006-07 Actual	Budget Estimates (Act 20) 2007-08	Budget Estimates (Act 20) 2008-09	Revised Estimates February 2008 2007-08	Revised Estimates February 2008 2008-09
Individual Income	$6,573.8	$6,758.8	$7,105.5	$6,660.0	$6,965.0
General Sales and Use	4,158.6	4,310.0	4,479.4	4,210.0	4,295.0
Corporate Income & Franchise	890.1	887.8	860.3	810.0	815.0
Public Utility	284.9	297.2	314.4	295.6	316.2
Excise					
Cigarette	296.1	456.5	531.0	448.9	523.7
Liquor and Wine	42.7	42.5	43.0	42.5	43.0
Tobacco Products	17.5	28.9	41.2	28.9	41.2
Beer	9.5	9.4	9.4	9.4	9.4
Insurance Company	141.4	141.0	144.0	150.0	160.0
Estate	121.1	95.0	25.0	140.0	30.0
Miscellaneous Taxes	82.2	73.0	73.0	73.0	73.0
Total	$12,617.9	$13,100.1	$13,626.2	$12,868.3	$13,271.5
Change from Prior Year					
Amount		$482.2	$526.1	$250.4	$403.2
Percent Change		3.8%	4.0%	2.0%	3.1%

As shown in Table 3, general fund tax revenues are estimated to total $12,868.3 million in 2007-08 and $13,271.5 million in 2008-09. These amounts are lower than the Act 20 estimates by $231.8 million in the first year and $354.7 million in the second year, for a total decrease of $586.5 million. The estimates for the three major taxes (individual income, general sales and use, and corporate income and franchise) have all been revised downward significantly. The cigarette tax estimates have also been decreased, while the estimates for the estate tax and insurance company taxes have been increased.

Individual Income Tax. State individual income tax revenues were $6,573.8 million in 2006-07 and are currently estimated at $6,660.0 million in 2007-08 and $6,965.0 million in 2008-09. The current estimates are lower than the Act 20 estimates by $98.8 million in the first year and $140.5 million in the second year. The current estimates reflect growth of 1.3% for 2007-08 and 4.6% for 2008-09. It should be noted that the growth rate for 2007-08 is affected by a delay that occurred in the payment of approximately $75 million in individual income tax refunds for the 2006 tax year from 2006-07 to 2007-08. As a result of the delay, collections for 2006-07 were artificially high and collections in 2007-08 will be, correspondingly, artificially low. In addition, the growth rates for both years are affected by a number of law changes, primarily the implementation of the 100% income tax exclusion for social security benefits starting in 2008. In the absence of the refund delay and the effects of the law changes, growth in individual income tax revenues would be estimated at 4.6% for 2007-08 and 4.5% for 2008-09.

Based on preliminary collections information through January, 2008, individual income tax revenues for the current fiscal year are 3.1% higher than such revenues through the same period in 2006-07. However, if the additional $75 million in refunds for tax year 2006 had not been paid in 2007-08, then collections for this fiscal year through January would be 5.1% higher than the previous year. Based on the delay in refunds and law changes referred to above, as well as the forecast reduction in personal income growth in 2008, growth in collections is expected to slow during the remaining months of the fiscal year, resulting in the projections described above for actual growth in 2007-08 of 1.3% and adjusted growth of 4.6%.

General Sales and Use Tax. In 2006-07, state sales and use tax collections were $4,158.6 million, which was a 0.8% increase over the prior year. State sales and use tax revenues are currently estimated at $4,210.0 million in 2007-08 and $4,295.0 million in 2008-09, which represent growth of 1.2% in the first year and 2.0% in the second year. These estimates are $100.0 million lower in the first year and $184.4 million lower in the second year than the Act 20 estimates of $4,310.0 million in 2007-08 and $4,479.4 million in 2008-09. The reductions in the estimates are based, in part, on 1.5% growth in sales and use tax collections year-to-date through January, 2008, and in part on the most recent forecast of growth in taxable personal consumption expenditures. As previously noted, the estimates do not include the impact of the Court of Appeals decision in the Menasha Corporation case.

Corporate Income and Franchise Tax. Corporate income and franchise taxes were $890.1 million in 2006-07. Collections are projected to be $810.0 million in 2007-08 and $815.0 million in 2008-09. These amounts represent an annual decrease of 9.0% in 2007-08, and a slight increase of 0.6% in 2008-09. The new estimates are lower than the Act 20 estimates by $77.8 million in the first year and $45.3 million in the second year.

The new estimates reflect decreased year-to-date corporate income and franchise tax collections, which were 9.3% lower through January, 2008. The lower collections mirror the slowdown in the U. S. economy. Decreasing consumption expenditures, business investment, and industrial production are depressing corporate earnings, as the effect of the housing recession and credit restrictions spread through the economy. However, exports are projected to be a significant contributor to corporate sales and profits over the forecast period. Economic profits are forecast to increase by 0.2% in 2008, before rebounding somewhat to increase by 3.4% in 2009.

The corporate income and franchise tax estimates have been adjusted to reflect the effect of certain law changes, including the phase-in of single-sales factor apportionment, repeal of the manufacturers' sales tax credit, enactment of new tax credits, such as the dairy investment, dairy manufacturing facility, Internet equipment, Health Insurance Risk-Sharing Plan assessments, and ethanol and biodiesel fuel pump tax credits, and for the collection of back taxes from banks.

