OFFICIAL STATEMENT

New Issue

This Official Statement provides information about the 2009 Series A Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

$1,529,065,000
STATE OF WISCONSIN
GENERAL FUND ANNUAL APPROPRIATION BONDS OF 2009, SERIES A

Dated: Date of Delivery | **Due: As shown on the inside cover**

Ratings	AA– Standard & Poor's Ratings Services A+ Fitch Ratings A1 Moody's Investors Service
Tax Exemption	Interest on the 2009 Series A Bonds is excluded from gross income, and is not an item of tax preference, for federal income tax purposes. Interest on the 2009 Series A Bonds is not excluded from current State of Wisconsin income and franchise taxes—*See pages 18-20.*
Interest Payment Dates	May 1 and November 1, commencing November 1, 2009
Redemption	The 2009 Series A Bonds maturing on or after May 1, 2020 are subject to optional redemption at par on May 1, 2019 or any date thereafter—*See page 3*. The 2009 Series A Bonds maturing on May 1, 2033 and 2036 are subject to mandatory sinking fund redemption at par—*See pages 3-4.*
Source of Payment	Debt service on the 2009 Series A Bonds is payable from the State's General Fund, subject to annual appropriation—*See pages 6-9.*
Purpose	The 2009 Series A Bonds are being issued to purchase tobacco settlement revenues that were previously sold by the State and to pay issuance expenses—*See pages 2-3.*
Denominations	Multiples of $5,000
Closing/Settlement	On or about April 8, 2009
Book-Entry System	The Depository Trust Company—*See pages 5-6*.
Bond Counsel	Foley & Lardner LLP—*See page 17.*
Trustee	Deutsche Bank Trust Company Americas
Issuer Contact	Wisconsin Capital Finance Office; (608) 266-2305; DOACapitalFinanceOffice@wisconsin.gov
2008 Annual Report	This Official Statement incorporates by reference Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 26, 2008.

Book-Running Manager

Barclays Capital

Co-Senior Managers

Citi | **DEPFA First Albany Securities LLC**

Co-Managers

Robert W. Baird & Co. | **M♦R♦ Beal & Company** | **Cabrera Capital Markets LLC**
Edward Jones | **Goldman, Sachs & Co.** | **J.P. Morgan**
Loop Capital Markets, LLC | **Merrill Lynch & Co.** | **Morgan Stanley**
Piper Jaffray & Co. | **Ramirez & Co., Inc.** | **RBC Capital Markets**
Siebert Brandford Shank & Co., LLC | **Wachovia Bank, National Association**

March 20, 2009

CUSIP NUMBERS, MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND PRICES AT ISSUANCE, FIRST OPTIONAL CALL DATES, AND CALL PRICES

$1,529,065,000
STATE OF WISCONSIN
GENERAL FUND ANNUAL APPROPRIATION BONDS OF 2009, SERIES A

The interest rates and prices of the 2009 Series A Bonds, which are shown below, were determined on March 19, 2009 at negotiated sale. The Underwriters have agreed to purchase the 2009 Series A Bonds at a purchase price of $1,519,411,004.93.

CUSIP	Maturity (May 1)	Principal Amount	Interest Rate	Yield at Issuance	Price at Issuance	First Optional Call Date (May 1)	Call Price
977100 AY2	2010	$ 6,200,000	3.000%	0.950%	102.164%	Not Callable	—
977100 AZ9	2011	5,785,000	3.000	2.140	101.726	Not Callable	—
977100 BA3	2012	5,850,000	3.000	2.520	101.405	Not Callable	—
977100 BB1	2013	6,630,000	4.000	2.970	103.914	Not Callable	—
977100 BC9	2014	7,510,000	4.000	3.490	102.346	Not Callable	—
977100 BD7	2015	18,320,000	5.000	3.800	106.442	Not Callable	—
977100 BE5	2016	9,340,000	4.000	4.050	99.693	Not Callable	—
977100 BF2	2016	18,955,000	5.000	4.050	105.782	Not Callable	—
977100 BG0	2017	5,815,000	4.200	4.240	99.726	Not Callable	—
977100 BH8	2017	16,360,000	5.000	4.240	105.142	Not Callable	—
977100 BJ4	2018	6,775,000	4.400	4.430	99.775	Not Callable	—
977100 BK1	2018	18,065,000	5.000	4.430	104.214	Not Callable	—
977100 BL9	2019	9,500,000	4.600	4.630	99.757	Not Callable	—
977100 BM7	2019	23,165,000	5.000	4.630	102.946	Not Callable	—
977100 BN5	2020	28,060,000	5.250	4.830	103.313[b]	2019	100%
977100 BP0	2021	31,340,000	5.000	5.030	99.727	2019	100
977100 BQ8	2022	31,775,000	5.000	5.170	98.396	2019	100
977100 BR6	2023	35,225,000	5.125	5.280	98.471	2019	100
977100 BS4	2024	46,830,000	5.375	5.440	99.333	2019	100
977100 BT2	2025	42,355,000	5.375	5.550	98.151	2019	100
977100 BU9	2026	46,565,000	6.000	5.560	103.352[b]	2019	100
977100 BV7	2027	50,335,000	6.000	5.650	102.654[b]	2019	100
977100 BW5	2028	55,345,000	5.625	5.790	98.105	2019	100
977100 BX3	2029	60,475,000	5.750	5.820	99.173	2019	100
977100 BY1	2033[a]	100,000,000	6.000	6.000	100.000	2019	100
977100 BZ8	2033[a]	304,550,000	5.750	5.950	97.453	2019	100
977100 CA2	2036[a]	395,345,000	6.000	6.020	99.729	2019	100
977100 CB0	2037	142,595,000	6.250	5.870	102.852[b]	2019	100

[a] These maturities are term bonds. For schedules of the mandatory sinking fund redemption payments, see "THE 2009 SERIES A BONDS; Redemption; *Mandatory Sinking Fund Redemption*" herein.

[b] These 2009 Series A Bonds are priced to the May 1, 2019 first optional call date.

This document is called the Official Statement because it is the only document the State has authorized for providing information to prospective investors about the 2009 Series A Bonds. This document is not an offer or solicitation for the 2009 Series A Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. This document is not a contract, and it provides no investment advice. Prospective investors should consult their advisors and legal counsel with questions about this document, the 2009 Series A Bonds and anything else related to this 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 prepared this document and is responsible for its accuracy and completeness. The Underwriters did not prepare this document. In accordance with their responsibilities under the securities laws of the United States of America, the Underwriters are required to review the information in this document and to have a reasonable basis for their belief in the accuracy and completeness of its key representations.

Certain statements in this document are forward-looking statements that are based on expectations, estimates, projections, or assumptions. Forward-looking statements are made as of the date of this document, and the State undertakes no obligation to update such statements to reflect subsequent events or circumstances. Actual results could differ materially from the anticipated results.

Some of the people who prepared, compiled, or reviewed this information had specific functions that covered some aspects of the offering, and not others. For example, financial staff focused on quantitative financial information, and legal counsel focused on specific documents or legal issues.

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the 2009 Series A Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. The delivery of this document or any sale of the 2009 Series A Bonds does not imply that there has been no change in the matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly incorporated.

The Underwriters may engage in over-allotment, stabilizing transactions, syndicate covering transactions, and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the 2009 Series A Bonds so long as the stabilizing bids do not exceed a specific maximum. Syndicate covering transactions involve purchases of the 2009 Series A Bonds in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the Underwriters to reclaim a selling concession from a syndicate member when the 2009 Series A Bonds originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Such stabilizing transactions, syndicate covering transactions, and penalty bids may cause the price of the 2009 Series A Bonds to be higher than it would otherwise be in the absence of such transactions. Such transactions, if commenced, may be discontinued at any time.

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STATE OFFICIALS PARTICIPATING IN THE ISSUANCE AND SALE OF THE 2009 SERIES A BONDS

GOVERNOR

Governor Jim Doyle
Term of office expires on January 2, 2011

SECRETARY OF ADMINISTRATION

Mr. Michael L. Morgan
Serves at the pleasure of the Governor

STATE ATTORNEY GENERAL

Mr. J.B. Van Hollen
Term of office expires on January 2, 2011

DEBT MANAGEMENT AND DISCLOSURE

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

Mr. Frank R. Hoadley
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(608) 266-2305
frank.hoadley@wisconsin.gov

Mr. Lawrence K. Dallia
Assistant Capital Finance Director
(608) 267-7399
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Mr. Michael D. Wolff
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Mr. David R. Erdman
Capital Finance Officer
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OFFICIAL STATEMENT

$1,529,065,000
STATE OF WISCONSIN
GENERAL FUND ANNUAL APPROPRIATION BONDS OF 2009, SERIES A

INTRODUCTION

This Official Statement sets forth information concerning the $1,529,065,000 State of Wisconsin General Fund Annual Appropriation Bonds of 2009, Series A **(2009 Series A Bonds)** issued by the State of Wisconsin **(State)**.

The Department of Administration **(Department)** is empowered by law to issue and sell the 2009 Series A Bonds on the State's behalf. The 2009 Series A Bonds are being issued to purchase tobacco settlement revenues **(Settlement Revenues)** that were previously sold by the State to Badger Tobacco Asset Securitization Corporation **(BTASC)** and to pay issuance expenses. The 2009 Series A Bonds are issued pursuant to Section 16.527 of the Wisconsin Statutes, as amended **(Enabling Act)**, and an authorizing certification signed by the Secretary of Administration. The 2009 Series A Bonds are issued under a Trust Indenture, dated as of April 1, 2009, between the State, acting by and through the Department, and Deutsche Bank Trust Company Americas, as trustee **(Trustee)**, as supplemented by a First Supplemental Trust Indenture, dated as of April 1, 2009, between the State, acting by and through the Department, and the Trustee (as supplemented, **Indenture)**. The Enabling Act and the Indenture establish a framework for the issuance and sale of evidences of appropriation obligations, including the 2009 Series A Bonds, any additional bonds issued under the Indenture **(Additional Bonds)**, and any notes issued under the Indenture **(Notes).** Collectively, the 2009 Series A Bonds and any Additional Bonds are referred to as **Bonds**, and the Bonds and Notes are sometimes collectively referred to as **Appropriation Obligations**. Selected terms and provisions of the Indenture are summarized in APPENDIX A.

This Official Statement contains information furnished by the State or obtained from the sources indicated and incorporates by reference Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 26, 2008 **(2008 Annual Report)**.

THE STATE

The State is a sovereign state of the United States of America and a frequent issuer of debt securities. The State's power and functions derive from the Wisconsin Constitution, which vests the legislative power in a senate and an assembly **(Legislature)**. The State's power is limited by the Wisconsin Constitution and also by federal law and jurisdiction.

The State is located in the Midwest among the northernmost tier of the states of the United 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.

The State provides many essential services to its citizens, including, among others, education, health and human services, transportation, environmental protection, and public safety programs. The State budget is the legislative document that sets the level of authorized state expenditures for the two fiscal years in a biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. The budget and budget adjustment bills adopted by the Legislature for the current biennium, which began on July 1, 2007 and extends through June 30, 2009, anticipated total revenues in the State's general fund **(General Fund)** of over $23.869 billion for the first fiscal year and $23.769 billion for the second fiscal year.

Information concerning the State and its financial condition is included as APPENDIX B, which includes by reference Part II of the 2008 Annual Report. Information in Part II of the 2008 Annual Report shows that the actual revenues in the General Fund for the first fiscal year in the biennium were $23.998 billion, which is slightly more than the amount anticipated in the budget and budget adjustment bills. APPENDIX B also includes updated information and changes or additions to Part II of the 2008 Annual Report:

- Information on the executive budget for the 2009-11 biennium, which was introduced on February 17, 2009 (2009 Assembly Bill 75).
- Information on 2009 Wisconsin Act 2, which was introduced on February 17, 2009 and signed into law on February 19, 2009. This act is referred to as the "State economic stimulus and budget repair bill" and addresses, in part, the projected budget deficit for the 2008-09 fiscal year.
- Updated General Fund tax collection projections for the 2008-09 fiscal year and the 2009-11 biennium, which were part of a January 29, 2009 memorandum from the Legislative Fiscal Bureau **(LFB)**.
- Projected and actual General Fund cash flows as of January 31, 2009.

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

Contact:	Department of Administration Capital Finance Office
Phone:	(608) 266-2305
Mail:	101 East Wilson Street, 10th Floor P.O. Box 7864 Madison, WI 53707-7864
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Web site:	www.doa.wi.gov/capitalfinance

PLAN OF FINANCE

General

The Enabling Act authorizes the Department to issue appropriation obligations for the purpose of purchasing the Settlement Revenues from BTASC. The Enabling Act contains a legislative finding that this purpose is appropriate and in the public interest and will serve a public purpose. In 2002, BTASC issued bonds in the aggregate principal amount of nearly $1.6 billion, of which approximately $1.3 billion are currently outstanding. BTSAC will use the proceeds from its sale of the Settlement Revenues to the State to defease all of its outstanding bonds.

The 2009 Series A Bonds are the first appropriation obligations to be issued for this purpose under the Enabling Act and the first Appropriation Obligations to be issued under the Indenture. The State has issued appropriation obligations under the Enabling Act for other purposes under a separate indenture. The debt service on the 2009 Series A Bonds is payable from the State's General Fund, subject to annual appropriation. See "SOURCE OF PAYMENT; Annual Appropriations and Continuing Appropriations".

The Enabling Act authorizes the Department to issue Additional Bonds and Notes, without limit as to par amount or number of series or issuances, to fund or refund any outstanding Bonds and Notes, to pay issuance or administrative expenses, to make deposits to the Stabilization Fund, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements.

Although the Enabling Act authorizes the Department to issue Notes and enter into, and make payments under, ancillary agreements (such as interest rate exchange agreements and bond insurance or other credit facilities), the Department has no plans to do so at this time. Appropriation Obligations and payments due for such ancillary agreements are sometimes collectively referred to as **Indenture Obligations**.

Sources and Uses of Funds

The proceeds from the sale of the 2009 Series A Bonds are expected to be used as follows:

Sources	
Principal Amount of 2009 Series A Bonds	$1,529,065,000.00
Net Original Issue Premium	516,718.40
TOTAL SOURCES	$1,529,581,718.40
Uses	
Purchase Settlement Revenues	$1,518,000,000.00
Underwriters' Discount	10,170,713.47
Costs of Issuance	1,411,004.93
TOTAL USES	$1,529,581,718.40

THE 2009 SERIES A BONDS

General

The inside front cover of this Official Statement sets forth the maturity dates, the principal amounts, the interest rates, and other information for the 2009 Series A Bonds. The 2009 Series A Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository or its nominee. The Depository Trust Company, New York, New York **(DTC)**, has been appointed to serve as the initial securities depository for the 2009 Series A Bonds.

The 2009 Series A Bonds will be dated the date of delivery (expected to be April 8, 2009) and will bear interest from that date payable on May 1 and November 1 of each year, beginning November 1, 2009. Interest on the 2009 Series A Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

The 2009 Series A Bonds are issued as fully registered bonds in principal denominations of $5,000 or multiples of $5,000.

The 2009 Series A Bonds will be designated as "Bonds" pursuant to the Indenture. See "SUMMARY OF THE INDENTURE; Appropriation Obligations; *Issuance of Appropriation Obligations*" in APPENDIX A.

Redemption

Optional Redemption

The 2009 Series A Bonds maturing on or after May 1, 2020 are subject to redemption prior to their maturity, at the option of the State, from any source available for such purpose, in whole or in part in multiples of $5,000, on May 1, 2019 or any date thereafter, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption

The 2009 Series A Bonds maturing on May 1, 2033 and bearing interest at 6.00% **(2033 6.00% Term Bonds)** are subject to mandatory redemption prior to maturity, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date, from mandatory sinking fund payments that are required to be made in amounts sufficient to redeem on May 1 of each year the respective amounts specified below:

Redemption Date (May 1)	Principal Amount
2030	$25,000,000
2031	25,000,000
2032	25,000,000
2033[a]	25,000,000

[a] Stated Maturity

The 2009 Series A Bonds maturing on May 1, 2033 and bearing interest at 5.75% **(2033 5.75% Term Bonds)** are subject to mandatory redemption prior to maturity, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date, from mandatory sinking fund payments that are required to be made in amounts sufficient to redeem on May 1 of each year the respective amounts specified below:

Redemption Date (May 1)	**Principal Amount**
2030	$64,740,000
2031	72,035,000
2032	79,780,000
2033[a]	87,995,000

[a] Stated Maturity

The 2009 Series A Bonds maturing on May 1, 2036 **(2036 Term Bonds)** are subject to mandatory redemption prior to maturity, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date, from mandatory sinking fund payments that are required to be made in amounts sufficient to redeem on May 1 of each year the respective amounts specified below:

Redemption Date (May 1)	**Principal Amount**
2034	$122,705,000
2035	131,270,000
2036[a]	141,370,000

[a] Stated Maturity

The principal amount of the 2033 6.00% Term Bonds, the 2033 5.75% Term Bonds, or the 2036 Term Bonds to be redeemed on each redemption date may be reduced by the principal amount of any such term bonds that have been purchased by the State or the Trustee and cancelled by the Trustee, or redeemed as described above under "THE 2009 SERIES A BONDS; Redemption*; Optional Redemption*" at least 45 days before the redemption date.

Notice of Redemption of 2009 Series A Bonds

So long as the 2009 Series A Bonds are in book-entry-only form, the Trustee shall send a notice of any redemption of 2009 Series A Bonds to the securities depository. Such notice will include the redemption notice information as provided in the Indenture and will be provided at least 30 days but not more than 60 days prior to the date fixed for the redemption.

Any notice of redemption of 2009 Series A Bonds may state that it is contingent upon the availability of appropriated funds to pay the full redemption price of the 2009 Series A Bonds to be redeemed, or upon the satisfaction of such other conditions as an authorized Department representative may direct. At such time as the Department determines that any condition to such a redemption will not be met, it shall so notify the Trustee. Upon receipt of such notice, the Trustee shall send notice to the owners of the 2009 Series A Bonds to which redemption notices were sent, in the same manner in which the redemption notices were sent, stating that the redemption will not occur and that the 2009 Series A Bonds identified in the redemption notice will remain Outstanding.

If any such notice states that it is contingent, then the failure to pay the redemption price of the 2009 Series A Bonds otherwise to be redeemed due to the failure of the conditions identified therein shall not constitute an event of default or an event of nonappropriation or give rise to any remedy of the owners of the 2009 Series A Bonds.

Interest on any 2009 Series A Bonds called for redemption stops accruing on the redemption date if notice of their redemption has been given as provided in the Indenture, any conditions to the redemption set forth in the notice as described in the preceding paragraphs have been satisfied, and money available and sufficient for their payment is on deposit with the Trustee as required by the Indenture.

Ratings

At the State's request, the following ratings have been assigned to the 2009 Series A Bonds:

Ratings	Rating Agency
AA–	Standard & Poor's Rating Services
A+	Fitch Ratings
A1	Moody's Investors Service, Inc.

Any explanation of what a rating means may only be obtained from the rating agency assigning the rating. No one can offer any assurance that a rating assigned to the 2009 Series A Bonds will be maintained for any period of time; a rating agency may lower or withdraw the rating it assigns if, in its judgment, circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the 2009 Series A Bonds.

Registration and Payment

So long as the 2009 Series A Bonds are in book-entry-only form, payment of principal and interest will be made by wire transfer to the securities depository or its nominee on the payment date.

The Trustee will serve as the registrar and paying agent for the 2009 Series A Bonds. The following contact information has been provided by the Trustee:

Contact:	Deutsche Bank Trust Company Americas Global Debt Services/Trust & Securities Services
Phone:	(312) 537-1159
Mail:	222 South Riverside Plaza, FLR 25 Chicago, IL 60606

Book-Entry-Only Form

The 2009 Series A Bonds will initially be issued in book-entry-only form. Purchasers of the 2009 Series A Bonds will not receive bond certificates but instead will have their ownership in the 2009 Series A Bonds recorded in the book-entry system.

Bond certificates are to be issued and registered in the name of a nominee of DTC, which will act as securities depository for the 2009 Series A Bonds. Ownership of the 2009 Series A Bonds by the purchasers will be shown in the records of brokers and other organizations participating in the DTC book-entry system **(DTC Participants)**. All transfers of ownership in the 2009 Series A Bonds must be made, directly or indirectly, through DTC Participants.

Payment

The Trustee will make all payments of principal of and interest on the 2009 Series A Bonds to DTC. Owners of the 2009 Series A Bonds will receive payments through the DTC Participants.

Notices and Voting Rights

The Department or the Trustee will provide notices and other communications about the 2009 Series A Bonds to DTC. Owners of the 2009 Series A Bonds 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.

Redemption

If less than all of the 2009 Series A Bonds of a given maturity and interest rate are being redeemed, DTC's practice is to determine by lottery the amount of the 2009 Series A Bonds of such maturity to be redeemed from each DTC Participant.

Discontinued Service

If participation in DTC's book-entry system were to be discontinued and a successor securities depository were not obtained, bond certificates would be executed and delivered to DTC Participants.

Further Information

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

The State and the Trustee are not responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the 2009 Series A Bonds or to follow the procedures established by DTC for its book-entry system.

Possible Discontinuance of Book-Entry-Only Form

If the 2009 Series A Bonds are not in book-entry-only form, how the 2009 Series A Bonds are redeemed and paid would differ.

Redemption Notice

If less than all of the 2009 Series A Bonds of a given maturity and interest rate are being redeemed, selection would be by lot. The Trustee shall mail a notice of redemption of the 2009 Series A Bonds between 30 and 60 days before the redemption date to the registered owners of any 2009 Series A Bonds to be redeemed. Failure to mail a notice of redemption or any defect in any such notice will not affect the validity of the proceedings for the redemption of any 2009 Series A Bonds for which proper notice was given.

Payment

Payment of principal of the 2009 Series A Bonds would be made (i) by check issued upon the presentation and surrender of the 2009 Series A Bonds at the designated office of the Trustee or (ii) in such other fashion as may be agreed upon between a registered owner and the Trustee, including by wire transfer upon such prior notice as may be satisfactory to the Trustee. Interest on the 2009 Series A Bonds will be paid to the registered owner shown in the registration books at the close of business on the record date for such payment (i) by check mailed by first class mail, (ii) by wire transfer to any bank in the continental United States, to any registered owner of $1,000,000 or more in aggregate principal amount of 2009 Series A Bonds that, by written request delivered to the Trustee no later than the record date for the payment, has requested the Trustee to make any payments of interest due to it at a specified wire transfer address (which request needs to be given only once unless the registered owner wishes to change the wire transfer address), or (iii) in such other fashion as may be agreed upon between a registered owner and the Trustee, including by wire transfer upon such prior notice as may be satisfactory to the Trustee. The record date for the 2009 Series A Bonds is the 15th day of the calendar month before the interest payment date.

SOURCE OF PAYMENT

The 2009 Series A Bonds, any Additional Bonds, and any Notes are not general obligations of the State, and they do not constitute "public debt" of the State as that term is used in the Wisconsin Constitution and in the Wisconsin Statutes.

Payment From Annual Appropriations

The payment of the principal of and premium, if any, and interest on the 2009 Series A Bonds, any Additional Bonds, and any Notes and the payment of any other Indenture Obligation is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only from amounts appropriated by the Legislature for that purpose (including the proceeds of Additional Bonds or Notes issued by the State for that purpose). The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds and the Notes or to issue Additional Bonds or Notes for that purpose, and if it does not do so, it incurs no liability to the owners of the Bonds and Notes. Thus, payment of the Bonds and the Notes is at the discretion of the Legislature.

If available amounts are not sufficient to pay debt service on the Bonds and Notes, the Secretary of Administration has covenanted to send a letter to the Governor and the presiding officer of each house of the legislature seeking the introduction of a separate bill authorizing the appropriation needed for the payment of the debt service on the Bonds and the Notes. Even if an appropriation is made in response to a request, the time required for the request and the appropriation could result in a failure to make a timely payment. See "PLAN OF FINANCE; General", and "SOURCE OF PAYMENT; Indenture Provisions; *Event of Nonappropriation*".

Dependence of Bonds and Notes Upon Annual Appropriations

The State's obligation to make payments of debt service on the Bonds and Notes and to make the payment of any other Indenture Obligation is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments is subject to annual appropriation of the necessary funds by the Legislature. The amounts that are payable in any year from the annual appropriation are subject to change from year to year or even during the fiscal year. This could happen as a result of the State's issuance of Additional Bonds or Notes or the State's entering into (or terminating) any interest rate exchange agreements. This also could happen as a result of the State's issuance of other appropriation obligations for other borrowing programs. No assurance is given that sufficient funds will be appropriated or otherwise available to make those payments in the future.

The owners of the 2009 Series A Bonds could suffer a loss or fail to obtain payment on a timely basis if no appropriation were made or if an insufficient appropriation were made. This could occur either through the direct action of the Legislature or the Governor, or through a failure to act. The Governor may include or exclude the annual appropriations in the executive budget, and similarly, the Legislature may include or exclude the annual appropriations in the budget bill it adopts. Moreover, even if the annual appropriations are included in the budget bill the Legislature adopts, the Governor has the power to veto the appropriations. See "SOURCE OF PAYMENT; Budget Process".

Legislative Decision-Making

Legislative decisions, such as making appropriations through the adoption of a budget bill, may be influenced by many factors. The failure to make payments of debt service on any of the Bonds or Notes might hinder the State's subsequent access to the capital markets; however, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for those payments.

Certain events could result in the need for an appropriation that is larger than originally expected or affect legislative support for an appropriation. For example, the State could issue Additional Bonds or Notes to pay debt service on the 2009 Series A Bonds, any Additional Bonds, or any Notes. If Additional Bonds or Notes were to be issued for such purpose and were not timely issued in amounts sufficient to pay the debt service on the 2009 Series A Bonds, any Additional Bonds, or any Notes, the Legislature would be requested to appropriate a substantially larger amount. See "SOURCE OF PAYMENT; Indenture Provisions; *Event of Nonappropriation*". The State could also be required to pay a substantial termination payment upon the termination of any interest rate exchange agreement that the State might enter into, including a termination outside the State's control. In addition, the Legislature may consider and adopt legislation that changes the amounts of existing appropriations.

Additional Bonds and Notes

The Indenture permits the issuance of Additional Bonds and Notes for various reasons, including paying debt service on the Bonds or Notes, making a deposit into the Stabilization Fund, or paying any termination payment that the State may be required to make under any interest rate exchange agreement that may be entered into with respect to the Bonds and the Notes. The issuance of Additional Bonds or Notes may result, during the biennium when the issuance occurs, in the amount of payments required for all Indenture Obligations exceeding the amount appropriated for a fiscal year in that biennium. If this occurs, the Department could (but is not obligated to) include in the issuance of Additional Bonds or Notes an amount for funded interest, to be used to pay interest on the Bonds or Notes. If needed, the Secretary of Administration would send a letter to the Governor and the presiding officer of each house of the legislature seeking the introduction of a separate bill authorizing the appropriation needed for the payment of debt service on the Bonds and the Notes. See "SOURCE OF PAYMENT; Payment from Annual Appropriation".

Other appropriation obligations (including, but not limited to, additional Pension GFAABs) may be issued pursuant to other indentures, pursuant to either existing or future statutory authority.

Other General Fund Annual Appropriation Obligations

In addition to the 2009 Series A Bonds, the State previously issued and has outstanding $1.857 billion of general fund annual appropriation bonds **(Pension GFAABs)** that were issued pursuant to a separate trust indenture in calendar year 2003 to fund the State's unfunded accrued prior service (pension) liability as of January 1, 2003 and the State's unfunded accrued liability for sick leave conversion as of October 1, 2003, and in calendar year 2008 to refund some of the previously issued Pension GFAABs. There are currently separate appropriations from the General Fund for payment of debt service on the Pension GFAABs and debt service on the Appropriation Obligations.

Moral Obligation

The Enabling Act contains a statement to the effect that the Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on obligations such as the Bonds and Notes, expresses its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

The Legislature's recognition of a moral obligation would provide strong but not conclusive evidence in support of a judicial determination that a payment made by the State serves a public purpose and thus should not be enjoined if a lawsuit challenged the payment of amounts appropriated for the payment of Bonds or Notes.

General Fund

The State has chosen a name for the Bonds and Notes that includes the words "General Fund" because the Enabling Act reflects an expectation that appropriations to pay debt service on the appropriation obligations will be made from the General Fund. In the Enabling Act, the Legislature expressed its expectation and aspiration (but not a binding obligation) that it would make timely appropriations from money in the General Fund that are sufficient to pay the principal and interest due in any year with respect to the appropriation obligations. A budget enacted for a future year, however, may fail to make an appropriation or may change the source of the appropriation to a fund other than the General Fund (and thus a fund with substantially less annual revenues than the General Fund).

The Wisconsin Statutes include, in the schedule of annual appropriations, an appropriation from the General Fund to pay debt service due in the then-current fiscal year on the Bonds and Notes, to make any payments under any ancillary agreements, and to pay related issuance or administrative costs. The current statutory reference for this appropriation is Section 20.505 (1)(bq), Wisconsin Statutes.

The Wisconsin Statutes also include an appropriation of moneys received from any sale of refunding appropriation obligations for payment of the redemption price of refunded appropriation obligations and related obligations incurred under ancillary agreements. The current statutory reference for this appropriation is Section 20.505 (1)(iw), Wisconsin Statutes. Similar appropriations currently exist for the Pension GFAABs.

Budget Process

General

Annual appropriations are made through the enactment of the State budget. Most of the budget process is not specified in the State Constitution but rather derives from statutory laws or custom and practice, and thus the process is subject to change.

The State budget is the legislative document that sets the level of authorized state expenditures for the two fiscal years in a biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. A biennium begins on July 1 of each odd-numbered year and ends on June 30 of the succeeding odd-numbered year. The requirement for a state budget is linked directly to the Wisconsin Constitution, which provides that "No money shall be paid out of the treasury except in pursuance of an appropriation by law." The Wisconsin Constitution requires a balanced budget. It also requires that, if final budgetary expenses of any fiscal year exceed available revenues, then the Legislature must take actions to pay the deficiency in the succeeding fiscal year.

Budget Requests from Agencies

The formal budget process begins when the State Budget Office in the Department issues instructions to State agencies for submission of their budget requests for the next biennium. Most larger agencies actually begin their internal processes for development of their budget requests several months prior to the issuance of these instructions.

By statute, agency budget requests are to be submitted no later than September 15 of each even-numbered year. Agencies are required, by statute, to submit copies of their budget requests to the Legislative Fiscal Bureau, or LFB, at the same time that copies are delivered to the State Budget Office.

Executive Budget

The Secretary of Administration is required, by statute, to provide to the Governor or Governor-elect and to each member of the next Legislature, by November 20 of each even-numbered year, a compilation of the total amount of each agency's biennial budget request. The statutes require that summary information be compiled on the actual and estimated revenues for the current and each succeeding biennium. These revenue estimates are used by the Governor as the basis on which total General Fund biennial budget spending levels are recommended. The State Budget Director (who is an appointee of the Secretary of Administration) is involved in the review of agency requests and the development of the Governor's budget recommendations for appropriations. In addition, the Governor's budget recommendations include any statutory language changes needed to accomplish the policy initiatives and program or appropriation changes that are part of the Governor's recommendations. A draft bill is prepared by the Legislative Reference Bureau incorporating the Governor's fiscal and statutory recommendations.

Under state law, the Governor is required to deliver the biennial budget message and executive budget bill or bills to the Legislature on or before the last Tuesday in January of each odd-numbered year. However, upon request of the Governor, a later submission date may be allowed by the Legislature upon passage of a joint resolution. A late submission date was requested, and allowed, for each executive budget bill in the past 20 years.

The statutes provide that immediately after delivery of the Governor's budget message, the executive budget bill or bills must be introduced by the Joint Committee on Finance, without change, into one of the two houses of the Legislature. Upon introduction, the bill or bills must be referred to that committee for review. Committee review is usually the first step in the legislative processing of any proposed statutory enactment. However, because of both the complexity of the budget and its significance, committee review of the budget bill is the most extensive and involved review given to any bill in a legislative session.

Legislative Consideration

LFB usually provides initial overview briefings on the budget for the Joint Committee on Finance. The committee holds public hearings on the proposed budget, including both hearings at which agencies present informational briefings and hearings to allow public comment. Other legislative committees may hold meetings, at the discretion of the committee chairperson, to inform committee members of particular aspects of the budget that may affect the substantive interests of the committee.

Upon conclusion of the public hearings, the Joint Committee on Finance commences executive sessions of the Governor's recommended budget. The committee invariably adopts a budget that contains numerous changes to the Governor's recommendations. The form of the committee's budget is usually a substitute amendment to the Governor's budget bill rather than being a separately identified new bill.

The two houses of the Legislature rarely pass identical versions of the budget in their first consideration. There are alternative methods available for achieving resolution of the differences between the two houses on bills. A common method is for one house to seek a committee of conference on the bill wherein a specified number of members from each house are delegated to meet as a bargaining committee with the goal of producing a report reconciling the differences. Another method that has been used from time to time is for the two houses to successively pass narrowing amendments dealing only with the points of difference between the respective budgets as initially recommended by the two houses.

Governor's Partial Veto Power

The Wisconsin Constitution grants the Governor the power of partial veto for any appropriation bill. This means that rather than having to approve or reject the budget bill in its entirety, the Governor may selectively delete portions of the budget bill. Thus, both language and dollar amounts in a budget bill may be eliminated by the Governor's veto, and dollar amounts may be reduced. An amendment to the Wisconsin Constitution made in 2008 prohibits the Governor from using the partial veto to create a new sentence by combining parts of two or more sentences.

Upon approval by the Governor, the budget bill (less any items deleted or reduced by the Governor's partial veto) becomes the State's fiscal policy document for the next two years. Just as it may do with a Governor's veto of a bill in its entirety, the Legislature may, with a two-thirds vote by each house, override a partial veto and enact the vetoed portion into law. This action may be taken before or after the budget becomes effective.

Annual Appropriations and Continuing Appropriations

Although the Wisconsin Statutes provide for other types of appropriations, appropriations made to pay debt service on the Bonds and interest on the Notes would generally be annual appropriations. That is, any appropriation made to pay these amounts would be separately stated for each of the two fiscal years that the biennium comprises, and any unused amount would lapse at the end of the fiscal year. By comparison, a continuing appropriation (which does not lapse at the end of the fiscal year) exists that allows the proceeds of Additional Bonds or Notes to be applied to pay principal of or funded interest on Bonds or Notes (which would the expected source of payment of principal for any Note).

Continuing Authority

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. The Wisconsin Statutes provide that if an existing appropriation for the second year of a biennium is not amended or repealed, it continues in effect for all subsequent fiscal years. In the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new budget is enacted. In other words, unless legislative action is taken to amend or repeal an appropriation, the prior-year appropriation will provide continuing authority for expenditures in the current fiscal year. Once a newly adopted budget becomes effective, the continuing authority is terminated.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The budget for the current biennium (ending June 30, 2009) was not enacted until October 26, 2007. Since 1967, that was the second latest date that a budget was adopted after the start of a fiscal year; the latest date was early in the month of November, or just over four months into the first fiscal year of the biennium.

Fiscal Controls

The Wisconsin Statutes require that the Secretary of Administration and the State Treasurer must approve all payments. The Secretary of Administration is also responsible for audit of expenditures prior to disbursement. The Legislative Audit Bureau has post-disbursement audit responsibility.

The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget (which the Legislature did for the 2007-09 biennium) and also requires that if final budgetary expenses of any fiscal year exceed available revenues (which may occur in the 2008-09 fiscal year), then the Legislature must take actions to balance the budget in the succeeding fiscal year.

A budget could move out of balance if estimated revenues are less than anticipated in the budget or if expenditures for open-ended appropriations are greater than anticipated. The Wisconsin Statutes provide that, following the enactment of the budget, if the Secretary of Administration determines that budgeted expenditures will exceed revenues by more than one-half of one percent of general purpose revenues (consisting of general taxes, miscellaneous receipts, and revenues collected by state agencies which lose their identity and are available for appropriation by the Legislature), then no approval of expenditure estimates can occur. Further, the Secretary of Administration must notify the Governor and the Legislature, and the Governor must submit a bill to the Legislature correcting the imbalance. If the Legislature is not in session, the Governor must call a special session to take up the matter.