Public Utility Taxes. Public utility tax revenues were $284.9 million in 2006-07, and are currently projected at $295.6 million in 2007-08 and $316.2 million in 2008-09. Relative to the Act 20 estimates, these figures are lower than the 2007-08 estimate by $1.6 million but higher than the 2008-09 estimate by $1.8 million. Utility tax collections are currently expected to increase by 3.8% in 2007-08 and by 7.0% in 2008-09, rather than by 4.3% in 2007-08 and 5.8% in 2008-09, as had been estimated under Act 20.

Excise Tax Revenues. General fund excise taxes are imposed on cigarettes, other tobacco products, liquor (including wine and hard cider), and beer. Total excise tax revenues were $365.8 million in 2006-07. Under Act 20, total excise tax revenues were reestimated at $537.3 million in 2007-08 and $624.6 million in 2008-09, to reflect the Act 20 increases in the tax rates on cigarettes and other tobacco products as well as additional modifications to taxes on other tobacco products, which took effect January 1, 2008.

Data is not yet available to reflect the actual impact of the cigarette and other tobacco products tax law changes under Act 20. However, while the January, 2007, estimates of cigarette tax revenues under prior law had assumed a slight increase in revenues, collections through December, 2007, had decreased by 1.25% compared to the prior year. Based on the reduced collections through December, 2007, and the current forecast for slower growth in personal income and personal consumption expenditures, it is now anticipated that cigarette tax revenues will be lower than the Act 20 estimates by $7.6 million in 2007-08 and $7.3 million 2008-09.

No changes are projected from the Act 20 estimates for the remaining excise taxes. Therefore, excise tax revenues are currently estimated at $529.7 million in 2007-08 and $617.3 million in 2008-09.

Insurance Premiums Taxes. Insurance premium taxes were $141.4 million in 2006-07. Premiums tax collections are projected to be $150.0 million in 2007-08 and $160.0 million in 2008-09. The projected increase in 2007-08 is primarily based on year-to-date monthly premiums tax collections, which are 4.6 % higher through January, 2008, and expected increased premiums in response to lower investment income. The estimated increase in 2008-09 reflects expected continued growth in insurance premiums. The new estimates exceed the Act 20 estimates by $9.0 million in 2007-08 and $16.0 million in 2008-09.

Estate Tax. In 2006-07, state estate tax revenues were $121.1 million. Under Act 20, estate taxes were estimated at $95.0 million in 2007-08 and $25.0 million in 2008-09. However, based on collections to date in 2007-08, estate taxes are reestimated at $140.0 million in 2007-08 and $30.0 million in 2008-09. The revised estimates are $45.0 million higher in 2007-08 and $5.0 million higher in 2008-09 than the Act 20 estimates.

The significant reduction in the estimates for 2008-09 under both Act 20 and the current revision is the result of statutory provisions that effectively eliminated the state estate tax for deaths on or after January 1, 2008. Such provisions specify that, for deaths on or after January 1, 2008, the state estate tax is based on a federal credit for state death taxes paid under federal estate tax law. However, current federal law does not provide such a credit, which is the reason that the state estate tax is eliminated. It should be noted, however, that the relevant federal provisions are scheduled to sunset on December 31, 2010. As a result, in the absence of a federal law change, Wisconsin's estate tax will again apply with respect to estates of decedents dying after December 31, 2010.

Estate taxes are typically paid nine months after the date of death. Therefore, it is expected that the state will receive estate tax revenues through September, 2008, for deaths occurring in the last nine months of 2007.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee, municipal and circuit court-related fees, and a small amount from the occupational tax on coal. Miscellaneous tax revenues were $82.2 million in 2006-07, and are estimated at $73.0 million in both 2007-08 and in 2008-09. These estimates are unchanged from the Act 20 estimates.

Approximately 85% of miscellaneous tax revenues are from the real estate transfer fee (RETF). State RETF collections, which have fluctuated along with the strength of the housing market in recent years, reached a peak of $80.6 million in 2005-06 before declining to $71.7 million in 2006-07. RETF revenues are estimated to further decline to $62.5 million in 2007-08 before stabilizing at that level in 2008-09.

Transportation Fund

In addition to the discussion of the condition of the state's general fund, the following information is provided on the condition of the transportation fund.

Typically, the Department of Transportation, in cooperation with this office, prepares revised estimates of the transportation fund condition each spring. This year, the Department expects to produce this estimate in early April, utilizing February economic forecasts from Global Insight, Inc., as well as other, state-specific forecasts developed by the Department of Revenue. Of particular interest for this estimate will be the impact on transportation fund revenue collections of the economic downturn that has affected general fund revenue collections. Although it is still too early to fully evaluate the precise magnitude of the impact, based on preliminary indications, including actual collections through the first six months of the biennium, it appears that the transportation fund could have a biennium-ending deficit of as much as $25 million to $40 million.

The primary area of concern for transportation fund collections is vehicle registration and titling. The Act 20 revenue estimates were based on projections made in the spring of 2007, covering the three-year period from 2006-07 through 2008-09. Actual collections of vehicle registration revenue for 2006-07, however, were lower than the projections by $16.0 million. Although these reductions were offset in that year by higher collections in other areas, including motor fuel taxes, the relative weakness of vehicle registration revenue, particularly from heavy trucks, appears to have continued into the 2007-09 biennium.