Based on the projections provided by the State of Wisconsin Department of Revenue **(DOR)** on November 20, 2008, the Secretary of Administration made a determination that budgeted expenditures for the 2008-09 fiscal year will exceed revenues by more than one-half of one percent of general purpose revenues. Upon making this determination, the Secretary of Administration provided the required notification to the Governor and Legislature, and following such notification, the Governor signed into law on February 19, 2009 the State's economic stimulus and budget repair bill (2009 Wisconsin Act 2), which addresses, in part, the projected budget deficit for the 2008-09 fiscal year. See APPENDIX B.

General Fund Cash Flow—Priority of Payments

The State has experienced and expects to continue to experience certain periods when the General Fund is in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with these periods. 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. 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 needed, the Secretary of Administration has statutory power to order reductions in the appropriations of state agencies, which represent less than one-quarter of the General Fund budget. In addition, the Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of principal and interest on State general obligation debt have first priority and may not be prorated or reduced.
- All direct and indirect payments of principal and interest on operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.
- All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced.

The Secretary of Administration has covenanted to give debt service payments on appropriation obligations (including, but not limited to, the 2009 Series A Bonds and, any Additional Bonds or Notes, and any other Indenture Obligations) a higher priority than all other payments (after the first three statutory priorities above) that may be prorated or reduced. For the 2008-09 fiscal year, payments on appropriation obligations would have had a higher priority than approximately 77% of expected cash expenditures from the General Fund.

2008–09 Fiscal Year

The General Fund budget for 2008-09 fiscal year includes an appropriation of $165.0 million to pay debt service on appropriation obligations that may be issued under the Enabling Act for the same purpose as the 2009 Series A Bonds. This amount was simply an estimate of debt service and other payments that might have been due in the 2008-09 fiscal year; however, there is no debt service due on the 2009 Series A Bonds in the 2008-09 fiscal year. If a new budget is not enacted before the start of the 2009-11 biennium, the continuing authority of appropriations from the 2008-09 fiscal year is sufficient to make all payments of principal and interest due on the 2009 Series A Bonds through June 30, 2011. See "SOURCE OF PAYMENT; Continuing Authority."

2009-11 Biennium

The executive budget proposed by the Governor for the 2009-11 biennium includes appropriations from the General Fund for paying debt service on appropriation obligations such as the 2009 Series A Bonds. More specifically, the amounts of the proposed appropriations are $114.4 million for the first fiscal year and $111.6 million for the second fiscal year. The executive budget for the 2009-11 biennium will be reviewed by the Legislature, which invariably adopts a budget that contains changes from the executive budget. See "SOURCE OF PAYMENT; Budget Process".

The proposed appropriations derive from agency budget requests made several months earlier and were based on an assumed structure for appropriation obligations that might be issued. The proposed appropriations are sufficient to pay debt service on the 2009 Series A Bonds and administrative costs in each year of the 2009-11 biennium.

The Indenture requirements that the Department take actions to facilitate a specific appropriation amount for each year **(Annual Appropriation Amount)** apply only to fiscal years beginning with the 2011-12 fiscal year. See "SOURCE OF PAYMENT; Indenture Provisions; *Annual Appropriation Amount*".

Indenture Provisions

The Indenture contains several provisions regarding the budget process and the resulting appropriations. See "SUMMARY OF THE INDENTURE" in APPENDIX A for a more detailed description of the provisions summarized below.

Annual Appropriation Amount

The Indenture establishes an Annual Appropriation Amount (which applies beginning with the 2011-12 fiscal year) and includes provisions that are intended to facilitate the appropriation of amounts sufficient to pay debt service on the Bonds and interest on the Notes. The Annual Appropriation Amount equals the sum of the following amounts (except that, for the second fiscal year in a biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second fiscal year or the immediately succeeding fiscal year, whichever is greater):

- *Bonds - Principal Maturities.* The amount of principal of Bonds maturing during the fiscal year.
- *Bonds - Redemption*. The amount of principal of Bonds to be redeemed during the fiscal year, including any scheduled amount to be redeemed pursuant to optional redemption.
- *Bonds and Notes - Fixed Rate Interest.* Interest to be paid during the fiscal year on Bonds and Notes bearing interest at a fixed rate.
- *Bonds and Notes - Variable Rate Interest (Maximum Rate).* Interest that would be payable during the fiscal year on Bonds and Notes bearing interest at a variable rate, assuming they bear interest at the maximum permitted rate.
- *Funding Obligations – Interest (Assumed Rate).* The amount of interest on Additional Bonds or Notes assuming that they are issued to fund Notes that mature during or prior to the fiscal year, that they bear interest at a rate of 15%, and that they are in a principal amount estimated by the Department to be sufficient.
- *Funding Obligations – Principal.* The amount, if any, certified by an authorized Department representative to be the expected principal amortization in such fiscal year for Additional Bonds to be issued to fund Notes that are scheduled to mature during or prior to the fiscal year.
- *Swap Agreements (Assumed Rate).* The maximum amount of any payment obligations (other than termination payments) that would be payable during the fiscal year under interest rate exchange agreements that provide for a variable rate or rates to be paid by the State to the counterparty, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in such agreement were at 15% per annum.
- *Credit Facilities*. The maximum amount of payments due during the fiscal year with respect to credit facilities, to the extent not included in the amounts described above.
- *Administrative Expenses*. Estimated administrative expenses payable from the Operating Expense Fund during the fiscal year.
- *Swap Termination Payments*. The amount of all termination payments with respect to interest rate exchange agreements that are unpaid as of the September 1 immediately preceding the commencement of the biennium that includes the fiscal year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

The determination of the Annual Appropriation Amount does not include the principal amount of any Notes. The executive budget has been proposed by the Governor for the 2009-11 biennium. Although the executive budget was proposed before the issuance of the 2009 Series A Bonds, it includes appropriations from the General Fund for the purpose of paying debt service on appropriation obligations such as the 2009 Series A Bonds. The table on the next page summarizes what the determination of the Annual Appropriation Amount would have been for the 2009-11 biennium if such a determination were required for the 2009-11 biennium.

DETERMINATION OF ANNUAL APPROPRIATION AMOUNT

Determination For 2009-11 Biennium	**Fiscal Year 2009-10**	**Fiscal Year 2010-11 (Equal to the Greater of the Following Totals)**	
		Fiscal Year 2010-11	**Fiscal Year 2011-12[a]**
Bonds–Principal Maturities	$ 6,200,000	$ 5,785,000	$ 5,850,000
Bonds–Redemption	–	–	–
Bonds and Notes–Fixed Rate Interest	92,530,338	86,787,686	86,614,136
Bonds and Notes–Variable Rate Interest (Maximum Rate)	–	–	–
Funding Obligations–Interest (Assumed Rate–15%)	–	–	–
Funding Obligations–Principal	–	–	–
Swap Agreements (Assumed Rate)[b]	–	–	–
Credit Facilities[b]	–	–	–
Administrative Expenses	100,000	100,000	100,000
Swap Termination Payments[b]	–	–	–
Totals	$98,830,338	$92,672,686	$92,564,136

(a) Reflects the first fiscal year of the next biennium.
(b) At this time, the State does not expect to enter into any Swap Agreements or to obtain any Credit Facilities with respect to the 2009 Series A Bonds.

Deposit Amount

On the first business day of each fiscal year, the State shall pay to the Trustee from appropriated funds, for deposit in the Appropriations Fund, an amount **(Deposit Amount)** certified by the Secretary of Administration as the net amount reasonably expected to be needed during that fiscal year to pay principal of Bonds (including any scheduled amount to be redeemed by optional redemption or any amount with respect to Additional Bonds then expected to be issued to fund any Notes), interest on the Bonds, interest on the Notes, any payment obligations (other than termination payments) with respect to interest rate exchange agreements, and administrative expenses. The table below summarizes the estimated Deposit Amount for each fiscal year of the 2009-11 biennium.

DETERMINATION OF DEPOSIT AMOUNT

	Fiscal Year 2009-10	**Fiscal Year 2010-11**
Bonds – Principal Maturities	$ 6,200,000	$ 5,785,000
Bonds – Expected Redemption	–	–
Bonds and Notes – Fixed Rate Interest	92,530,338	86,787,686
Bonds and Notes – Variable Rate Interest (Expected Rate)	–	–
Funding Obligations – Interest (Expected Rate)	–	–
Funding Obligations – Principal	–	–
Swap Agreements (Expected Rate) [a]	–	–
Credit Facilities[a]	–	–
Administrative Expenses	25,000	25,000
Swap Termination Payments[a]	–	–
Totals	$98,755,338	$ 92,597,686
Amount Included In 2009-11 Executive Budget	$114,396,000	$111,561,000

(a) At this time, the State does not expect to enter into any Swap Agreements or to obtain any Credit Facilities with respect to the 2009 Series A Bonds.

The Trustee is required to invest amounts deposited in the Appropriations Funds and other funds and accounts in qualified investments. See "SUMMARY OF THE INDENTURE; Definitions of Certain Terms" in APPENDIX A for a description of "Qualified Investments." In the event a loss were incurred on amounts held in funds or accounts under the Indenture, no assurance can be given that additional amounts could be withdrawn from the General Fund pursuant to the appropriation to replenish the loss.

Event of Nonappropriation

The Indenture defines **Event of Nonappropriation** to mean an insufficiency of appropriated funds in any fiscal year to pay when due all debt service on the Bonds and the Notes and payment obligations under interest rate exchange agreements, other than termination payments under such agreements that were not included in the determination of the Annual Appropriation Amount for that fiscal year **(Subordinated Swap Payment Obligations)**. Upon an Event of Nonappropriation, the Secretary of Administration is required to promptly provide a written notice thereof to the Trustee.

The Indenture provides that, in the event an executive budget, as introduced, or a budget bill adopted by either house of the Legislature (beginning with the 2011-12 fiscal year) fails to include an appropriation of at least the Annual Appropriation Amount, the Secretary of Administration will provide a written notice to the Governor and the presiding officer of each house of the Legislature, requesting action to ensure the satisfaction of the State's moral obligation and will promptly provide a written notice to the Trustee, stating the nature of the deficiency. Similarly, the Indenture provides that in the event the enacted budget fails to include an appropriation of at least the Annual Appropriation Amount, the Secretary of Administration will send a letter to the Governor and the presiding officer of each house of the legislature seeking the introduction of a separate bill making the appropriation that would be needed.

Funds Established by Indenture

The Indenture establishes an Appropriations Fund, an Operating Expense Fund, and a Debt Service Fund. In addition, the Indenture authorizes the creation of a Stabilization Fund and a Subordinated Payment Obligations Fund. While the State does not currently expect to fund the Stabilization Fund, it may do so in connection with the issuance of any Additional Bonds or Notes.

The Indenture requires the Trustee, upon receipt of the Deposit Amount, to transfer from the Appropriations Fund an amount designated by the State (consistent with its determination of the Deposit Amount deposited in that fund, or other need for the moneys) to the Operating Expense Fund and then transfer the balance into the Debt Service Fund. The State may at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund, for further distribution into any of the funds and accounts, appropriated funds in addition to the amounts specifically required by the Indenture.

The Indenture requires the Trustee to apply money in the Debt Service Fund available for such purposes to pay:

- The unpaid interest due on the Bonds and the Notes on each payment date.
- The amount due on interest rate exchange agreements (other than Subordinated Swap Payment Obligations) on each payment date.
- The principal installment of Bonds due on each payment date.
- The principal due upon optional redemption of Bonds.
- The principal of the Notes due on each payment date.

On any payment date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Indenture requires the Trustee to withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall, and thereafter (if a shortfall still exists) to withdraw any available funds from the Stabilization Fund (should the State determine to fund it) and transfer to the Debt Service Fund the amount needed to make up the shortfall (except that until June 10 of each fiscal year the State is not required to, but may, transfer funds from the Stabilization Fund to make up a shortfall in the Debt Service Account to pay principal of the Notes).

A portion of the proceeds from the sale of the 2009 Series A Bonds will be deposited in the Operating Expense Fund.

No Collateral

Other than granting a security interest in money held in funds under the Indenture, the State has not pledged any collateral or other security to support payment of the principal of or interest on the Bonds or Notes. If the State were to fail to appropriate sufficient funds for that payment, the owners of the Bonds or Notes, including the 2009 Series A Bonds, would not have any recourse against any other property of the State.

OTHER INFORMATION

Recent and Planned Borrowings

Appropriation Obligations

The State does not currently plan to issue any Additional Bonds or Notes under the Indenture. The State may issue certificates of participation under its master lease program, the payment of which is subject to appropriation. The State does not currently plan to issue any other appropriation obligations pursuant to other indentures during this calendar year.

General Obligations

The State has issued in calendar year 2009 one series of general obligations in the par amount of $18 million. In addition, the State of Wisconsin Building Commission has authorized the issuance of the following general obligations:

- Up to $105 million of general obligations to fund general governmental purposes. These general obligations may be in the form of bonds, commercial paper notes, or extendible municipal commercial paper. The amount and timing of any general obligations for these purposes depend on disbursements from the State's Capital Improvement Fund; however, issuance is currently expected to occur in the second quarter of calendar year 2009.
- Up to $509 million of general obligation bonds to refund general obligations bonds previously issued for general governmental purposes. The amount and timing of any of these general obligation refunding bonds depend on market conditions.
- Up to $57 million of general obligation bonds to refund general obligation bonds previously issued for the veterans housing loan program. The amount and timing of any of these general obligation refunding bonds depend on market conditions.
- Up to $85 million of general obligations for the veterans housing loan program, which may be in the form of bonds, commercial paper notes, or extendible municipal commercial paper. The amount and timing of any general obligations for this purpose depend on originations of veterans housing loans.
- Up to $50 million of general obligation subsidy bonds to be purchased by the Environmental Improvement Fund for the Clean Water Fund Program. The amount and timing of any general obligation subsidy bonds for this purpose depend on various factors, including the amount and timing of loan disbursements from the Clean Water Fund Program.

- General obligations for the funding of the State's outstanding general obligation commercial paper notes and extendible municipal commercial paper, which were outstanding in the amount of $640 million as of March 1, 2009. The amount and timing of any issuance of general obligations for this funding purpose depend on various factors.

Underwriting

The 2009 Series A Bonds are being purchased by the underwriters shown on the cover of this Official Statement **(Underwriters)**, for which Barclays Capital Inc. is serving as representative. The Underwriters have agreed, subject to certain conditions, to purchase from the State the 2009 Series A Bonds at a purchase price of $1,519,411,004.93 (reflecting an underwriters' discount of $10,170,713.47). The Underwriters have agreed to reoffer the 2009 Series A Bonds at the public offering prices set forth on the inside front cover of this Official Statement. The 2009 Series A Bonds may be offered and sold to certain dealers (including dealers depositing the 2009 Series A Bonds into investment trusts) at prices lower than such public offering prices, and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligation is subject to certain conditions, and they will be obligated to purchase all the 2009 Series A Bonds if they purchase any of the 2009 Series A Bonds.

On February 13, 2009 Jefferies Group, Inc. announced that its subsidiary Jefferies & Company, Inc. had entered into a definitive agreement with Depfa Bank plc to acquire DEPFA First Albany Securities LLC, which is one of the Co-Senior Managing Underwriters. The acquisition is subject to regulatory approvals and other closing conditions, with the transaction expected to close during the first quarter of 2009. Following the closing of the acquisition, DEPFA First Albany Securities, LLC will be known as Jefferies First Albany, a division of Jefferies & Company, Inc. and will succeed to DEPFA First Albany Securities LLC's role as Co-Senior Managing Underwriter in connection with the issuance of the 2009 Series A Bonds.

Certain legal matters will be passed upon for the Underwriters by their counsel, Gonzalez Saggio & Harlan LLP. Gonzalez Saggio & Harlan LLP is also serving as corporate counsel to BTASC.

Reference Information

The table on the inside front cover provides information about the 2009 Series A Bonds and is provided for reference. The CUSIP numbers have been obtained from a source the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers or other identifying numbers assigned to the 2009 Series A Bonds. The Underwriters have provided the prices and yields at issuance. For each of the 2009 Series A Bonds subject to optional redemption, the yield shown is the lower of the yield to the first optional call date or the yield to the nominal maturity date.

Financial Advisors and Investment Advisor

The State has employed Acacia Financial Group, Inc. and Public Financial Management, Inc. to perform professional services in the capacity of financial advisors and PFM Asset Management Group LLC to perform professional services in the capacity of an investment advisor. The financial advisors and the investment advisor have provided advice on the plan of finance and the structure of the 2009 Series A Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed the pricing of the 2009 Series A Bonds by the Underwriters.

Legal Opinions

Bond Opinion

Legal matters incident to the authorization, issuance, and sale of the 2009 Series A Bonds are subject to the approval of Foley & Lardner LLP **(Bond Counsel)**, whose approving opinion, substantially in the form shown in APPENDIX C, will be delivered on the date of issue of the 2009 Series A Bonds.

Attorney General

There is no action, suit, or proceeding, either pending or threatened in writing, known to the State Attorney General, restraining the issuance, sale, execution, or delivery of the 2009 Series A Bonds or in any way contesting or affecting (i) the titles to their respective offices of any of the State officers involved in the issuance of the 2009 Series A Bonds, (ii) the validity of the 2009 Series A Bonds or any proceedings of the State taken with respect to the issuance or sale of the 2009 Series A Bonds, or (iii) the appropriation of any money provided for payment of the 2009 Series A Bonds. The State Attorney General will render an opinion to this effect when the 2009 Series A Bonds are delivered.

Legal Investment

State law provides that the 2009 Series A Bonds are legal investments for the following:

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

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law, interest on the 2009 Series A Bonds is excluded from gross income for federal income tax purposes. Such interest also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the 2009 Series A Bonds is taken into account in determining adjusted current earnings. As to questions of fact material to Bond Counsel's opinion, Bond Counsel has relied upon certifications of public officials without independently undertaking to verify them. Moreover, the State must comply with all requirements of the Internal Revenue Code of 1986, as amended **(Code)**, that must be satisfied after the 2009 Series A Bonds are issued for interest on the 2009 Series A Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has promised to comply with those requirements to the extent it may lawfully do so. Its failure to do so may cause interest on the 2009 Series A Bonds to be included in gross income for federal income tax purposes, perhaps even starting from the date the 2009 Series A Bonds were issued. The Indenture does not provide for an increase in interest rates or a redemption of the 2009 Series A Bonds in the event interest on the 2009 Series A Bonds ceases to be excluded from gross income.

Certain requirements and procedures contained or referred to in the authorizing certification and other relevant documents may be changed, and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel does not express any opinion as to any 2009 Series A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Foley & Lardner LLP.

Future legislation or clarifications or amendments to the Code, if enacted into law, may cause the interest on the 2009 Series A Bonds to be subject, directly or indirectly, to federal taxation, or otherwise prevent the owners of the 2009 Series A Bonds from realizing the full current benefit of the tax status of the interest on the 2009 Series A Bonds. Prospective purchasers of the 2009 Series A Bonds are encouraged to consult their own tax advisors regarding any pending federal legislation.

The opinion of Bond Counsel is based on legal authorities that are current as of its date, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment regarding the proper treatment of the 2009 Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service **(IRS)** or the courts, and it is not a guarantee of result.

The IRS has an active tax-exempt bond enforcement program. Bond Counsel is not obligated to defend the State regarding the tax-exempt status of the 2009 Series A Bonds in the event of an examination by the IRS. Under current IRS procedures, the owners of the 2009 Series A Bonds, and other parties other than the State, would have little, if any, right to participate in an IRS examination of the 2009 Series A Bonds. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt obligations is difficult, obtaining independent review of IRS positions with which the State may legitimately disagree may not be practicable. Any action of the IRS, including but not limited to selection of the 2009 Series A Bonds for examination, or the course or result of such an examination, or an examination of obligations presenting similar tax issues, may affect the market price or the marketability of the 2009 Series A Bonds, and may cause the State or the owners of the 2009 Series A Bonds to incur significant expense.

Bond Counsel expresses no opinion about other federal tax consequences arising regarding the 2009 Series A Bonds. There may be other federal tax law provisions that could adversely affect the value of an investment in the 2009 Series A Bonds for particular owners of 2009 Series A Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a 2009 Series A Bond.

State of Wisconsin Income and Franchise Taxes

Interest on the 2009 Series A Bonds is not excluded from current State of Wisconsin income and franchise taxes. Prospective investors should consult their own tax advisors about the state and local tax consequences of owning a 2009 Series A Bond.

Discount Bonds

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each 2009 Series A Bond maturing in the years 2016 (and bearing interest at 4.00%), 2017 (and bearing interest at 4.20%), 2018 (and bearing interest at 4.40%), 2019 (and bearing interest at 4.60%), 2021 through 2025, 2028, 2029, 2033 (and bearing interest at 5.75%), and 2036 (each a **Discount Bond)**, to the extent properly allocable to the owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is, or would be, excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of a Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold **(Issue Price)**.

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

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

- *Less* any interest payable on the Discount Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner's tax basis in the Discount Bond. The adjusted tax basis in a Discount Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of the Discount Bond.

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

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

Premium Bonds

Each 2009 Series A Bond maturing in the years 2010 through 2015, 2016 (and bearing interest at 5.00%), 2017 (and bearing interest at 5.00%), 2018 (and bearing interest at 5.00%), 2019 (and bearing interest at 5.00%), 2020, 2026, 2027, and 2037 (each a **Premium Bond)** has an Issue Price that is greater than the amount payable at the maturity of the Bond. Any Premium Bond purchased in the initial offering at the Issue Price will have "amortizable bond premium" within the meaning of Section 171 of the Code. An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium. During each taxable year, such an owner must reduce the tax basis in the Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the owner owned the Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of the Premium Bond.

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

CONTINUING DISCLOSURE

The State will undertake, for the benefit of the beneficial owners of the 2009 Series A Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Report**). By December 27 of each year, the State will send the report to each nationally recognized municipal securities information repository (**NRMSIR**) and to any state information depository (**SID**) for the State. The State will also provide notices of the occurrence of certain events specified in the undertaking to each NRMSIR, or the Municipal Securities Rulemaking Board (**MSRB**), and to any SID. At this time, there is no SID for the State. A copy of the undertaking is set forth in APPENDIX D.

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

Mail:	Department of Administration Capital Finance Office
Phone:	(608) 266-2305
Mail:	101 East Wilson Street, 10th Floor P.O. Box 7864 Madison, WI 53707-7864
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Web site:	www.doa.wi.gov\capitalfinance

The undertaking also describes the consequences if the State fails to provide any required information. The State must report the failure to the NRMSIRs, or the MSRB, and to any SID. In the last five years, the State has not failed to comply in any material respect with this or any similar undertaking.

Dated: March 20, 2009

STATE OF WISCONSIN

/S/ JIM DOYLE___________________
Jim Doyle
Governor

/S/ MICHAEL L. MORGAN__________
Michael L. Morgan
Secretary of Administration

APPENDIX A
SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. The summary does not purport to be complete, and reference is made to the full text of the Indenture for a complete recital of its terms, including the defined terms used therein.

Definitions of Certain Terms

2009 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2009, Series A contracted by the Department pursuant to the Act and an Authorizing Certification in the aggregate original principal amount of $1,529,065,000.

Act means section 16.527 of the Wisconsin Statutes, as from time to time amended.

Annual Appropriation Amount means, for any Fiscal Year that is the first Fiscal Year of a Biennium (beginning with Fiscal Year 2011-12), an amount equal to the sum of the amounts in the following clauses (a) through (i) for such Fiscal Year, plus the amount in the following clause (j), and for any Fiscal Year that is the second Fiscal Year of a Biennium (beginning with Fiscal Year 2012-13), an amount equal to the sum of the amounts in the following clauses (a) through (i) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (j):

(a) the amount of principal of Outstanding Bonds maturing during the Fiscal Year;

(b) the amount of principal of Outstanding Bonds scheduled to be redeemed pursuant to mandatory or Scheduled Optional Redemptions during the Fiscal Year;

(c) the amount of interest to be paid during the Fiscal Year with respect to Outstanding Fixed Rate Appropriation Obligations;

(d) the amount of interest that would be payable during the Fiscal Year with respect to Outstanding Variable Rate Appropriation Obligations, calculated at the Maximum Rate with respect thereto for any portion of such Fiscal Year for which the interest rate has not been determined;

(e) the amount of interest that would be payable during the Fiscal Year with respect to Funding Obligations, assuming that any Outstanding Notes maturing during or prior to such Fiscal Year are retired on the maturity date thereof through the contemporaneous issuance of Funding Obligations in an aggregate principal amount determined by the Department to be sufficient to provide funds to pay the principal amount of such maturing Notes, which Funding Obligations mature on the last day of such Fiscal Year and bear interest, payable on the last day of such Fiscal Year, at a rate of 15% per annum;

(f) the amount, if any, certified by an Authorized Department Representative to be the expected principal amortization in such Fiscal Year for Funding Obligations described in clause (e) above;

(g) the maximum amount of any Swap Payment Obligations (other than Swap Termination Payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the Swap Provider, with any payment that is determined without limit as to amount being calculated at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum;

(h) the maximum amount of Credit Facility Payment Obligations due during the Fiscal Year, except to the extent included in clauses (a) through (g) above;

(i) the estimated amount of administrative expenses that will be payable from the Operating Expense Fund during the Fiscal Year; and

(j) the amount of all Swap Termination Payments that are unpaid and owing as of the September 1 immediately preceding the commencement of the Biennium that includes the Fiscal Year with respect to which the Annual Appropriation Amount is being determined, plus interest accrued and to accrue on such Swap Termination Payments to the date on which they are expected to be made (with interest based on a variable rate calculated at the maximum rate permitted in the Swap Agreement, or if no maximum rate is specified, at a rate of 15% per annum).

Appropriated Funds means (i) all amounts appropriated by law pursuant to sections 20.505(1)(bq), 20.505(1)(iw), and 20.505(1)(it) of the Wisconsin Statutes, or any successor provisions, from year to year with respect to the Indenture Obligations; and (ii) any other amounts appropriated by law for payment of the Indenture Obligations.

Appropriation Obligations means bonds or notes of the State issued, authenticated, and delivered pursuant to the Indenture.

Appropriations Fund means the fund by that name established pursuant to the Indenture.

Authorized Department Representative means any person identified in a written certificate signed by the Secretary and delivered to the Trustee. An Authorized Department Representative may be an employee of the Department.

Authorizing Certification means a written certification of the Department pursuant to section (5)(a) of the Act, authorizing one or more series of Appropriation Obligations or other Indenture Obligations, as it may be amended.

Biennium means the two-Fiscal Year period beginning July 1 of each odd-numbered year.

Bond Counsel means legal counsel whose legal opinions on municipal bond issues are nationally recognized.

Bonds means Appropriation Obligations designated by the Department as "Bonds" in the Supplemental Indenture pursuant to which they are issued. The First Supplemental Indenture designates the 2009 Series A Bonds as "Bonds".

Book-Entry Form or **Book-Entry System** means a form or system, as applicable, under which (i) the ownership of beneficial interests in the Appropriation Obligations may be transferred only through a book-entry system and (ii) physical bond or note certificates in fully registered form are registered only in the name of a Depository or its nominee as Registered Owner.

Budget Bill means, for each Biennium commencing on July 1, 2009 or thereafter, (i) the executive budget bill or bills described under section 16.47 of the Wisconsin Statutes, or any successor provision thereto, introduced into either house of the legislature of the State, as introduced, (ii) the budget bill as adopted by either house of the legislature of the State, and (iii) the budget as approved in whole or in part by the Governor and enacted into law.

Business Day means a day that is not (i) a Saturday or Sunday, (ii) a day on which commercial banks are required or authorized by law to be closed in the city in which the Designated Trust Office is located or in the State, or (iii) a day on which The New York Stock Exchange is closed or the Federal Reserve Banks are closed. A Supplemental Indenture authorizing a Series of Appropriation Obligations may provide for a different definition when used with respect to such Appropriation Obligations.

Closing Statement means the certificate signed by an Authorized Department Representative in connection with the issuance of Appropriation Obligations, containing instructions regarding the disposition of proceeds of the Appropriation Obligations as required by the Indenture.

Credit Facility means any standby or direct pay letter of credit, standby bond purchase agreement, line of credit, surety bond, bond insurance policy, or other insurance commitment or other agreement or ancillary arrangement (other than a Swap Agreement), satisfactory to the State, that is provided by a commercial bank, insurance company, or other entity to pay or further secure the payment of debt service on Appropriation Obligations, the purchase of Appropriation Obligations upon tender, or the payment of other Indenture Obligations.

Credit Facility Agreement means any agreement entered into by the State (or the State and the Trustee) with a Credit Issuer, which constitutes, or provides for the issuance of, a Credit Facility or otherwise creates or secures Credit Facility Payment Obligations.

Credit Facility Payment Obligations means all payment and reimbursement obligations of the State to a Credit Issuer in connection with any Credit Facility securing all or a portion of any Appropriation Obligations.

Credit Issuer means the issuer of a Credit Facility.

Debt Service Account means any Debt Service Account of the Debt Service Fund established pursuant to the Indenture.

Debt Service Fund means the fund by that name established pursuant to the Indenture.

Default means the occurrence of an event which, with the lapse of time or the giving of notice or both, is an Event of Default.

Defeasance Obligations, when used with respect to the defeasance of a particular Series of Appropriation Obligations, means the investments identified as such in the Supplemental Indenture authorizing such Appropriation Obligations. The First Supplemental Indenture provides that, when used with respect to the 2009 Series A Bonds, **Defeasance Obligations** means non-callable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America not redeemable at the option of the State or anyone acting on its behalf prior to maturity.

Department means the Department of Administration of the State.

Deposit Amount means the amount certified by the Secretary as the net amount reasonably expected to be needed during the applicable Fiscal Year to pay principal of Bonds (whether at maturity or by redemption prior to maturity and including any Scheduled Optional Redemption), interest on Appropriation Obligations, and any Swap Payment Obligations (other than Swap Termination Payments), and to pay administrative expenses. The Deposit Amount shall take into account amounts held by the Trustee in the Proceeds Interest Account and the Appropriations Fund, but shall not take into account amounts held by the Trustee in the Stabilization Fund, that may be applied to such payments. The Deposit Amount shall also take into account the effect of any reasonably expected funding or refunding of Notes or Bonds.

Depository means any securities depository operating and maintaining a Book-Entry System to record ownership of beneficial interests in the Appropriation Obligations and to effect transfers of the beneficial ownership in the Appropriation Obligations in Book-Entry Form.

Designated Trust Office means the corporate trust office designated by the Trustee.

Event of Default has the meaning attributed to it under "SUMMARY OF THE INDENTURE; Defaults and Remedies; *Events of Default*".

Event of Nonappropriation means the insufficiency of Appropriated Funds in any Fiscal Year to pay when due all principal of, and redemption premium and interest on, the Appropriation Obligations and all Parity Swap Payment Obligations.

First Supplemental Indenture means the First Supplemental Trust Indenture, dated as of April 1, 2009, between the State, acting by and through the Department, and the Trustee, providing for the issuance of the 2009 Series A Bonds.

Fiscal Year means the 12-month fiscal period commencing on July 1 of each year and ending on June 30 of the succeeding year.

Fixed Rate, when used with respect to Appropriation Obligations, means any Appropriation Obligations, the interest rate on which is established (with no ability to vary) at a single numerical rate for the remaining term of such Appropriation Obligations.

Funded Interest means proceeds of Appropriation Obligations deposited with the Trustee to pay interest on Appropriation Obligations or to pay Parity Swap Payment Obligations.

Funding Obligations means Bonds or Notes issued under the Indenture for the purpose of funding or refunding Notes at or prior to their maturity (and, to the extent provided in the related Authorizing Certification, to pay any issuance or administrative expenses or Funded Interest with respect thereto as authorized by the Act).

Governor means the governor of the State.

Indenture means the Trust Indenture, dated as of April 1, 2009, between the State, acting by and through the Department, under the authority of the Act, and the Trustee, as trustee, as supplemented and amended from time to time (including by the First Supplemental Indenture).

Indenture Funds means the funds created under of the Indenture and described under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Establishment of Funds and Certain Accounts*".

Indenture Obligations means Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations.

Interest Payment Date means any date specified in a Supplemental Indenture for the payment of interest on Appropriation Obligations.

Issuance Expenses means fees and expenses incurred or to be incurred by or on behalf of the State, the Trustee, or Bond Counsel for the Appropriation Obligations in connection with the issuance and sale of Appropriation Obligations.

Maximum Rate means, with respect to a Series of Variable Rate Appropriation Obligations, the rate per annum established in or pursuant to the Supplement Indenture authorizing such Appropriation Obligations as the maximum interest rate that may be borne by such Appropriation Obligations at any time.

Notes means Appropriation Obligations designated by the Department as "Notes" in the Supplemental Indenture pursuant to which they are issued.

Operating Expense Fund means the fund by that name established pursuant to the Indenture.

Opinion of Bond Counsel means an opinion in writing signed by Bond Counsel.

Opinion of Counsel means an opinion in writing signed by legal counsel who may be an employee of or counsel to the State and who shall be satisfactory to the Trustee.

Outstanding, when used with reference to Appropriation Obligations, Bonds, or Notes, means all Appropriation Obligations, Bonds, or Notes, as the case may be, which have been authenticated and delivered by the Trustee under the Indenture except:

(a) Appropriation Obligations after (i) payment at maturity or redemption prior to maturity (unless a Supplemental Indenture otherwise provides in the case of Appropriation Obligations that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed) or (ii) delivery to the Trustee by the State for cancellation pursuant to the Indenture,

(b) Appropriation Obligations for the payment or redemption of which there has been irrevocably deposited with the Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the Indenture and the Act, as described under "SUMMARY OF THE INDENTURE; Discharge of Indenture" below,

(c) Appropriation Obligations in lieu of which other Appropriation Obligations have been authenticated upon transfer, exchange, or replacement as provided in the Indenture,

(d) Appropriation Obligations not presented or tendered on the maturity, redemption, or tender date, and for the payment, redemption, or purchase of which sufficient funds have been deposited with the Trustee,

(e) Appropriation Obligations not treated as Outstanding pursuant to the Supplemental Indenture that authorized such Appropriation Obligations (and in this regard, the First Supplemental Indenture provides that 2009 Series A Bonds in lieu of which other Appropriation Obligations have been issued upon surrender of the 2009 Series A Bonds for partial redemption are no longer treated as Outstanding);and

(f) for purposes of any action to be taken under the Indenture by the Registered Owners of a specified percentage of principal amount of Appropriation Obligations, Bonds, or Notes, any Appropriation Obligations held by or for the account of the State (unless all Appropriation Obligations, Bonds, or Notes, as the case may be, are so owned).

Parity Swap Payment Obligations means Swap Payment Obligations exclusive of all Swap Termination Payments, except for Swap Termination Payments the amount of which was included in the calculation of Annual Appropriation Amount for a Fiscal Year for which a Budget Bill has been enacted (but not including appropriations continued from the prior Fiscal Year pursuant to section 20.002(1) of the Wisconsin Statutes).

Payment Date means a date on which payment of principal (and premium, if any) or interest with respect to any Appropriation Obligations or payment of any Swap Payment Obligations or Credit Facility Payment Obligations shall be due.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds, (i) the principal amount of Outstanding Bonds of such Series due on a certain future date for which no sinking fund installments have been established, or (ii) the unsatisfied balance of any sinking fund installments due on a certain future date for Outstanding Bonds of such Series, or (iii) if such future dates coincide as to different Series of Bonds, the sum of such principal amount of Outstanding Bonds and of such unsatisfied balance of sinking fund installments due on such future date.

Proceeds Funding Account means the Proceeds Funding Account of the Debt Service Fund established pursuant to the Indenture.

Proceeds Interest Account means the Proceeds Interest Account of the Debt Service Fund established pursuant to the Indenture.

Qualified Investments means any investments that are at the time legal for investment of funds of the State under the Act or under other applicable law, subject to any limitations that may be set forth in a Supplemental Indenture. The First Supplemental Indenture contains no such limitations.

Rating Agency means Moody's Investors Service, Fitch Ratings, Standard & Poor's Ratings Services, or any other rating agency requested by the State to maintain a rating on any of the Appropriation Obligations.

Rebate Fund means the fund by that name established pursuant to the Indenture.

Redemption Price means, with respect to any Appropriation Obligation, the amount required to be paid upon the redemption of such Appropriation Obligation pursuant to the Supplemental Indenture authorizing such Appropriation Obligation.