Motor fuel tax collections, which are the other major component of transportation fund revenues, appear, through the first six months of the biennium, to be close to budget projections.

The Joint Committee on Finance may have two opportunities in the coming months to address any projected transportation fund deficit. First, under current law, the Department of Transportation is required to submit a plan to the Co-Chairs to allocate additional federal highway aid among its appropriations if the amount of aid received in a given federal fiscal year is greater than the amounts estimated in the state budget by 5% or more. Last week, the Federal Highway Administration notified the Department that the state will receive $718.3 million in federal fiscal year 2008, an amount that exceeds budget estimates by $76.2 million, or 11.9%. In addition, the state received an additional $23.4 million in federal fiscal year 2007 funds for expenditure in state fiscal year 2007-08, for a total of $99.6 million in additional funds. Under the statutory provision that requires the Department to submit a plan allocating these additional funds, the plan may adjust any DOT appropriation. Consequently, the plan could be used to reduce certain SEG appropriations to eliminate a projected deficit. In considering the Department's plan, the Committee may approve or modify and approve the adjustments, including any adjustments to the Department's SEG appropriations.

In addition to being required to submit a plan to make adjustments to allocate additional federal aid, a provision of Act 20 requires the Department to develop a plan to eliminate a projected deficit by reducing SEG appropriations whenever the deficit is projected to exceed $30 million. If the Department's spring estimate indicates that the deficit triggers this requirement, the Department will be required to submit a plan to the Committee. As with the federal funds allocation plan, the Committee may approve or modify and approve the plan.

We will continue to monitor economic forecasts, revenues, and expenditures and keep you informed of any modifications that may be necessary.

Sincerely,

Bob

Robert Wm. Lang
Director

RWL/sas
cc: Members, Wisconsin Legislature

General Fund Information; General Fund Cash Flow (Part II; Pages 36-44). Update with the following information:

The following tables provide updates and additions to various tables containing General Fund information for the 2007-08 and the 2008-09 fiscal years, which are presented on either a cash basis or agency recorded basis. The projections and estimates in the following tables, unless noted, reflect the projected General Fund revenues released by LFB on February 13, 2008 and the budget adjustment bill for the 2007-09 biennium (2007 Wisconsin Act 226). The tables contain information through July 31, 2008.

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.

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. The Wisconsin Constitution, however, 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.

Settlement of Amended Gaming Compact

On September 17, 2008, the State and a tribal government reached agreement on a new gaming compact amendment. This agreement is with the same tribal government that had not made its scheduled payments, pursuant to a previous amendment to its gaming compact, for both the 2007-08 fiscal year and previous years. As part of this new gaming compact amendment, (i) the tribal government will make a $60 million payment to the State upon notice of this gaming compact amendment being published in the Federal Register, and (ii) the parties agree on the methodology for payments due from the tribal government for each fiscal year, beginning with the 2008-09 fiscal year.

Table II-7; Actual and Projected General Fund Cash Flow (Page 39). Replace with the following updated tables, which include actual and projected General Fund cash flow for both the 2007-08 and 2008-09 fiscal years.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2007 TO JUNE 30, 2008[(a)]

(In Thousands of Dollars)