Registered Owner, when used with reference to an Appropriation Obligation, means the person who is the registered owner of the Appropriation Obligation, except that a Supplemental Indenture may provide that, for certain purposes, a Credit Issuer is treated as the Registered Owner of Appropriation Obligations secured by its Credit Facility, as described under "SUMMARY OF THE INDENTURE; Certain Rights of Credit Issuers".

Registered Owner's Address means the address of the Registered Owner of any Appropriation Obligation as it appears in the Registration Books.

Registration Books means books maintained by the Trustee on behalf of the State at the Designated Trust Office of the Trustee for the purpose of recording the registration, transfer, exchange, or replacement of any of the Appropriation Obligations.

Scheduled Optional Redemption means, with respect to a Series of Bonds, the redemption of Bonds of such Series in amounts and on dates in accordance with a schedule or formula established by, and designated as "Scheduled Optional Redemption" in, the Supplemental Indenture authorizing such Series of Bonds.

Secretary means the Secretary of the Department.

Series means all Bonds or Notes designated as a Series in an Authorizing Certification, and any Bonds or Notes, as the case may be, authenticated and delivered in lieu of or in substitution of such Bonds or Notes.

Stabilization Fund means the reserve fund by that name established pursuant to the Indenture.

Stabilization Fund Amount means the amount, if any, established by a Supplemental Indenture. The First Supplemental Indenture does not establish a Stabilization Fund Amount.

State means the State of Wisconsin.

Subordinated Payment Obligations Fund means the fund by that name established pursuant to the Indenture.

Subordinated Swap Payment Obligations means all Swap Payment Obligations payable by the State except Parity Swap Payment Obligations.

Supplemental Indenture means any trust indenture which is authorized under the Indenture and has been entered into by the State and the Trustee to supplement or amend the Indenture.

Swap Agreement means any agreement or ancillary arrangement between the State and a Swap Provider relating to Appropriation Obligations and meeting the requirements of the Indenture described under "SUMMARY OF THE INDENTURE; Other Indenture Obligations" below, including interest exchange agreements or any other similar transaction.

Swap Payment Obligations means, for any period of time, all net amounts payable by the State (including Swap Termination Payments payable by the State) under any Swap Agreement.

Swap Provider means the State's counterparty under a Swap Agreement.

Swap Termination Payment means, with respect to any Swap Agreement, any settlement amount payable by the State by reason or on account of the early termination of such Swap Agreement, together with any interest thereon. The term "Swap Termination Payment" shall not include net unpaid amounts up to the Swap Agreement termination date that would have been payable by the State pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

Trust Estate means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture.

Trustee means Deutsche Bank Trust Company Americas, and its successors as trustee under the Indenture.

Trustee's Expenses means the reasonable and necessary fees and expenses of the Trustee with respect to the Indenture or the Indenture Obligations.

Variable Rate, when used with respect to Appropriation Obligations, means any Appropriation Obligations that bear a variable interest rate that is not established at the time of calculation as a single numerical rate for the remaining term of such Appropriation Obligations.

The Appropriation Obligations

Issuance of Appropriation Obligations

The State may issue one or more Series of Appropriation Obligations under the Indenture from time to time, without limit as to aggregate principal amount except as provided in the Act. Prior to or contemporaneously with the issuance of any Appropriation Obligations, there must be filed with the Trustee: (i) a Supplemental Indenture executed by the Department on behalf of the State and by the Trustee authorizing the Appropriation Obligations, designating them as either Bonds or Notes, specifying their terms, and providing for the disposition of the proceeds of their sale; (ii) a copy of the Authorizing Certification executed by the Secretary or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Appropriation Obligations, (iii) an Opinion of Bond Counsel to the effect that the execution and delivery of such Supplemental Indenture and the issuance and sale of the Appropriation Obligations have been duly authorized in accordance with the Act and the Indenture, and (iv) a request and authorization to the Trustee by the Department on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Appropriation Obligations.

Deposit of Proceeds to Funds and Accounts

Proceeds of a Series of Appropriation Obligations will be deposited into the funds and accounts created under the Indenture, or otherwise applied, as provided in a Closing Statement executed by an Authorized Department Representative and furnished to the Trustee. The Closing Statement will specify the purchase price of the Appropriation Obligations and:

(a) the amount, if any, representing accrued interest on the Appropriation Obligations to be deposited in the Proceeds Interest Account;

(b) the amount, if any, representing Funded Interest to be deposited in the Proceeds Interest Account;

(c) the amount, if any, representing proceeds of Funding Obligations to be used to pay principal of Outstanding Notes, to be deposited in the Proceeds Funding Account(s) related to those Notes; and

(d) the amount, if any, to be deposited in any other fund or account or to be otherwise transferred as provided in the Closing Statement.

The Closing Statement will further specify the application of such moneys.

General Terms and Provisions of Appropriation Obligations

Liability of the State Subject to Annual Appropriation

The Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations, together with any interest thereon, shall be special and limited obligations of the State, payable solely out of the Appropriated Funds. The Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations are valid claims of the Registered Owners, Swap Providers, and Credit Issuers, respectively, only against the Trust Estate and other Appropriated Funds. The Trustee agrees to hold the Trust Estate and apply the Appropriated Funds only as provided in the Indenture, except to the extent otherwise specified by law in an appropriation. The State is not generally liable on the Appropriation Obligations or any other Indenture Obligations. Neither the general credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the Indenture Obligations. The Indenture Obligations do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Registered Owners Treated as Owners

Except as a Supplemental Indenture may otherwise provide (including with respect to a Credit Issuer as described under "SUMMARY OF THE INDENTURE; Certain Rights of Credit Issuers"), the State and the Trustee may treat the Registered Owner of any Appropriation Obligation as its absolute owner (whether or not the Appropriation Obligation is overdue) for all purposes. Neither the State nor the Trustee shall be affected by any notice to the contrary.

Other Indenture Obligations

The Indenture provides that the State may enter into one or more Swap Agreements from time to time, without limit as to aggregate notional amount, and may enter into such Credit Facility Agreements as the Department shall determine are necessary or appropriate to obtain Credit Facilities with respect to the Indenture Obligations. The Swap Provider under any Swap Agreement must (a) have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement or (b) provide a guaranty as a credit support document under the Swap Agreement from a credit support provider that shall have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement and the guaranty, except that the State's counterparty or counterparties (or its or their credit support provider or providers) under a Swap Agreement or Swap Agreements having an aggregate notional amount equal to no greater than 33% of the principal amount of the Bonds then Outstanding may have a rating of "A" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement (and, if applicable, the guaranty).

For any Swap Agreement, Credit Facility Agreement, Swap Payment Obligations, or Credit Facility Payment Obligations to be recognized as such for purposes of the Indenture, there must be filed with the Trustee (i) a copy of an Authorizing Certification executed by the Secretary of the Department or his or her designee authorizing the execution and delivery of the Swap Agreement or Credit Facility Agreement or the procurement of the Credit Facility, (ii) a certificate of an Authorized Department Representative, which shall (a) in substance identify the Swap Agreement, Credit Facility Agreement, or Credit Facility as being a Swap Agreement, Credit Facility Agreement, or Credit Facility, as the case may be, within the meaning of the Indenture and (b) certify that any applicable requirements of the Act have been satisfied with respect to the Swap Agreement, the Credit Facility, and/or the Credit Facility Agreement, and (iii) a copy of the Swap Agreement, the Credit Facility, and/or the Credit Facility Agreement, as the case may be.

General Covenants

Payment of Indenture Obligations

The State represents, warrants, and covenants that so long as any of the Appropriation Obligations are Outstanding or any Swap Payment Obligations or any Credit Facility Payment Obligations exist, it will deposit, or cause to be paid to the Trustee for deposit in the Appropriations Fund, but solely from the Appropriated Funds, amounts sufficient to promptly pay the principal of, and premium, if any, and interest on, the Outstanding Appropriation Obligations and the Swap Payment Obligations and Credit Facility Payment Obligations as the same become due and payable.

Performance of Duties under the Indenture and the Appropriation Obligations

The State represents, warrants, and covenants that it will perform its obligations under the Indenture, any Appropriation Obligations executed, authenticated, and delivered under the Indenture and all of its proceedings relating to the issuance of the Appropriation Obligations. The State further represents, warrants, and covenants that it is duly authorized under the Constitution and laws of the State, including the Act, by and through the Department, to issue the Appropriation Obligations, to execute the Indenture, and to pledge and assign the property described in the Indenture in the manner and to the extent set forth in the Indenture. The State represents that all action on the part of the State and the Department for the issuance of the Appropriation Obligations and the execution and delivery of the Indenture have been effectively taken and the Appropriation Obligations in the hands of the Registered Owners, the Swap Payment Obligations, and the Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department according to the terms of the Indenture and the Act.

Nonimpairment

Subject to the right of non-appropriation and the right to rescind, repeal, or amend an appropriation by the legislature of the State, the State represents, warrants, and covenants that it will not enter into any contract or take any action impairing the rights of the Trustee, the Registered Owners of the Appropriation Obligations, any Swap Provider, or any Credit Issuer under the Indenture, the Appropriation Obligations, a Swap Agreement, or any Credit Facility Agreement. Subject to the right of non-appropriation and the right to rescind, repeal, or amend an appropriation by the legislature of the State, the State will not limit or alter its powers to fulfill the terms of any agreements made with Registered Owners or in any way impair the rights and remedies of Registered Owners until the Appropriation Obligations, together with interest and all costs and expenses in connection with any action or proceeding on behalf of the Registered Owners, are fully met and discharged.

Budget Process and Appropriations

The State shall direct the appropriate officers of the Department to take all appropriate actions within their power to assure that (beginning with Fiscal Year 2011-12) the Annual Appropriation Amounts with respect to the Indenture Obligations are annually appropriated. The Secretary or his or her designee shall:

(a) while any Appropriation Obligations are Outstanding or Swap Agreements or Credit Facilities are in effect, ensure that the budget request prepared under section 16.42 of the Wisconsin Statutes for each such Fiscal Year includes the Annual Appropriation Amount relating to such Appropriation Obligations (which, in the case of Notes, shall include only interest with respect thereto, and not principal), Swap Payment Obligations, or Credit Facility Payment Obligations in that Fiscal Year;

(b) in the event a Budget Bill for any such Fiscal Year fails to include the Annual Appropriation Amount, promptly provide a written notice to the Governor and the presiding officer of each house of the legislature of the State, stating the nature of the deficiency and seeking an amendment of such Budget Bill or requesting other action to ensure the satisfaction of the State's moral obligation;

(c) in the event a Budget Bill for any such Fiscal Year fails to include the Annual Appropriation Amount, promptly provide a written notice to the Trustee, each Rating Agency, each Swap Provider, and each Credit Issuer stating the nature of the deficiency;

(d) in the event a Budget Bill for any such Fiscal Year that fails to include the Annual Appropriation Amount is signed into law by the Governor, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking the introduction of a separate bill making the necessary appropriation;

(e) upon an Event of Nonappropriation, promptly provide a written notice thereof to the Trustee, each Rating Agency, each Swap Provider, and each Credit Issuer;

(f) in the event a Swap Termination Payment becomes due and there are insufficient funds available from Appropriated Funds under the Indenture or from other legal sources provided by the State to pay the Swap Termination Payment, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking the introduction of a separate bill authorizing an additional appropriation; and

(g) upon an Event of Nonappropriation arising from the failure of the State to issue Funding Obligations in an amount sufficient to pay the principal of any Notes when it becomes due, promptly send a letter to the Governor and the presiding officer of each house of the legislature of the State seeking the introduction of a separate bill making an additional appropriation for such payment.

Trustee Notices Regarding Budget Process and Appropriations

The Trustee may at any time request that the Secretary certify that he or she has performed his or her obligations under the Indenture described above under clause (a) of "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations"* and that no event described above in clause (b), (c), or (e) under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations"* has occurred, and the Secretary shall promptly provide such certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

(a) Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*", to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer;

(b) Upon receipt of the notice described in clause (c) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer; or

(c) Upon receipt of the notice described in clause (e) above under "SUMMARY OF THE INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the legislature of the State, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer.

Event of Default

The State covenants that should there be a Default or an Event of Default, the State will fully cooperate with the Trustee, the Registered Owners, the Swap Providers, and the Credit Issuers to the end of fully protecting the rights and security of the Registered Owners, the Swap Providers, and the Credit Issuers.

Appropriated Funds and Funds and Accounts

Establishment of Funds and Certain Accounts

The Indenture creates and establishes with the Trustee the following funds:

(1) the Appropriations Fund,

(2) the Operating Expense Fund,

(3) the Debt Service Fund,

(4) the Subordinated Payment Obligations Fund,

(5) the Stabilization Fund, and

(6) the Rebate Fund.

The Indenture also establishes in the Debt Service Fund a Debt Service Account for each Series of Appropriation Obligations and each Swap Agreement, a Proceeds Funding Account for each Series of Notes to be funded or refunded through the issuance of Funding Obligations, and a Proceeds Interest Account. Sinking fund accounts for any Series of Appropriation Obligations having sinking fund installments may be established within the Debt Service Account for such as provided in a Supplemental Indenture.

(However, the Stabilization Fund will not be activated unless and until the State adopts a Supplemental Indenture establishing a Stabilization Fund Amount, the Subordinated Payment Obligations Fund will not be activated unless and until the Secretary or his or her designee executes and delivers an Authorizing Certification providing for Swap Payment Obligations – which could give rise to Subordinated Swap Payment Obligations – or Credit Facility Payment Obligations, and no Proceeds Funding Account will be created unless and until a Series of Notes is issued.)

The Indenture provides that any moneys derived from an appropriation of the State legislature may only be applied in a manner consistent with its appropriation.

On the last Business Day of each Fiscal Year, the Trustee shall transfer all moneys remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Appropriation Obligations or other obligations of the State issued for such purpose), the Debt Service Accounts, and the Subordinated Payment Obligations Fund (i) to the Stabilization Fund, (ii) to the State, or (iii) upon a determination by the Department that such moneys are subject to an appropriation for the next Fiscal Year, to the Appropriations Fund, as directed in writing by an Authorized Department Representative.

Deposits into and Use of Moneys in the Appropriations Fund

The Trustee shall receive for immediate deposit into the Appropriations Fund the Deposit Amount and any additional Appropriated Funds transferred to the Trustee by the State or by any Swap Provider pursuant to the terms of a Swap Agreement as follows:

- On the first Business Day of each Fiscal Year for which a Budget Bill has been enacted, the State shall pay the Deposit Amount to the Trustee for deposit in the Appropriations Fund, from amounts appropriated pursuant to section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision thereto. On the first Business Day of each Fiscal Year, in the event a Budget Bill for that Fiscal Year has not yet been enacted, the State shall pay to the Trustee the full amount up to the Deposit Amount that is available pursuant to the carry-over of existing appropriations from the prior Fiscal Year pursuant to section 20.002(1) of the Wisconsin Statutes, and on the Business Day following the subsequent enactment of such a Budget Bill creating additional Appropriated Funds, the State shall pay to the Trustee, for deposit in the Appropriations Fund, the amount, if any, by which amounts appropriated thereby exceed amounts previously paid to the Trustee in such Fiscal Year for deposit therein, provided that the total paid to the Trustee shall not exceed the Deposit Amount.

- No later than thirty days following the enactment of any separate bill providing for an appropriation available for the payment of Appropriation Obligations, Swap Payment Obligations, and/or Credit Facility Payment Obligations (including any appropriation of funds to pay Notes for the payment of which Funding Obligations are not issued), for payment of issuance or administrative expenses, or for funding a deposit to the Stabilization Fund in that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund amounts appropriated thereby.

- No later than thirty days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment that is a Parity Swap Payment Obligation and which was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.

- Immediately upon receipt, the State shall transfer to the Trustee, for deposit in the Appropriations Fund, any amounts appropriated pursuant to section 20.505(1)(it) of the Wisconsin Statutes, or any successor provision, not otherwise deposited into the Indenture Funds under the terms of a Swap Agreement.

- At any time during each Fiscal Year that any Appropriated Funds previously transferred to the Trustee are insufficient for the requirements of the Indenture Funds, the Trustee shall notify the State of such insufficiency and the State shall promptly pay such amount to the Trustee, but solely from Appropriated Funds, for deposit in the Appropriations Fund.
- The State may, at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund for further distribution into any of the Indenture Funds and accounts described below, Appropriated Funds in addition to the Deposit Amount or other amounts required above.
- The State may direct the Trustee to transfer amounts from the Stabilization Fund to the Appropriations Fund as described below under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Stabilization Fund*".

The Trustee, promptly after receipt of the Deposit Amount in the Appropriations Fund, shall transfer an amount thereof designated in writing by an Authorized Department Representative, consistent with the amount used in the computation of the Deposit Amount, to the Operating Expense Fund and shall transfer the balance into the Debt Service Fund for distribution into the Debt Service Accounts as designated in writing by an Authorized Department Representative. The Trustee, promptly after receipt of any other moneys in the Appropriations Fund, and at any time thereafter as needed to fund the following Indenture Funds, shall make payments into the following Indenture Funds, but only to the extent consistent with the appropriation thereof by the legislature, and as to each Indenture Fund only within the limitations in the Indenture described below with respect thereto:

FIRST: Into the Operating Expense Fund, the amounts designated in writing by an Authorized Department Representative to be deposited in the Operating Expense Fund;

SECOND: Into each Debt Service Account, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the interest and principal (whether at maturity or upon mandatory redemption) for the related Series of Bonds due on each Payment Date, the interest for the related Series of Notes due on such Payment Date, or the amount of any Parity Swap Payment Obligations, if any, due on each Payment Date, after taking into account amounts available for that purpose in the Proceeds Interest Account;

THIRD: Into each Debt Service Account for Notes, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the principal (whether at maturity or upon mandatory redemption) for the related Series of Notes due on each Payment Date, after taking into account amounts available for that purpose, and amounts expected to be deposited and available for that purpose, in the Proceeds Funding Account;

FOURTH: Into the Subordinated Payment Obligations Fund, the amount of any Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on each Payment Date; and

FIFTH: Into the Stabilization Fund, the amount designated in writing by an Authorized Department Representative to be deposited for such Fiscal Year into the Stabilization Fund.

Any remaining Appropriated Funds shall remain in the Appropriations Fund until June 30 of each Fiscal Year. On May 1 of each year the State shall determine the extent to which there are available moneys on deposit in the Appropriations Fund, the Debt Service Accounts, and the Subordinated Payment Obligations Fund that will not be needed for the purposes thereof for the balance of that Fiscal Year (taking into consideration funds available in, and funds expected to be deposited and available in, the

Proceeds Interest Account or a Proceeds Funding Account for such purpose), and the State shall direct the Trustee to apply such moneys prior to the end of the Fiscal Year in an amount up to the Scheduled Optional Redemption amount set forth in any Supplemental Indenture pursuant to which Appropriation Obligations have been issued, to the optional redemption of such Appropriation Obligations. To the extent that Scheduled Optional Redemption is not achieved in any Fiscal Year, the shortfall shall be added to the remaining amounts of Scheduled Optional Redemptions on a prorated basis, rounded to the nearest authorized denomination of the applicable Series of Appropriation Obligations, and the Scheduled Optional Redemptions shall be modified accordingly.

Deposits into and Use of Moneys in the Debt Service Fund

The Trustee shall deposit into the Proceeds Interest Account, from time to time, (i) proceeds of Appropriation Obligations as described above under "SUMMARY OF THE INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*" and (ii) any other amounts that are subject to continuing appropriations and are provided by the State with instructions to deposit such amounts into the Proceeds Interest Account. The Trustee shall deposit into the appropriate Proceeds Funding Account, from time to time, proceeds of Funding Obligations as described above under "SUMMARY OF THE INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*". The Trustee shall deposit into the appropriate Debt Service Accounts in the Debt Service Fund the amounts required to be transferred thereto from the Appropriations Fund, the Subordinated Payment Obligations Fund, and the Stabilization Fund as described under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Appropriations Fund*", "*Deposits into and Use of Moneys in the Subordinated Obligations Fund*", and "*Deposits into and Use of Moneys in the Stabilization Fund*".

The Trustee shall withdraw from the applicable Debt Service Account, the Proceeds Interest Account, and the applicable Proceeds Funding Account on or prior to each Payment Date an amount equal to:

(a) The unpaid interest due on the Appropriation Obligations on each Interest Payment Date and shall cause the same to be applied to the payment of said interest when due.

(b) The amount of each Parity Swap Payment Obligation due on each Payment Date and shall cause the same to be paid to the applicable Swap Provider (provided that any Swap Termination Payment that is a Parity Swap Payment Obligation will be paid no later than thirty days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).

(c) The Principal Installment of the Bonds due on each Payment Date and shall cause the same to be applied to the payment of the Principal Installment of such Bonds when due.

(d) The principal due upon optional redemption of the Appropriation Obligations on each Payment Date and shall cause the same to be applied to the payment of such principal when due, provided that, prior to distributing notice of any such optional redemption (other than (i) Scheduled Optional Redemptions described in "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in Appropriations Fund*", (ii) an optional redemption of Notes for which sufficient funds are available in the applicable Proceeds Funding Account, or (iii) an optional redemption with respect to which the redemption notice states that such redemption is contingent upon the availability of sufficient Appropriated Funds to both pay the Redemption Price and satisfy the requirements of clauses (A) and (B) below), an Authorized Department Representative has certified that the total of (A) amounts remaining on deposit in the Debt Service Fund (other than amounts on deposit in the Proceeds Interest Account which are expected to be needed in future Fiscal Years and amounts on deposit in any Proceeds Funding Account), and (B) amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year (without taking into account any principal payments required to be made with respect to Notes). For all purposes of determining the sufficiency of amounts in or payable into the Debt Service Fund or any account therein, interest on any Variable Rate Appropriation Obligations for any portion of the balance of the Fiscal Year for which the interest rate has not been determined shall be calculated at the Maximum Rate, the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum), interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation), and interest on any Funding Obligations that would be assumed to be issued under clause (e) of the definition of "Annual Appropriation Amount" under "SUMMARY OF THE INDENTURE; Definitions of Certain Terms" shall be calculated based on the assumptions set forth in such clause (e).

(e) The principal of any Notes due on each Payment Date and shall cause the same to be applied to the payment of the principal of such Notes when due.

Prior to the Payment Date of a Principal Installment, any amount then on deposit in a Debt Service Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to the purchase of Bonds of the Series and maturity for which such Principal Installment was established in an amount not exceeding that necessary to complete the payment of the unsatisfied balance of such Principal Installment. Any such purchase of Bonds shall be made at a price not exceeding the applicable sinking fund Redemption Price or principal amount of such Bonds plus accrued interest.

Prior to the Payment Date of principal of any Note, any amount then on deposit in the applicable Proceeds Funding Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to the purchase of Notes of the Series to which such Proceeds Funding Account relates. Any such purchase of Notes shall be made at a price not exceeding the applicable sinking fund Redemption Price or principal amount of such Notes plus accrued interest (which accrued interest may be paid from the related Debt Service Account or the Proceeds Interest Account).

At any time, any amount then on deposit in a Debt Service Account of the Debt Service Fund shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to another Debt Service Account to the extent not needed for purposes of the Debt Service Account in which it was originally deposited. Transfers shall be made from any Debt Service Account for the payment of principal on a Series of Notes only to the extent that the amount in the Debt Service Account from which the transfer is made would be sufficient (determined as described in paragraph (d) above) after giving effect to such transfer. In addition, if for any reason a Debt Service Account of the Debt Service Fund shall contain excess moneys after a Payment Date, such excess may be held in such Debt Service Account as a credit against the requirements of such Debt Service Account for the balance of that Fiscal Year, transferred to another Debt Service Account, or returned to the Appropriations Fund, as an Authorized Department Representative shall direct. Any such amount shall be transferred to a Debt Service Account for Notes only to the extent of interest to come due on the Notes of the related Series during the current Fiscal Year (and amounts may be transferred to a Debt Service Account for Notes to provide for payment of principal to come due on the Notes of such Series only as described above).

The Trustee shall, if an Authorized Department Representative so directs, transfer moneys in the Proceeds Interest Account to the Operating Expense Fund or to the Stabilization Fund to increase or replenish the Stabilization Fund Amount therein. Any such direction shall be accompanied by a certificate of an Authorized Department Representative to the effect that such moneys will not be needed to pay interest on the Appropriation Obligations and that any increase in the Stabilization Fund Amount is reasonable.

In connection with a defeasance of any Appropriation Obligations, the Trustee shall, if an Authorized Department Representative so directs, withdraw from the applicable Debt Service Account, from the

Proceeds Interest Account (other than amounts therein expected to be needed in for the payment of other Appropriation Obligations or Swap Payment Obligations), or (in the case of Notes) from the Proceeds Funding Account all or any portion of the amounts accumulated therein with respect to debt service on the Appropriation Obligations being defeased and deposit such amounts in escrow to be held for the payment of the principal amount or Redemption Price and interest on the Appropriation Obligations being defeased. No such withdrawal shall be made unless immediately thereafter the Appropriation Obligations being defeased shall be deemed to have been paid pursuant to the Indenture as described under "SUMMARY OF THE INDENTURE; Discharge of Indenture" below.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the legislature of the State, and except as described under "SUMMARY OF THE INDENTURE; Defaults and Remedies; *Application of Funds*" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of interest on each Appropriation Obligation, each Principal Installment for Bonds, and each Parity Swap Payment Obligation without preference of one Appropriation Obligation or Parity Swap Payment Obligation over another, and without regard to the deposit of amounts in a particular Debt Service Account (except with respect to payment of principal on Notes, which shall be paid only from the applicable Proceeds Funding Account or other Appropriated Funds appropriated for that purpose).

Deposits into and Use of Moneys in the Subordinated Payment Obligations Fund

The Trustee shall deposit into the appropriate Subordinated Payment Obligations Fund the amounts required to be transferred thereto from the Appropriations Fund and the Stabilization Fund as described under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Appropriations Fund*" *and* "*Deposits into and Use of Moneys in the Stabilization Fund*".

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Trustee shall withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. On (a) June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year, but only if the amounts on deposit in the Debt Service Fund are sufficient to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Debt Service Fund*"), or (b) such earlier date on which an Authorized Department Representative, at the State's option, certifies that the total of (i) the moneys on deposit in the Debt Service Fund and available for such purpose and (ii) the amounts remaining under the appropriation made for that Fiscal Year pursuant to section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Debt Service Fund*", but without taking into account any principal payments required to be made with respect to Notes), then the Trustee shall withdraw from the Subordinated Payment Obligations Fund the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations which are due and owing on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the legislature of the State, payments from the Subordinated Payment Obligations Fund shall be made ratably by the Trustee according to the amounts due in respect of each Subordinated Swap Payment Obligation and Credit Facility Payment Obligation without priority or preference of one Subordinated Swap Payment Obligation or Credit Facility Payment Obligation over another.

Deposits into and Use of Moneys in the Stabilization Fund

The Trustee shall deposit into the Stabilization Fund, from time to time, (i) proceeds of Appropriation Obligations directed to be deposited therein pursuant to a Closing Statement as described above under

"SUMMARY OF THE INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*", (ii) other amounts provided by the State with instructions to deposit such amounts into the Stabilization Fund, and (iii) the amounts required to be transferred thereto from the Appropriations Fund, the Proceeds Interest Account, or any other Indenture Funds as described under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Appropriations Fund*"; "*Deposits into and Use of Moneys in the Debt Service Fund*"; *and "Establishment of Funds and Certain Accounts*".

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the payment of principal and interest on Bonds, interest on Notes and Parity Swap Payment Obligations and amounts drawn from the Subordinated Payment Obligations Fund are not sufficient to make up the shortfall, the Trustee shall withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall.

Throughout each Fiscal Year until June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of the Fiscal Year, the State may, at its option, but is not required to, direct the Trustee to withdraw from the Stabilization Fund and transfer to (i) the Debt Service Account for a Series of Notes the amount needed to make up any shortfall in such Debt Service Account for the payment of principal of such Notes or (ii) the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof. On June 10 (or if June 10 is not a Business Day, the Business Day next succeeding June 10) of each Fiscal Year, the Trustee shall withdraw from the Stabilization Fund and transfer (i) to the Debt Service Account for a Series of Notes the amount needed to make up any shortfall in such Debt Service Account for the payment of principal of such Notes, but only to the extent that amounts in the Stabilization Fund will not be required to be used to fund the remaining Debt Service Accounts to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Debt Service Fund*"), and (ii) to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof, but only to the extent that amounts in the Stabilization Fund will not be required to be used to fund the Debt Service Fund to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Debt Service Fund*").

On the first Business Day of each Fiscal Year an Authorized Department Representative may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the Appropriations Fund for further distribution to the Indenture Funds described above. On the last Business Day of any Fiscal Year, an Authorized Department Representative may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the State.

In connection with a defeasance of any Appropriation Obligations, the Trustee shall, if an Authorized Department Representative so directs, withdraw from the Stabilization Fund, and deposit in escrow to be held for the payment of the principal amount or Redemption Price and interest on the Appropriation Obligations being defeased, all or any portion of the amount therein in excess of the Stabilization Fund Amount after giving effect to the defeasance of such Appropriation Obligations. No such withdrawal shall be made unless immediately thereafter the Appropriation Obligations being defeased shall be deemed to have been paid pursuant to the Indenture as described under "SUMMARY OF THE INDENTURE; Discharge of Indenture" below.

Amounts in the Stabilization Fund may be used for the final payment at maturity or upon earlier redemption of all remaining Outstanding Appropriation Obligations.

Deposits into and Use of Moneys in the Operating Expense Fund

The Trustee shall deposit into the Operating Expense Fund (i) proceeds of Appropriation Obligations directed to be deposited therein pursuant to a Closing Statement as described above under "SUMMARY OF THE INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*" and (ii) the amounts required to be transferred thereto from the Appropriations Fund or the Proceeds Interest Account, or any other Indenture Funds as described under "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Moneys in the Appropriations Fund*" *and* "*Deposits into and Use of Moneys in the Debt Service Fund*".

The Trustee shall withdraw from the Operating Expense Fund the amounts, and pay to the parties, designated in writing by an Authorized Department Representative for the payment of issuance and administrative expenses related to the Appropriation Obligations, Swap Agreements and Swap Payment Obligations, and Credit Facilities and Credit Facility Payment Obligations.

Deposits into and Use of Moneys in the Rebate Fund

The Trustee shall deposit into the Rebate Fund (and, if applicable, into the account therein designated by the State), from time to time, any amounts provided by the State with instructions to deposit such amounts into the Rebate Fund. The Trustee shall withdraw from the Rebate Fund (and, if applicable, from the account therein designated by the State) from time to time such amounts as the State may direct for payment of arbitrage rebate obligations with respect to the Appropriation Obligations or for transfer to such other fund or account as the State may determine.

Payments to the State

Any amounts remaining in any Indenture Fund after payment of all Appropriation Obligations, Swap Payment Obligations and Credit Facility Payment Obligations shall be paid to the State.

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the Indenture that permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the Indenture and are not subject to any lien, attachment, garnishment, or other claims or proceedings by other creditors of the State or any third party.

Investments

The Trustee agrees to continuously invest and reinvest money on deposit in the Indenture Funds in Qualified Investments as directed in writing by the State, which the State agrees to provide. Money in a Proceeds Funding Account shall be invested only in securities issued by the United States or one of its agencies, securities fully guaranteed by the United States, or other Qualified Investments permitted for such funds under the Act. Investments made with money on deposit in the Indenture Funds will be held by or under the control of the Trustee and may be made by the Trustee through its own bank investment department. Investments will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used. Any interest or profit or any loss attributable to investments will be credited to or charged against the Indenture Fund (and in the case of the Debt Service Fund or the Rebate Fund, the account therein) in which the invested moneys were deposited. The Trustee shall not be responsible for any loss resulting from any such investment, except to the extent caused by its negligence or willful default.

Discharge of Indenture

The Indenture shall be discharged if:

(a) the State has performed all of its obligations under the Indenture,

(b) all Trustee's Expenses that have accrued and will accrue through the final payment of the Appropriation Obligations have been paid or arrangements satisfactory to the Trustee for their payment have been made,

(c) provision for the payment of all Outstanding Appropriation Obligations has been made to the satisfaction of the Trustee in one or more of the following ways:

(1) by paying the principal of, and premium, if any, and interest on, all Outstanding Appropriation Obligations,

(2) by irrevocably depositing with the Trustee an amount sufficient to pay or redeem (when redeemable) all Outstanding Appropriation Obligations, including interest on the Appropriation Obligations to the final payment or redemption of the Appropriation Obligations (assuming that any Variable Rate Appropriation Obligations bear interest at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium,

(3) by delivering to the Trustee, for cancellation, all Outstanding Appropriation Obligations,

(4) by depositing in trust with the Trustee, or an escrow agent that meets the requirement of the Indenture, Defeasance Obligations that mature in an amount that will, together with investment income but without reinvestment, be sufficient to pay or redeem (when redeemable) all Outstanding Appropriation Obligations at or before their respective maturity dates, including interest on the Appropriation Obligations to the final payment or redemption of the Appropriation Obligations (assuming that any Variable Rate Appropriation Obligations bear interest at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium, and by complying with any other conditions set forth in the Supplemental Indenture that authorized such Appropriation Obligations, or

(5) with respect to Appropriation Obligations of a particular Series, in such other manner as the Supplemental Indenture authorizing that Series may provide,

(d) a notice of redemption which is not contingent upon satisfaction of any condition has been given as required by the Supplemental Indenture that authorized such Appropriation Obligations if any of the Appropriation Obligations are to be redeemed before their maturity (or, if a notice of redemption cannot then be given as provided in the applicable Supplemental Indenture, then the State has given the Trustee irrevocable instructions to provide such a notice of redemption),

(e) if the payment of the Appropriation Obligations has been provided for as described under clauses (c)(2) or (c)(4) above, the Trustee (i) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the Indenture will not adversely affect the validity of any Appropriation Obligations and (ii) has given notice to each Registered Owner of the Appropriation Obligations at the Registered Owner's Address of the actions taken as described under clause (c) above,

(f) if the payment of the Appropriation Obligations has been provided for as described under clause (c)(4) above, an opinion from an independent certified public accountant to the effect that the funds available or to be available in the escrow for the payment of the Appropriation Obligations will be sufficient to pay the principal of, and premium, if any, and interest on, the Appropriation Obligations,

(g) any Swap Payment Obligations and any Credit Facility Payment Obligations have been paid, or provision satisfactory for their payment has been made (i) as provided in the applicable Swap Agreement or Credit Facility Agreement or (ii) otherwise to the satisfaction of the applicable Swap Provider or Credit Issuer, and

(h) any additional requirements set forth in a Supplemental Indenture with respect to the applicable Series of Appropriation Obligations have been satisfied. The First Supplemental Indenture requires that, as condition to any deposit described under clause (c)(4) above being treated as providing for the payment of any 2009 Series A Bond, the Trustee shall have been furnished with an opinion of Bond Counsel to the effect that the payment of the 2009 Series A Bond from such deposit, in accordance with the terms of such deposit, will not adversely affect the exclusion of interest on any 2009 Series A Bond from gross income of the owner thereof.

On the occurrence of the events described in clauses (a) through (h) above, the Trustee is authorized and directed to execute and deliver instruments evidencing and acknowledging the satisfaction of the Indenture, and assign and deliver to the Department any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, and premium, if any, and interest on, any Appropriation Obligations or for the payment of arbitrage rebate obligations with respect to Appropriation Obligations).

All money and Defeasance Obligations which are set aside and held in trust pursuant to the provisions of the Indenture for the payment of the principal of, and premium, if any, and interest on, the Appropriation Obligations will be applied to and used solely for the payment of the principal of, and premium, if any, and interest on, the particular Appropriation Obligations with respect to which it was so set aside in trust. The income derived from Defeasance Obligations held by the Trustee under the Indenture that is not needed for the payment of the principal of, or premium, if any, or interest on, the Appropriation Obligations is to be disposed of in a manner which, in the Opinion of Bond Counsel, will not adversely affect the validity of any Appropriation Obligations.

Notwithstanding a discharge of the Indenture as described in clauses (c)(2) or (c)(4) above, resulting in the Registered Owners of Appropriation Obligations having a claim for the payment of their Appropriation Obligations solely from the cash and securities so set aside, the Indenture will continue to govern the method of making payments of principal and interest on the Appropriation Obligations, the registration, transfer, and exchange of Appropriation Obligations, the circumstances under which the Appropriation Obligations may or must be redeemed or tendered, and similar matters.