	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008
BALANCES[(b)]												
Beginning Balance	$ 49,148	$ 349,749	$ 638,780	$ 723,620	$ 1,417,676	$ 1,131,328	$ 446,854	$ 1,364,065	$ 1,117,488	$ (212,538)	$ 412,897	$ 584,332
Ending Balance [(c)]	349,749	638,780	723,620	1,417,676	1,131,328	446,854	1,364,065	1,117,488	(212,538)	412,897	584,332	24,835
Lowest Daily Balance [(c)]	39,257	(441)	159,554	606,183	783,121	(285,238)	435,780	1,048,982	(212,538)	(648,410)	121,190	(576,399)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 682,211	$ 500,798	$ 651,858	$ 695,206	$ 521,419	$ 459,790	$ 1,112,129	$ 574,257	$ 578,486	$ 1,193,252	$ 411,259	$ 860,989
Sales & Use	414,387	413,404	401,674	396,967	385,034	345,203	421,814	323,947	310,458	358,240	353,900	409,089
Corporate Income	35,238	20,042	154,364	51,110	31,669	174,535	21,726	30,498	188,247	49,678	42,495	144,842
Public Utility	20	20	509	1,871	148,786	987	56	20	94	1,111	154,287	213
Excise	30,620	34,376	36,523	27,764	36,994	26,518	28,435	74,544	47,280	51,023	53,713	55,139
Insurance	584	1,777	33,083	489	1,004	31,518	2,096	23,510	26,594	33,065	1,627	37,004
Inheritance	12,784	17,121	14,108	14,117	15,580	10,886	4,291	11,192	18,117	10,360	12,993	9,900
Subtotal Tax Receipts	$ 1,175,844	$ 987,538	$ 1,292,119	$ 1,187,524	$ 1,140,486	$ 1,049,437	$ 1,590,547	$ 1,037,968	$ 1,169,276	$ 1,696,729	$ 1,030,274	$ 1,517,176
NON-TAX RECEIPTS												
Federal	$ 579,248	$ 553,559	$ 479,277	$ 518,519	$ 557,015	$ 504,290	$ 650,871	$ 609,628	$ 553,043	$ 450,485	$ 715,921	$ 509,436
Other & Transfers	397,510	231,439	414,249	418,712	264,756	215,831	457,837	507,579	230,775	315,770	241,706	587,733
Note Proceeds[(d)]	594,000	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,570,758	$ 784,998	$ 893,526	$ 937,231	$ 821,771	$ 720,121	$ 1,108,708	$ 1,117,207	$ 783,818	$ 766,255	$ 957,627	$ 1,097,169
TOTAL RECEIPTS	$ 2,746,602	$ 1,772,536	$ 2,185,645	$ 2,124,755	$ 1,962,257	$ 1,769,558	$ 2,699,255	$ 2,155,175	$ 1,953,094	$ 2,462,984	$ 1,987,901	$ 2,614,345
DISBURSEMENTS												
Local Aids	$ 1,088,886	$ 170,143	$ 841,399	$ 120,205	$ 928,976	$ 1,293,374	$ 244,301	$ 255,745	$ 1,358,278	$ 113,409	$ 274,666	$ 1,958,842
Income Maintenance	554,657	462,141	430,767	475,577	408,147	473,582	425,771	484,702	438,158	484,009	356,006	338,683
Payroll and Related	293,794	439,220	257,475	384,708	457,197	272,879	447,230	491,507	258,898	398,933	435,843	289,695
Tax Refunds	114,634	89,140	53,251	63,034	69,419	157,306	100,895	567,085	409,708	384,057	160,371	156,033
Debt Service	95,411	5,720	170,526	-	3,239	-	-	1,500	330,346	-	12,688	-
Miscellaneous	294,406	317,141	347,387	387,175	381,627	256,891	563,847	450,369	331,924	301,106	420,593	430,589
Note Repayment[(d)]	4,213	-	-	-	-	-	-	150,844	155,808	156,035	156,299	-
TOTAL DISBURSEMENTS	$ 2,446,001	$ 1,483,505	$ 2,100,805	$ 1,430,699	$ 2,248,605	$ 2,454,032	$ 1,782,044	$ 2,401,752	$ 3,283,120	$ 1,837,549	$ 1,816,466	$ 3,173,842

(a) Projections had reflected the assumption that the State would receive approximately $124 million pursuant to the amended gaming compacts with tribal governments ($72 million of this amount was an estimate of all payments due in the 2007-08 fiscal year, and $52 million of this amount was an estimate of payments due in previous years from a tribal government that were expected to be made in the 2007-08 fiscal year). With respect to the estimated $72 million of payments due in the 2007-08 fiscal year, as of June 30, 2008 the State received payments totaling $44 million, invoiced two other tribal governments for which payments will be forthcoming, and had not yet received (and did not expect to receive) payment from one other tribal government. With respect to the estimated $52 million of payments due in previous years, the State did not receive such payments. It is the same tribal government that is not expected to make its scheduled payment in the 2007-08 fiscal year and the payments due in previous years. As of June 30, 2008, the State and this tribal government continued arbitration with respect to this tribal government's amended gaming compact.This table does not include interfund borrowings.

(b) The General Fund cash balances presented in this schedule are not based on generally accepted accounting principles (GAAP). The General Fund includes funds designated for operations and capital purposes of certain proprietary programs of the State's universities. Receipts and disbursements of such funds for the designated programs and the disbursement of such funds for other purposes are reflected in the cash flow. A use of the designated funds for purposes other than the proprietary programs is, in effect, a borrowing of such funds. Therefore, at any time that the balance in the General Fund is less than the balance of such designated funds, the State is obligated to replenish the designated funds to the extent of the shortfall. The designated funds were expected to range from $191 to $324 million during the 2007-08 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds were expected to average approximately $22 million during the 2007-08 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. Based on the enacted budget bill and budget adjustment bill, this amount was approximately $690 million for the 2007-08 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount of up to 3% of the general-purpose revenue appropriations then in effect (approximately $414 million for the 2007-08 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

(d) Included $600 million of proceeds from an operating note issue that was issued on July 2, 2007 and impoundment payments made on February 29, 2008, March 31, 2008, April 30, 2008, and May 30, 2008. The February 29, 2008 impoundment payment reflected the premium that was received on July 2, 2007 and deposited into the Operating Note Redemption Fund.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2008 TO JULY 31, 2008
PROJECTED GENERAL FUND CASH FLOW; AUGUST 1, 2008 TO JUNE 30, 2009[a]

(In Thousands of Dollars)