Defaults and Remedies

Events of Default

The occurrence and continuance of any of the following events is an Event of Default under the Indenture:

(a) failure to pay when due the principal of, or premium, if any, or interest on, any Appropriation Obligations or any Parity Swap Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;

(b) failure to pay as required by the terms of the Indenture any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations, except to the extent that such failure is due to an insufficiency of Appropriated Funds to make such payment;

(c) failure to pay when due the tender price on any Appropriation Obligation upon mandatory or optional tender for purchase as provided in the Indenture, except to the extent that such failure is due to (i) an insufficiency of appropriated funds to make such payment with respect to any Appropriation Obligations for which there is no liquidity facility or (ii) the Credit Issuer under a liquidity facility being relieved of its obligation to pay the Tender Price due to an Event of Nonappropriation or to a failure to pay that is due to an Event of Nonappropriation or to any other insufficiency of Appropriated Funds to make such payment; or

(d) the State defaults in the due and punctual performance of any of the other covenants, conditions, agreements, and provisions on the part of the State to be performed pursuant to the Appropriation Obligations or the Indenture (including any Supplemental Indenture) and the default continues for 30 days after written notice specifying the default and requiring that it be remedied has been given to the State by the Trustee, which may give the notice in its discretion and must give the notice upon receipt of a written request of the Registered Owners of at least

25% of the aggregate principal amount of any Series of Appropriation Obligations then Outstanding that it do so, or as otherwise provided in a Supplemental Indenture. However, if the default is one which can be remedied but cannot be remedied within that 30-day period, the Trustee may (except as limited by a Supplemental Indenture) grant an extension of the 30-day period if the State institutes corrective action within that 30-day period and diligently pursues that action until the default is remedied.

Remedies

Upon the occurrence of any Event of Default the Trustee may take whatever action at law or in equity it deems necessary or desirable (i) to collect any amounts then due under the Indenture or the Appropriation Obligations, any Swap Payment Obligations, or any Credit Facility Payment Obligations, (ii) to enforce performance of any obligation, agreement, or covenant of the State under the Indenture or the Appropriation Obligations, of a Credit Issuer under any Credit Facility issued or entered into with respect to any Appropriation Obligations, or of the grantor of any other collateral given to secure the payment of any Appropriation Obligations, or (iii) to otherwise enforce any of its rights. However, actions against the State shall be limited to those permitted by the Statutes and the Constitution of the State.

Nothing in the Indenture is intended as a waiver by the State of its sovereign immunity, any procedural requirements for any remedy, or any defenses available to it.

Right to Direct Proceedings

Except as a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to act in the stead of Registered Owners, as described under "SUMMARY OF THE INDENTURE; Certain Rights of Credit Issuers" below, the Registered Owners of the Appropriation Obligations have the right to direct the exercise of any rights or remedies under the Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the Indenture. The directions of the Registered Owners of Appropriation Obligations are to be contained in a request which is signed by the Registered Owners of at least a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding and delivered to the Trustee, and accompanied with indemnification of the Trustee as is provided in the Indenture.

Application of Funds

Upon an Event of Default or an Event of Nonappropriation, any Appropriated Funds received or held by the Trustee will be applied as follows:

FIRST: To the payment of (i) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (ii) any Trustee's Expenses.

SECOND: To the payment of interest, principal, and premium, if any, then due on the Appropriation Obligations (other than Appropriation Obligations called for redemption for the payment of which money is held pursuant to the provisions of the Indenture described above under "SUMMARY OF THE INDENTURE; Discharge of Indenture") and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal and premium, if any and Parity Swap Payment Obligations then due ratably, and, if the amount available is not sufficient to pay in full interest, principal, premium, and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second, to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege. However, (i) funds in a Proceeds Funding Account shall be used first for the payment of principal of the related Series of Notes, and (ii) principal of Notes shall be payable from any funds other than funds in the related Proceeds Funding Account only after all other obligations described in this clause Second have been paid.

THIRD: Subject to the provisions of the Indenture described in "SUMMARY OF THE INDENTURE; Appropriated Funds and Funds and Accounts; *Deposit Into and Use of Moneys in the Subordinated Payment Obligations Fund*", to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date, then to their payment ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.

FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of the Indenture.

Whenever money is to be applied as described above, the money is to be applied at the times the Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such funds it will fix the date (which will be a Interest Payment Date unless it deems another date more suitable) upon which the application is to be made and on that date interest on the amounts of principal paid ceases to accrue.

Any moneys derived from an appropriation may only be applied in a manner consistent with its appropriation.

Remedies Vested in Trustee

Any suit or proceeding instituted by the Trustee is to be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Appropriation Obligations, the Swap Providers, and the Credit Issuers in accordance with the terms of the Indenture.

Limitation on Rights and Remedies of the Registered Owners

No Registered Owner of Appropriation Obligations, Swap Provider, or Credit Issuer has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture, for the execution of any trust created under the Indenture, for the appointment of a receiver, or for any other remedy, unless

(a) an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture or of which the Trustee is deemed to have notice by the terms of the Indenture,

(b) the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute an action, suit, or proceeding in its own name,

(c) the Trustee has been offered indemnity as provided in the Indenture, and

(d) the Trustee thereafter fails or refuses to exercise the powers granted in the Indenture or to institute an action, suit, or proceeding in its own name.

No Registered Owner of Appropriation Obligations, Swap Provider, or Credit Issuer has any right to affect, disturb, or prejudice the security of the Indenture by its action or to enforce any right under the Indenture except in the manner provided in the Indenture and all proceedings at law or in equity are to be conducted in the manner provided in the Indenture for the equal and ratable benefit of all the Registered Owners, Swap Providers, or Credit Issuers in accordance with the priority provided in the Indenture. Nothing in the Indenture, however, affects or impairs the right of Registered Owners, Swap Providers, or

Credit Issuers to enforce the payment of the principal of, and premium, if any, and interest on, any Appropriation Obligations, any Swap Payment Obligations, or any Credit Facility Payment Obligations, respectively, at and after their maturity or the obligation of the State to pay the principal of, and premium, if any, and interest on, the Appropriation Obligations issued under the Indenture, the Swap Payment Obligations, or the Credit Facility Payment Obligations, respectively, to the Registered Owners, the Swap Providers, and the Credit Issuers, respectively, at the times and places, from the sources, and in the manner expressed in the Indenture and the Appropriation Obligations, the Swap Agreements, and the Credit Facility Agreements.

Waivers of Events of Default

The Trustee may waive any Event of Default under the Indenture and its consequences and must do so upon receipt of a request to do so from the Registered Owners of a majority in aggregate principal amount of each Series of Appropriation Obligations then Outstanding, except as a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to restrict such waivers (see "SUMMARY OF THE INDENTURE; Certain Rights of Credit Issuers"). However, the Trustee may not waive any Event of Default in the payment of the principal of, or premium, if any, or interest on, any Appropriation Obligations unless prior to the waiver all arrears of principal, premium, if any, and interest on the Appropriation Obligations for which appropriations have been made, and all expenses of the Trustee in connection with the Event of Default, have been paid or provided for.

The Trustee

Acceptance of the Trusts

The Trustee accepts and agrees to perform the duties of the Trustee under the Indenture upon the terms and conditions set forth therein.

Trustee's Expenses and Indemnification

The Trustee is entitled to payment or reimbursement of its Trustee's Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee has a lien upon the Trust Estate for the payment of the Trustee's Expenses, with right to payment prior to payment on account of any Appropriation Obligation, any Swap Payment Obligation, and any Credit Facility Payment Obligations. To the extent permitted by the Statutes and Constitution of the State, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for any loss, liability, or expense incurred without negligence, willful misconduct, or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture.

Notice to Registered Owners if an Event of Default or an Event of Nonappropriation Occurs

If an Event of Default or an Event of Nonappropriation occurs of which the Trustee is required to take notice or of which it has been given notice, the Trustee agrees to give written notice of the Event of Default or Event of Nonappropriation by first-class mail to the Registered Owners of all Appropriation Obligations then Outstanding at the Registered Owner's Addresses.

Intervention by Trustee

The Trustee may, and upon receipt of a request to do so from the Registered Owners of a majority of the principal amount of Appropriation Obligations then Outstanding and upon indemnity being provided as required by the Indenture the Trustee must, intervene on behalf of the Registered Owners of Appropriation Obligations in any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Registered Owners of Appropriation Obligations. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

Successor Trustee; Resignation or Removal of the Trustee; Successor or Temporary Trustee

Any corporation or association (i) into which the Trustee may be converted or merged, (ii) with which the Trustee may be consolidated, (iii) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole, or (iv) resulting from a conversion, sale, merger, consolidation, or transfer to which the Trustee is a party shall become successor Trustee under the Indenture without the execution or filing of any instrument or any further act.

The Trustee may at any time resign by giving 30 days' written notice by registered or certified mail to the State and the Registered Owners. The Trustee may be removed at any time without cause (i) at the direction of the State (so long as no Default or Event of Default under the Indenture has occurred, whether or not continuing) or (ii) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding and delivered to the Trustee and the State. A resignation or removal takes effect upon the appointment of a successor Trustee by the Registered Owners or a temporary Trustee by the State and the successor or temporary Trustee's acceptance of its appointment.

In case the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, is taken under the control of a public officer, has a receiver appointed for it by a court, or otherwise becomes incapable of acting under the Indenture, a successor may be appointed by an instrument in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding. In case of a vacancy the State may appoint a temporary Trustee to fill the vacancy until a successor Trustee has been appointed by the Registered Owners of Appropriation Obligations in the manner described above. Any temporary Trustee appointed by the State shall be superseded by the Trustee appointed by the Registered Owners of Appropriation Obligations. Every Trustee so appointed must be a trust company or a bank in good standing that is a member of the Federal Deposit Insurance Corporation, having a reported capital and surplus of not less than $10,000,000 or having assets under administration of not less than $200,000,000 (if there is an institution willing, qualified, and able to accept the trust upon reasonable and customary terms), and having the qualifications required by the Act.

Separate Trustee or Co-Trustee

The Indenture provides for the appointment of a separate trustee or co-trustee if desirable or necessary in connection with litigation under the Indenture, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it under the Indenture or hold title to the Trust Estate.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Registered Owners

The State and the Trustee may, without the consent of or notice to the Registered Owner of Appropriation Obligations, Swap Providers, or Credit Issuers, enter into Supplemental Indentures which are not inconsistent with the terms and provisions of the Indenture:

(a) to provide for the issuance of Appropriation Obligations;

(b) to cure any ambiguity or formal defect or omission in the Indenture;

(c) to grant to or confer upon the Trustee any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Registered Owners, Swap Providers, Credit Issuers, or the Trustee, so long as such amendment does not adversely affect the rights or interests of any Registered Owner, Swap Provider, or Credit Issuer that has not consented to such amendment;

(d) to subject additional revenues, properties, or collateral to the Indenture;

(e) to surrender or condition the exercise of any right or power granted to the State in the Indenture; or

(f) to supplement the Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Registered Owners of Appropriation Obligations, any Swap Provider, or any Credit Issuer that has not consented to such supplement.

Supplemental Indentures Requiring the Consent of the Registered Owners and Swap Providers

In addition to Supplemental Indentures described above under "SUMMARY OF THE INDENTURE; Supplemental Indentures; *Supplemental Indentures Not Requiring the Consent of Registered Owners*", the State and the Trustee, with the prior written consent of the Registered Owners of a majority of the aggregate principal amount of each Series of Appropriation Obligations then Outstanding and each Swap Provider, may enter into Supplemental Indentures as the State and the Trustee deem necessary and desirable for the purpose of amending any of the terms or provisions contained in the Indenture (including any Supplemental Indenture). No Supplemental Indenture, however, may permit (i) an extension of the stated maturity or reduction in the principal amount or Redemption Price of, a reduction in the rate or an extension of the time for paying interest on, or a reduction in the amount or an extension of the time for any payment required by any sinking fund applicable to any Appropriation Obligations without the consent of the Registered Owners of all the Appropriation Obligations that would be affected by the action to be taken, (ii) the creation of any lien prior to or (except in connection with the issuance of Appropriation Obligations or the incurrence of Credit Facility Payment Obligations or Swap Payment Obligations) on a parity with the lien of the Indenture, without the consent of the Registered Owners of all Appropriation Obligations at the time Outstanding, or (iii) a reduction in the aggregate principal amount of Appropriation Obligations the Registered Owners of which are required to consent to any Supplemental Indenture, without the consent of the Registered Owners of all Appropriation Obligations at the time Outstanding that would be affected by the action to be taken.

If at any time the State requests the Trustee to enter into such a Supplemental Indenture, the Trustee shall send notice of the proposed execution of the Supplemental Indenture by registered or certified mail to the Registered Owner of each of the Appropriation Obligations at the Registered Owner's Address. The notice will briefly set forth the nature of the proposed Supplemental Indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Appropriation Obligation. If, within sixty days or any longer period as is prescribed by the State following the mailing of the notice, consent of the requisite Registered Owners has been obtained, no Registered Owner of any Appropriation Obligation shall have any right to object to any of the terms and provisions of the Indenture or their operation, in any manner to question the propriety of the execution of the Supplemental Indenture or to enjoin or restrain the Trustee or the State from executing the Supplemental Indenture or from taking any action pursuant to the provisions of the Supplemental Indenture. Upon the execution of any Supplemental Indenture as provided in the Indenture, the Indenture shall be modified and amended in accordance with it.

Certain Rights of Credit Issuers

The Indenture provides that a Credit Issuer with respect to a Series of Appropriation Obligations may have certain rights, including the rights: (i) to be subrogated to the rights of the Owners of Appropriation Obligations of such Series that are paid by its Credit Facility, and to have those Appropriation Obligations continue to be treated as Outstanding under the Indenture; (ii) to be treated as the Registered Owner of the Appropriation Obligations of such Series for such purposes as the Supplemental Indenture may provide; (iii) to limit the future issuance of Appropriation Obligations (other than Funding Obligations, which a Credit Issuer may not limit); and (iv) to prohibit Supplemental Indentures affecting such Series of Appropriation Obligations without its consent.

Miscellaneous

Consent of Registered Owners

Any instrument required by the Indenture to be signed by Registered Owners may be in any number of concurrent writings of similar tenor. Proof of the execution of any such instrument is sufficient for any of the purposes of the Indenture if it contains or is accompanied by (i) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction to the effect that the person signing the writing acknowledged before him the execution thereof or (ii) an affidavit of any witness to the execution. The ownership of Appropriation Obligations and the amount, series, numbers, and other identification of them and the date on which they were held are conclusively proved by the Registration Books.

Notices

Unless provided to the contrary in the Indenture, all notices or other communications under the Indenture are deemed given when delivered, received by facsimile or e-mail, or mailed by first-class mail, postage prepaid, addressed to the parties at the addresses set forth in the Indenture.

Obligations Due on Saturdays, Sundays, or Holidays.

If any date on which an obligation of the Trustee or the State is to be performed falls on a day that is not a Business Day, then the payment or fulfillment of the obligation may be made on the next succeeding Business Day with the same effect as if made on the date due except that (i) a Supplemental Indenture authorizing a Series of Appropriation Obligations may provide that interest on such Appropriation Obligations continues to accrue to the date of actual payment and (ii) in the case of the end of a Fiscal Year, such payment or fulfillment shall be made on the preceding Business Day.

APPENDIX B
INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin **(State)**, contained in Part II of the State of Wisconsin Continuing Disclosure Annual Report, dated December 26, 2008 **(2008 Annual Report)**, which can be obtained as described below. This Appendix also includes changes or additions to the information presented in Part II of the 2008 Annual Report, including:

- Information on the executive budget for the 2009-11 biennium, which was introduced on February 17, 2009 (2009 Assembly Bill 75).
- Information on 2009 Wisconsin Act 2, which was introduced on February 17, 2009 and signed into law on February 19, 2009. This act is referred to as the "State economic stimulus and budget repair bill" and addresses, in part, the projected budget deficit for the 2008-09 fiscal year.
- Updated General Fund tax collection projections for the 2008-09 fiscal year and the 2009-11 biennium, which were part of a January 29, 2009 memorandum from the Legislative Fiscal Bureau **(LFB)**.
- Projected and actual General Fund cash flows as of January 31, 2009.

Part II of the 2008 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 2007-08
- 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 2008 Annual Report are the audited general purpose external financial statements for the fiscal year ending June 30, 2008, 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 2008 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 2008 Annual Report may also be obtained from:

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

After publication and filing of the 2008 Annual Report, certain changes or events have occurred that affect items discussed in the 2008 Annual Report. Listed below, by reference to particular sections of Part II of the 2008 Annual Report, are changes or additions to the discussion contained in those particular sections. Many of the following changes or additions have not been filed with the NRMSIRs. However, the State has filed, and expects to continue to file, certain informational notices with the NRMSIRs, some of which may be notices that do not describe listed material events under the State's Master Agreement on Continuing Disclosure.

State Budget; Budget for 2008-09 Fiscal Year (Part II; Pages 28-33). Add the following new sections:

2009-11 Executive Budget

On February 17, 2009, Governor Doyle's executive budget for the 2009-11 biennium was introduced (2009 Assembly Bill 75). The executive budget for the 2009-11 biennium includes provisions that affect the 2008-09 fiscal year. Specifically, if enacted as introduced, approximately $597 million of funds from the federal economic stimulus bill would be used for certain education and Medicaid expenditures, thereby reducing General Fund appropriations in the same amount for the 2008-09 fiscal year.

A projected General Fund condition statement reflecting provisions of the executive budget for the 2009-11 biennium is included in the table below. For the purpose of comparison, the table includes the projected General Fund condition statements based, respectively, on 2009 Wisconsin Act 2 (which is discussed on page B-3), the January 29, 2009 LFB memorandum addressing General Fund tax collection projections (which is also discussed on page B-3), and the initial enactment of the budget for the 2007-09 biennium (2007 Wisconsin Act 20).