	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
BALANCES[b]												
Beginning Balance	$ 24,835	$ 172,120	$ 637,106	$ 836,602	$ 1,281,302	$ 968,907	$ 360,519	$ 1,171,690	$ 1,068,280	$ (324,548)	$ 130,114	$ 355,932
Ending Balance[c]	172,120	637,106	836,602	1,281,302	968,907	360,519	1,171,690	1,068,280	(324,548)	130,114	355,932	(471,980)
Lowest Daily Balance[c]	17,165	(77,503)	164,645	552,310	684,052	(522,175)	216,152	824,232	(324,548)	(714,273)	(142,245)	(1,124,563)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 599,419	$ 448,835	$ 831,843	$ 652,185	$ 470,404	$ 555,940	$ 1,088,287	$ 600,673	$ 613,719	$ 1,025,393	$ 540,072	$ 688,256
Sales & Use	424,497	407,700	403,400	395,900	380,600	353,400	425,200	326,400	315,800	359,800	362,900	395,600
Corporate Income	29,250	21,600	159,700	33,700	28,300	163,800	28,600	20,300	215,400	43,200	22,300	158,600
Public Utility	61	-	200	4,100	156,900	1,600	100	1,200	200	2,900	159,400	900
Excise	68,383	55,200	55,300	54,000	53,400	49,300	51,000	47,200	41,600	47,800	51,000	54,100
Insurance	712	1,814	31,174	814	1,578	40,185	2,978	21,558	28,211	31,639	1,861	33,748
Inheritance	12,093	10,318	10,317	-	-	-	-	-	-	-	-	-
Subtotal Tax Receipts	$ 1,134,415	$ 945,467	$ 1,491,934	$ 1,140,699	$ 1,091,182	$ 1,164,225	$ 1,596,165	$ 1,017,331	$ 1,214,930	$ 1,510,732	$ 1,137,533	$ 1,331,204
NON-TAX RECEIPTS												
Federal	$ 563,248	$ 572,911	$ 496,032	$ 536,646	$ 576,488	$ 521,920	$ 673,625	$ 630,940	$ 507,525	$ 540,249	$ 572,436	$ 641,030
Other & Transfers	514,783	285,161	483,628	376,041	282,545	233,232	465,544	556,921	283,616	340,483	287,272	424,360
Note Proceeds[d]	801,840	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,879,871	$ 858,072	$ 979,660	$ 912,687	$ 859,033	$ 755,152	$ 1,139,169	$ 1,187,861	$ 791,141	$ 880,732	$ 859,708	$ 1,065,390
TOTAL RECEIPTS	$ 3,014,286	$ 1,803,539	$ 2,471,594	$ 2,053,386	$ 1,950,215	$ 1,919,377	$ 2,735,334	$ 2,205,192	$ 2,006,071	$ 2,391,464	$ 1,997,241	$ 2,396,594
DISBURSEMENTS												
Local Aids	$ 1,172,822	$ 168,144	$ 881,752	$ 155,897	$ 1,025,475	$ 1,331,112	$ 245,207	$ 282,190	$ 1,357,945	$ 111,512	$ 160,021	$ 1,969,005
Income Maintenance	636,352	426,412	463,487	499,007	403,477	450,789	443,039	418,166	410,209	448,219	338,725	229,859
Payroll and Related	474,451	355,967	353,579	511,227	384,195	358,393	522,558	395,680	286,440	436,168	386,805	384,555
Tax Refunds	76,352	54,700	43,900	42,600	52,000	122,100	130,900	549,900	473,200	395,000	156,800	166,300
Debt Service	104,317	5,720	170,526	-	3,239	-	-	1,537	327,165	-	28,837	-
Miscellaneous	392,867	327,610	358,854	399,955	394,224	265,371	582,459	465,236	338,207	340,170	494,502	474,787
Note Repayment[d]	9,840	-	-	-	-	-	-	195,893	205,733	205,733	205,733	-
TOTAL DISBURSEMENTS	$ 2,867,001	$ 1,338,553	$ 2,272,098	$ 1,608,686	$ 2,262,610	$ 2,527,765	$ 1,924,163	$ 2,308,602	$ 3,398,899	$ 1,936,802	$ 1,771,423	$ 3,224,506

(a) The projections in this table reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20), the updated General Fund revenues estimates released by LFB on February 13, 2008, and the budget adjustment bill for the 2007-09 biennium (2007 Wisconsin Act 226). The projections also reflect an assumption that the State will receive approximately $75 million pursuant to the amended gaming compacts with tribal governments, which is the estimate of all payments due in the 2008-09 fiscal year. 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 $206 to $350 million during the 2008-09 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds are expected to average approximately $10 million during the 2008-09 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 $706 million for the 2008-09 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount of up to 3% of the general-purpose revenue appropriations then in effect (approximately $424 million for the 2008-09 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

(d) Includes $800 million of operating note proceeds issued on July 1, 2008 and impoundment payments expected to be made on February 27, 2009, March 31, 2009, April 30, 2009, and May 29, 2009. The February 27, 2009 impoundment payment reflects the premium received on July 1, 2008 and deposited into the Operating Note Redemption Fund.

Table II-8; General Fund Cash Receipts and Disbursements Year to Date; Compared to Estimates and Previous Fiscal Year. (Page 40). Replace with the following updated tables, which include information for both the 2007-08 and 2008-09 fiscal years.

2007-08 FISCAL YEAR
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[a]
(Cash Basis)
As of June 30, 2008
(Amounts in Thousands)

	FY07 through June 2007	FY08 through June 2008				
	Actual	Actual	Estimate[b]	Variance	Adjusted Variance[c]	Difference FY07 Actual to FY08 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 7,756,134	$ 8,241,654	$ 7,863,079	$ 378,575	$ 378,575	$ 485,520
Sales	4,505,330	4,534,117	4,424,272	109,845	109,845	28,787
Corporate Income	1,032,775	944,444	906,684	37,760	37,760	(88,331)
Public Utility	294,665	307,974	307,023	951	951	13,309
Excise	355,975	502,929	549,635	(46,706)	(46,706)	146,954
Insurance	176,420	192,351	191,987	364	364	15,931
Inheritance	125,834	151,449	107,129	44,320	44,320	25,615
Total Tax Receipts	$ 14,247,133	$ 14,874,918	$ 14,349,809	$ 525,109	$ 525,109	$ 627,785
Non-Tax Receipts						
Federal	$ 6,401,691	$ 6,681,292	$ 6,563,246	$ 118,046	$ 118,046	$ 279,601
Other and Transfers	4,292,802	4,283,897	4,694,688	(410,791)	(410,791)	(8,905)
Note Proceeds [d]	-	594,000	594,000	-	-	594,000
Total Non-Tax Receipts	$ 10,694,493	$ 11,559,189	$ 11,851,934	$ (292,745)	$ (292,745)	$ 864,696
TOTAL RECEIPTS	$ 24,941,626	$ 26,434,107	$ 26,201,743	$ 232,364	$ 232,364	$ 1,492,481
DISBURSEMENTS						
Local Aids	$ 8,260,578	$ 8,648,224	$ 8,657,382	$ 9,158	$ 9,158	$ 387,646
Income Maintenance	5,268,823	5,332,131	5,102,368	(229,763)	(229,763)	63,308
Payroll & Related	4,392,036	4,427,379	4,562,014	134,635	134,635	35,343
Tax Refunds	2,012,120	2,324,933	2,044,882	(280,051)	(280,051)	312,813
Debt Service	576,971	619,430	660,492	41,062	41,062	42,459
Miscellaneous	4,383,508	4,483,124	4,575,549	92,425	92,425	99,616
Note Repayment [d]	-	623,199	625,800	2,601	2,601	623,199
TOTAL DISBURSEMENTS	$ 24,894,036	$ 26,458,420	$ 26,228,487	$ (229,933)	$ (229,933)	$ 1,564,384
VARIANCE FY08 YEAR-TO-DATE				$ 2,431	$ 2,431	

(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) The estimates in this table (i) through the month of September 2007 reflect the Governor's proposed budget for the 2007-08 fiscal year, (ii) for the period of October 2007 to January 2008 reflect the enacted budget (2007 Wisconsin Act 20), (iii) for the period of February 2008 to March 2008 reflect the enacted budget and the updated General Fund revenue estimates released by LFB on February 13, 2008, and (iv) for April 2008 and subsequent months reflect the enacted budget, the updated General Fund revenue estimates from LFB, and the budget adjustment bill (2007 Wisconsin Act 226).

(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, which may result 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 2006-07 fiscal year but were issued for the 2007-08 fiscal year.

Source: Wisconsin Department of Administration

2008-09 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, 2008
(Amounts in Thousands)

	FY08 through July 2007	FY09 through July 2008				
	Actual	Actual	Estimate[b]	Variance	Adjusted Variance[c]	Difference FY08 Actual to FY09 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 682,211	$ 599,419	$ 638,593	$ (39,174)	$ (39,174)	$ (82,792)
Sales	414,387	424,497	404,200	20,297	20,297	10,110
Corporate Income	35,238	29,250	27,000	2,250	2,250	(5,988)
Public Utility	20	61	100	(39)	(39)	41
Excise	30,620	68,383	58,800	9,583	9,583	37,763
Insurance	584	712	782	(70)	(70)	128
Inheritance	12,784	12,093	10,318	1,775	1,775	(691)
Total Tax Receipts	$ 1,175,844	$ 1,134,415	$ 1,139,793	$ (5,378)	$ (5,378)	$ (41,429)
Non-Tax Receipts						
Federal	$ 579,248	$ 563,248	$ 599,498	$ (36,250)	$ (36,250)	$ (16,000)
Other and Transfers	397,510	514,783	314,845	199,938	199,938	117,273
Note Proceeds	594,000	801,840	801,840	-	-	207,840
Total Non-Tax Receipts	$ 1,570,758	$ 1,879,871	$ 1,716,183	$ 163,688	$ 163,688	$ 309,113
TOTAL RECEIPTS	$ 2,746,602	$ 3,014,286	$ 2,855,976	$ 158,310	$ 158,310	$ 267,684
DISBURSEMENTS						
Local Aids	$ 1,088,886	$ 1,172,822	$ 1,190,140	$ 17,318	$ 17,318	$ 83,936
Income Maintenance	554,657	636,352	589,563	(46,789)	(46,789)	81,695
Payroll & Related	293,794	474,451	467,102	(7,349)	(7,349)	180,657
Tax Refunds	114,634	76,352	31,700	(44,652)	(44,652)	(38,282)
Debt Service	95,411	104,317	103,176	(1,141)	(1,141)	8,906
Miscellaneous	294,406	392,867	296,359	(96,508)	(96,508)	98,461
Note Repayment	4,213	9,840	9,840	-	-	5,627
TOTAL DISBURSEMENTS	$ 2,446,001	$ 2,867,001	$ 2,687,880	$ (179,121)	$ (179,121)	$ 421,000
VARIANCE FY09 YEAR-TO-DATE				$ (20,811)	$ (20,811)	

(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) The estimates in this table reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20), updated General Fund revenues estimates released by LFB on February 13, 2008, the budget adjustment bill (2007 Wisconsin Act 226), and issuance of $800 million in operating notes for the 2008-09 fiscal year.

(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, which may result in large variances. This column includes adjustments to the variances to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration

Table II-9; General Fund Monthly Position (Page 41). Replace with the following updated table:

GENERAL FUND MONTHLY CASH POSITION[(a)]
July 1, 2006 through July 31, 2008 – Actual
August 1, 2008 through June 30, 2009 – Estimated[(b)]
(Amounts in Thousands)

	Starting Date	Starting Balance		Receipts[(c)]	Disbursements[(c)]
2006	July	$ 4,563	(d)	$ 1,920,630	$ 2,121,122
	August	(195,929)	(d)	1,695,545	1,391,455
	September	108,161	(d)	2,288,498	2,041,092
	October	355,567		2,130,549	1,373,404
	November	1,112,712		1,856,520	2,086,743
	December	882,489	(d)	1,791,636	2,501,552
2007	January	172,573		2,570,733	1,717,796
	February	1,025,510		1,949,875	1,947,201
	March	1,028,184		1,869,287	2,934,724
	April	(37,253)	(d)	2,548,712	1,896,578
	May	614,881		2,009,550	1,525,908
	June	1,098,523	(d)	2,307,089	3,356,463
	July	49,149		2,746,602	2,446,001
	August	349,750	(d)	1,772,536	1,483,505
	September	638,781		2,185,645	2,100,805
	October	723,621		2,124,755	1,430,699
	November	1,417,677		1,962,257	2,248,605
	December	1,131,329	(d)	1,769,558	2,454,032
2008	January	446,855		2,699,255	1,782,044
	February	1,364,066		2,155,175	2,401,752
	March	1,117,489	(d)	1,953,094	3,283,120
	April	(212,537)	(d)	2,462,984	1,837,549
	May	412,898		1,987,901	1,816,466
	June	584,333	(d)	2,614,345	3,173,842
	July	24,836		3,014,286	2,867,001
	August	172,121	(d)	1,803,539	1,338,553
	September	637,107		2,471,594	2,272,098
	October	836,603		2,053,386	1,608,686
	November	1,281,303	(d)	1,950,215	2,262,610
	December	968,908		1,919,377	2,527,765
2009	January	360,520		2,735,334	1,924,163
	February	1,171,691		2,205,192	2,308,602
	March	1,068,281	(d)	2,006,071	3,398,899
	April	(324,547)	(d)	2,391,464	1,936,802
	May	130,115	(d)	1,997,241	1,771,423
	June	355,933	(d)	2,396,594	3,224,506

(a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).

(b) The projections in this table reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20), updated General Fund revenues estimates released by LFB on February 13, 2008, and the budget adjustment bill (2007 Wisconsin Act 226).

(c) Operating notes were not issued for the 2006-07 fiscal year but were issued for the 2007-08 and 2008-09 fiscal years.

(d) At some period during this month, the General Fund was in a negative cash position. 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 $706 million for the 2008-09 fiscal year. In addition, the Secretary of Administration may also temporarily reallocate an additional amount of up to 3% of the general-purpose revenue appropriations then in effect (approximately $424 million for the 2008-09 fiscal year) for a period of up to 30 days. If the amount of interfund borrowing available to the General Fund is not sufficient, then the Secretary of Administration is authorized to prorate and defer certain payments.

Source: Wisconsin Department of Administration

Table II-10; Balances in Funds Available for Interfund Borrowing (Page 42). Replace with the following updated table.

BALANCES IN FUNDS AVAILABLE FOR INTERFUND BORROWING[(a)]
July 31, 2006 to July 31, 2008 – Actual
August 30, 2008 to June 30, 2009 – Estimated
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for temporary reallocation, or interfund borrowing. The first table does not include balances in the Local Government Investment Pool **(LGIP)** and the second table does include such balances. Though 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. The monthly average daily balances in the LGIP for the past five years have ranged from a low of $2.2 billion during November 2005 to a high of $4.2 billion in April 2008. The Secretary of Administration may not exercise the authority to complete interfund borrowing if this temporary reallocation would jeopardize the cash flow of any fund or account from which interfund borrowing would be made.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2006	2007	2008	2009
January		$ 1,048	$ 1,203	$ 1,203
February		1,131	1,265	1,265
March		1,154	1,298	1,298
April		1,114	1,210	1,210
May		1,202	1,166	1,166
June		1,208	1,079	1,079
July	$ 932	1,141	910	
August	1,052	1,204	1,204	
September	1,067	1,204	1,205	
October	925	1,110	1,110	
November	966	1,229	1,229	
December	1,019	1,244	1,244	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2006	2007	2008	2009
January		$ 4,509	$ 4,943	$ 4,943
February		4,773	5,255	5,255
March		4,860	5,453	5,453
April		4,593	5,273	5,273
May		4,408	5,010	5,010
June		4,536	3,941	3,941
July	$ 4,218	4,862	5,422	
August	3,978	4,383	4,383	
September	3,845	4,264	4,264	
October	3,361	3,900	3,900	
November	3,477	4,017	4,017	
December	3,764	4,141	4,141	

[(a)] The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund has a negative balance and is subject to interfund borrowing.

Source: Wisconsin Department of Administration

Table II-11; General Fund Recorded Revenues (Page 43). Replace with the following updated table:

GENERAL FUND RECORDED REVENUES[(a)]
(Agency Recorded Basis)
July 1, 2008 to July 31, 2008 compared with previous year

	Annual Fiscal Report Revenues 2007-08 FY	Projected Revenues 2008-09 FY[(b)]	Recorded Revenues July 1, 2007 to July 31, 2007[(c)]	Recorded Revenues July 1, 2008 to July 31, 2008[(d)]
Individual Income Tax	Not Available; Final Revenues for FY08 will be included in the Annual Fiscal Report for the 2007-08 fiscal year, which is expected to be available no later than October 15, 2008.	$ 6,965,000,000	$ 628,022,868	$ 600,311,461
General Sales and Use Tax		4,295,000,000	416,578,940	424,497,373
Corporate Franchise and Income Tax		830,000,000	24,999,513	29,249,860
Public Utility Taxes		316,200,000	0	0
Excise Taxes		617,300,000	30,148,003	68,382,743
Inheritance Taxes		30,000,000	12,678,500	2,008,539
Insurance Company Taxes		160,000,000	0	0
Miscellaneous Taxes		73,000,000	7,996,861	1,911,930
SUBTOTAL		13,286,500,000	1,120,424,685	1,126,361,906
Federal and Other Inter-Governmental Revenues[(e)]		6,457,183,500	598,262,631	589,040,300
Dedicated and Other Revenues[(f)]		4,698,803,200	249,344,089	297,545,076
TOTAL		$ 24,442,486,700	$ 1,968,031,405	$ 2,012,947,281

(a) The revenues in this table are presented on an agency recorded basis and not a budgetary basis. None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The projections in this table reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20), projected General Fund revenues released by LFB on February 13, 2008, and the budget adjustment bill (2007 Wisconsin Act 226).

(c) The amounts shown are 2007-08 fiscal year revenues as recorded by all State agencies. The amounts shown do not include additional revenues from the 2006-07 fiscal year that were recorded by State agencies during the month of July, 2007.

(d) The amounts shown are 2008-09 general purpose revenues and program revenue taxes collected across all State agencies. There may be differences between the tax revenues shown in this table and those reported by the Department of Revenue from time to time in their monthly general purpose revenue collections report; the Department of Revenue report only includes general purpose revenues or taxes that are actually collected by the Department of Revenue. The amounts shown do not include additional revenues from the 2007-08 fiscal year that will be recorded and reported by State agencies during the month of July, 2008.

(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 (Page 44). Replace with the following updated table:

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency Recorded Basis)
July 1, 2008 to July 31, 2008 compared with previous year

	Annual Fiscal Report Expenditures 2007–08 FY	Appropriations 2008–09 FY[(b)]	Recorded Expenditures July 1, 2007 to July 31, 2007[(c)]	Recorded Expenditures July 1, 2008 to July 31, 2008[(d)]
Commerce	Not Available; Final expenditures for FY08 will be included in the Annual Fiscal Report for the 2007-08 fiscal year, which is expected to be available no later than October 15, 2008.	$ 294,718,400	$ 10,645,607	$ 14,152,525
Education		11,216,515,600	468,948,174	539,392,283
Environmental Resources		380,037,300	7,572,132	7,691,772
Human Relations & Resources		9,577,562,400	814,192,885	932,996,093
General Executive		963,061,100	134,115,404	154,297,652
Judicial		127,641,200	6,228,813	23,599,226
Legislative		70,324,700	1,752,069	1,889,158
General Appropriations		2,177,798,400	858,809,980	933,334,529
TOTAL		$ 24,807,659,100	$ 2,302,265,064	$ 2,607,353,238

(a) None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The estimates in this table reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20) and the budget adjustment bill (2007 Wisconsin Act 226).

(c) The amounts shown are 2007-08 fiscal year expenditures as recorded by all State agencies. The amounts shown do not include additional expenditures for the 2006-07 fiscal year that were recorded by State agencies during the month of July, 2007.

(d) The amounts shown are 2008-09 fiscal year expenditures as recorded by all State agencies. The amounts shown do not include additional expenditures from the 2007-08 fiscal year that will be recorded and reported by State agencies during the month of July, 2008.

Source: Wisconsin Department of Administration

APPENDIX C

GLOSSARY

All capitalized terms used in this Offering Memorandum and not otherwise defined shall have the meanings provided for in this glossary, which includes definitions from the General Resolution, the Program Resolution, and Supplemental Resolutions.

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 of Transportation 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.

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.

2007 Series A Bonds means the State of Wisconsin Transportation Revenue Bonds, 2007 Series A, issued on March 8, 2007.

2007 Series 1 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2007 Series 1, issued on March 8, 2007.

2008 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2008 Series A, issued on August 27, 2008.

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 clauses (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 clauses (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 clauses (1) and (2) above; and

12. Any short term government fund whose assets consist of those identified obligations referred to in clauses (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 of Transportation 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 of Transportation 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 of Transportation 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 means 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 means The Bank of New York Mellon Trust Company, N.A., as legal successor to the 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.