Projected General Fund Condition Statement
2008-09 Fiscal Year
(in Millions)

	February 2009- 2009-11 Executive Budget[(a)]	February 2009- 2009 Act 2	January 2009-LFB Memorandum	October 2008- 2007 Act 20 (Budget Bill)
Revenues				
Opening Balance	$ 130.6	$ 130.6	$ 130.6	$ 67.0
Taxes	12,525.6	12,525.6	12,495.2	13,626.2
Department Revenues				
Tribal Gaming	93.9	93.9	93.9	46.3
Other	619.4	570.4	532.3	435.0
Total Available	$13,396.6	$13,320.6	$13,252.1	$14,174.5
Appropriations				
Gross Appropriations	$13,437.4	$14,074.8	$14,117.9	$14,212.1
Compensation Reserves	132.6	132.6	132.6	156.6
Sum Sufficient Reestimates	n/a	(18.6)	(18.3)	n/a
Biennial Appropriations Spending Ahead[(b)]	n/a	(34.8)	(34.8)	n/a
Less: Lapses	(416.5)	(416.5)	(416.5)	(262.0)
Net Appropriations	$13,153.5	$13,737.5	$13,781.0	$14,106.8
Balances				
Gross Balance	$ 216.1	$ (416.9)	$ (528.8)	$ 67.7
Less: Required Statutory Balance	0.0	0.0	(65.0)	(65.0)
Net Balance, June 30	$ 216.1	$ (416.9)	$ (593.8)	$ 2.7

(a) Reflects provisions of the executive budget for the 2009-11 biennium.
(b) Certain biennial appropriations from the 2008-09 fiscal year were expended in the 2007-08 fiscal year.

The Wisconsin Constitution requires the Legislature to enact a balanced biennial budget (which the Legislature did for the 2007-09 biennium), and if final budgetary expenses of any fiscal year exceed available revenues (which may occur in the 2008-09 fiscal year), then the Legislature must take action to balance the budget in the succeeding fiscal year.

State Economic Stimulus and Budget Repair Bill

On February 19, 2009, the Governor signed into law 2009 Wisconsin Act 2, which was introduced in the Legislature on February 17, 2009 and referred to as the State economic stimulus and budget repair bill. This act addresses, in part, the projected budget shortfall for the 2008-09 fiscal year and the 2009-11 biennium. In addition, this act was in response to the notification that the Secretary of Administration provided on November 20, 2008 to the Governor and Legislature, as required by Wisconsin Statutes, that a determination had been made that budgeted expenditures for the 2008-09 fiscal year will exceed revenues by more than one-half of one percent of general purpose revenues.

January 29, 2009 General Fund Tax Collection Projections (Updated February 11, 2009)

On January 29, 2009, LFB released a memorandum that included updated General Fund tax collection projections for the 2008-09 fiscal year. The total projection of General Fund tax collections for the 2008-09 fiscal year is $12.495 billion, which is approximately $548 million, or 4.2%, lower than actual General Fund tax collections for the 2007-08 fiscal year. This projection is also $267 million lower than the amount previously projected on November 20, 2008 by the Department of Revenue **(DOR)**. The following table provides a summary of the updated General Fund tax collection projections for the 2008-09 fiscal year, and for comparison, other previous projections.

Projected General Fund Tax Revenues Compared to Previous Projections
2008-09 Fiscal Year
(in Millions)

	LFB Projections January 2009	DOR Projections November 2008	LFB Projections February 2008	2007-09 Biennial Budget
Individual Income	$ 6,585.0	$ 6,705.4	$ 6,965.0	$ 7,105.5
Sales and Use	4,025.0	4,097.4	4,295.0	4,479.4
Corp. Income & Franchise	650.0	720.0	815.0	860.3
Public Utility	327.0	309.1	316.2	214.4
Excise				
Cigarettes	565.0	565.4	523.7	531.0
Liquor & Wine	44.0	43.5	43.0	43.0
Tobacco Products	41.5	39.9	41.2	41.2
Beer	10.0	9.8	9.4	9.4
Insurance Company	170.0	184.7	160.0	144.0
Estate	22.0	25.4	30.0	25.0
Miscellaneous Taxes	55.7	61.7	73.0	73.0
TOTAL	$12,495.2	$12,762.3	$13,271.5	$13,626.2

Taking into account the provisions of 2009 Wisconsin Act 2, and the impact of the Federal SCHIP legislation on State taxes for tobacco products, the total amount of projected General Fund tax collections for the 2008-09 fiscal year is $12.526 billion, or $30 million more than the projections from LFB in January 2009.

The January 29, 2009 LFB memorandum also identified potential shortfalls for the State's medical assistance program, the Department of Children and Families, and the Department of Corrections. Provisions of 2009 Wisconsin Act 2 addressed many of these potential shortfalls.

A complete copy of the January 29, 2008 LFB memorandum is included on pages B-8 through B-23 of this Official Statement.

State Budget; Budget for 2009-11 Biennium (Part II – Page 31). Update with the following information.

Executive Budget

Governor Doyle's executive budget for the 2009-10 and 2010-11 fiscal years was introduced on February 17, 2009 (2009 Assembly Bill 75). The following estimated General Fund condition statement for the 2009-10 and 2010-11 fiscal years is based on the governor's executive budget.

Estimated General Fund Condition Statement
2009-10 and 2010-11 Fiscal Years
(In millions)

	Governor's Executive Budget 2009-10 Fiscal Year	Governor's Executive Budget 2010-11 Fiscal Year
Revenues		
Opening Balance	$ 216.1	$ 236.2
Taxes	12,845.2	13,376.5
Department Revenues		
Tribal Gaming	26.6	31.3
Other	561.6	572.7
Total Available	13,649.4	14,216.7
Appropriations		
Gross Appropriations	13,702.0	14,230.3
Compensation Reserves	47.3	96.0
Less: Lapses	(336.0)	(378.2)
Net Appropriations	13,413.2	13,948.0
Balances		
Gross Balance	236.2	268.7
Less: Required Statutory Balance	(65.0)	(130.0)
Net Balance, June 30	$ 171.2	$ 138.7

Detailed tables containing additional information on the governor's executive budget for the 2009-10 and 2010-11 fiscal years can be found on pages B-6 and B-7. In addition, information 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

LFB January 29, 2009 Memorandum (Updated February 11, 2009)

The January 29, 2009 LFB memorandum also included General Fund tax collection projections for the 2009-11 biennium, namely, $12.208 billion for the 2009-10 fiscal year and $12.757 billion for the 2010-11 fiscal year. These projections are $60.1 million and $15.2 million lower, respectively, than the General Fund tax revenue projections provided by DOR on November 20, 2008. These projections also reflect an annual change of negative 2.3% in the first year and an annual change of 4.5% in the second year.

Taking into account the provisions of 2009 Wisconsin Act 2, and the impact of the Federal SCHIP legislation on State taxes for tobacco products, the total amount of projected General Fund tax collections in the 2009-11 biennium are projected to increase by approximately $203 million compared to the projections from LFB in January 2009.

State Budget; Potential Effect of Litigation; Litigation Regarding Transfer from Injured Patients and Family Compensation Fund (Part II; Pages 34). Update with the following information:

On December 19, 2008, the Dane County Circuit Court granted the State's motion for summary judgment, thus dismissing this case. On March 17, 2009, the Wisconsin Medical Society, Inc. filed an appeal of the dismissal with a Wisconsin court of appeals.

Table II-5; State Budget—General Fund (Part II–Page 32). Update with the following:

State Budget--General Fund

	Actual 2007-08[a]	Budget 2008-09 (Budget Repair Bill-2009 Wisconsin Act 2)	Governor's Executive Budget 2009-10	Governor's Executive Budget 2010-11
RECEIPTS				
Fund Balance from Prior Year	$ 66,288,000	$ 130,696,000	$ 216,100,000 [b]	$ 236,241,000
Tax Revenue				
State Taxes Deposited to General Fund				
Individual Income	6,713,681,000	6,585,000,000	6,613,200,000	6,833,900,000
General Sales and Use	4,268,045,000	4,034,400,000	4,010,800,000	4,265,200,000
Corporate Franchise and Income	837,807,000	677,700,000	860,400,000	902,000,000
Public Utility	297,460,000	327,000,000	331,000,000	340,000,000
Excise				
Cigarette/Tobacco Products	485,469,000	599,800,000	744,000,000 [c]	744,600,000 [c]
Liquor and Wine	45,166,000	44,000,000	45,800,000	47,600,000
Malt Beverage	9,624,000	10,000,000	10,000,000	10,000,000
Inheritance, Estate & Gift	158,789,000	22,000,000	0 [d]	0 [d]
Insurance Company	156,606,000	170,000,000	178,500,000	180,000,000
Other	92,712,000	55,700,000	51,500,000	53,200,000
Subtotal	13,065,359,000	12,525,600,000	12,845,200,000	13,376,500,000
Nontax Revenue				
Departmental Revenue				
Tribal Gaming Revenues[e]	n/a	93,922,200	26,600,000	31,300,000
Other	311,464,000	570,367,400	561,600,000	572,700,000
Program Revenue-Federal	6,803,292,000	6,440,565,100	8,933,517,900	8,102,286,900
Program Revenue-Other	3,817,723,000	4,138,705,400	4,353,141,600	4,454,910,700
Subtotal	10,932,479,000	11,243,560,100	13,874,859,500	13,161,197,600
Total Available	$ 24,064,126,000	$ 23,899,856,100	$ 26,936,159,500	$ 26,773,938,600
DISBURSEMENTS AND RESERVES				
Commerce	$ 240,689,000	297,356,200	$ 351,614,600	$ 399,711,500
Education	10,853,809,000	11,206,194,400	11,630,171,100	11,821,298,800
Environmental Resources	321,892,000	352,393,100	345,510,400	339,192,100
Human Relations and Resources	9,645,679,000	9,281,574,700	10,333,937,800	10,522,546,600
General Executive	802,326,000	1,127,630,700	1,100,545,100	1,067,736,900
Judicial	126,563,000	128,761,600	136,182,700	136,567,600
Legislative	65,047,000	71,588,000	74,488,200	74,527,900
General Appropriations	2,047,768,000	2,188,558,500	3,016,168,600	2,425,873,400
Subtotal	24,103,773,000	24,654,057,200	26,988,618,500	26,787,454,800
Less: (Lapses)	n/a	(416,490,000)	(336,000,000)	(378,200,000)
Compensation Reserves	n/a	132,617,900	47,300,000	96,000,000
Required Statutory Balance	n/a	0	65,000,000	130,000,000
Biennial Appropriation Adjustment	n/a	(34,777,000)	n/a	n/a
Sum Sufficient Reesitmates	n/a	(18,640,600)	n/a	n/a
Changes in Continuing Balance	(197,777,000)	n/a	n/a	n/a
Total Disbursements & Reserves	$ 23,905,996,000	$ 24,316,767,500	$ 26,764,918,500	$ 26,635,254,800
Fund Balance	$ 158,130,000	$ (416,911,400)	$ 171,241,000	$ 138,683,800
Undesignated Balance	$ 130,696,000	$ (416,911,400)	$ 236,241,000	$ 268,683,800

(a) The amounts shown are unaudited, rounded to the nearest thousand dollars and are based on statutorily required accounting and not on GAAP.

(b) The change from the fiscal year 2008-09 budget ending balance is principally related to, upon enactment of the executive budget for the 2009-11 biennium, as introduced, the application of $597 million of federal stimulus monies to fiscal year 2008-09 Medicaid and education expenditures.

(c) Reflects an increase in the cigarette tax of $.75 per pack and increases in the moist snuff and tobacco products taxes.

(d) State estate taxes are based on the federal credit under federal law, for deaths occurring on or after January 1, 2008 the State estate tax has been eliminated.

(e) Tribal gaming revenues are budgeted separately; however, when the payments are received by the State, they are not specifically reported but rather included within the category entitled "Nontax Revenue - Departmental Revenue".

Sources: Legislative Fiscal Bureau and Department of Administration

Table II-6; State Budget—All Funds (Part II–Page 33). Update with the following:

State Budget -- All Funds[(a)]

	Actual 2007-08[(b)]	Budget 2008-09 (Budget Repair Bill 2009 Wisconsin Act 2)	Governor's Executive Budget 2009-10	Governor's Executive Budget 2010-11
RECEIPTS				
Fund Balance from Prior Year	$ 66,288,000	$ 130,696,000	$ 216,100,000 [(c)]	$ 236,241,000
Tax Revenue				
Individual Income	6,713,681,000	6,585,000,000	6,613,200,000	6,833,900,000
General Sales and Use	4,268,045,000	4,034,400,000	4,010,800,000	4,265,200,000
Corporate Franchise and Income	837,807,000	677,700,000	860,400,000	902,000,000
Public Utility	297,460,000	327,000,000	331,000,000	340,000,000
Excise				
Cigarette/Tobacco Products	485,469,000	599,800,000	744,000,000 [(d)]	744,600,000 [(d)]
Liquor and Wine	45,166,000	44,000,000	45,800,000	47,600,000
Malt Beverage	9,624,000	10,000,000	10,000,000	10,000,000
Inheritance, Estate & Gift	158,789,000	22,000,000	0 [(e)]	0 [(e)]
Insurance Company	156,606,000	170,000,000	178,500,000	180,000,000
Other	1,289,677,000 [(f)]	55,700,000 [(f)]	51,500,000 [(f)]	53,200,000 [(f)]
Subtotal	14,262,324,000	12,525,600,000	12,845,200,000	13,376,500,000
Nontax Revenue				
Departmental Revenue				
Tribal Gaming Revenues[(g)]	n/a	93,922,200	26,600,000	31,300,000
Other	311,464,000	570,367,400	561,600,000	572,700,000
Total Federal Aids	6,803,292,000	7,268,089,200	10,049,729,000	8,936,329,200
Total Program Revenue	3,817,723,000	4,138,705,400	4,353,141,600	4,454,910,700
Total Segregated Funds	1,261,672,000	3,388,539,700	3,474,629,400	3,523,046,300
Bond Authority	524,289,000	585,740,000	497,315,000 [(h)]	461,800,000 [(h)]
Employee Benefit Contributions [(i)]	(1,685,342,000) [(j)]	9,173,493,000	10,720,000,000	10,936,000,000
Subtotal	11,033,098,000	25,218,856,900	29,683,015,000	28,916,086,200
Total Available	$ 25,361,710,000	$ 37,875,152,900	$ 42,744,315,000	$ 42,528,827,200
DISBURSEMENTS AND RESERVES				
Commerce	$ 379,999,000	$ 477,782,700	$ 537,769,200	$ 602,598,200
Education	11,306,059,000	11,286,360,500	11,754,158,200	11,947,211,000
Environmental Resources	3,495,714,000	3,368,179,800	3,650,976,100	3,422,778,700
Human Relations and Resources	11,057,911,000	9,867,185,400	10,982,821,800	11,184,506,500
General Executive	6,968,877,000	1,281,122,700	1,236,706,900	1,186,845,500
Judicial	126,899,000	129,517,400	136,950,800	137,335,700
Legislative	65,047,000	71,588,000	74,488,200	74,527,900
General Appropriations	2,898,716,000	2,388,384,500	3,205,587,800	2,588,739,900
General Obligation Bond Program	502,966,000	585,740,000	497,315,000 [(h)]	461,800,000 [(h)]
Employee Benefit Payments [(i)]	5,695,344,000	5,977,452,000	6,067,000,000	6,663,000,000
Reserve for Employee Benefit Payments [(i)]	(7,380,686,000)	3,196,041,000	4,653,000,000	4,273,000,000
Subtotal	35,116,846,000	38,629,354,000	42,796,774,000	42,542,343,400
Less: (Lapses)	n/a	(416,490,000)	(336,000,000)	(378,200,000)
Compensation Reserves	n/a	132,617,900	47,300,000	96,000,000
Required Statutory Balance	n/a	0	65,000,000	130,000,000
Biennial Appropriation Adjustment	n/a	(34,777,000)	n/a	n/a
Sum Sufficient Reesitmates	n/a	(18,640,600)	n/a	n/a
Change in Continuing Balance	(9,913,266,000)	n/a	n/a	n/a
Total Disbursements & Reserves	$ 25,203,580,000	$ 38,292,064,300	$ 42,573,074,000	$ 42,390,143,400
Fund Balance	$ 158,130,000	$ (416,911,400)	$ 171,241,000	$ 138,683,800
Undesignated Balance	$ 130,696,000	$ (416,911,400)	$ 236,241,000	$ 268,683,800

(a) The all-funds budget assumes that certain categories of revenues are expended in like amounts. This includes federal funds, revenues paid into specific funds (other than the General Fund) for a specified program or purpose or which are credited to an appropriation to finance a specific program or agency, and proceeds of general obligation debt. In any given fiscal year, there may be a balance at year-end in the funds, specific program, or agency.

(b) The amounts shown are unaudited, rounded to the nearest thousand dollars and are based on statutorily required accounting and not on GAAP.

(c) The change from the fiscal year 2008-09 budget ending balance is principally related to, upon enactment of the executive budget for the 2009-11 biennium, as introduced, the application of $597 million of federal stimulus monies to fiscal year 2008-09 Medicaid and education expenditures.

(d) Reflects an increase in the cigarette tax of $.75 per pack and increases in the moist snuff and tobacco products taxes.

(e) State estate taxes are based on the federal credit under federal law, for deaths occurring on or after January 1, 2008 the State estate tax has been eliminated.

(f) The budgeted amounts do not include taxes collected for segregated funds. The largest such tax is the motor fuel tax. The State collected approximately $1.0 billion of motor fuel taxes in the 2007-08 fiscal year.

(g) Tribal gaming revenues are budgeted separately; however, when the payments are received by State, they are not specifically reported but rather included within the category entitled "Nontax Revenue - Departmental Revenue".

(h) Does not include the capital budget for the 2009-11 biennium.

(i) State law separates the accounting of employee benefits from the budget. They are included for purposes of comparability to the figures presented in this table and Tables II-1 and II-2 of Part II of the 2008 Annual Report.

(j) The amount includes employee benefit contributions reduced by net investment losses of $4.7 billion.

Sources: Legislative Fiscal Bureau and Department of Administration

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

January 29, 2009

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

Dear Senator Miller and Representative Pocan:

Annually, this office prepares general fund revenue and expenditure projections for the Legislature prior to commencement of legislative deliberations on the state's budget.

In the odd-numbered years, our report includes estimated revenues and expenditures for the current fiscal year and tax collection projections for each year of the next biennium. This report presents the conclusions of our analysis.

Comparison With the Administration's November 20, 2008, Report

General Fund Tax Collection Projections

On November 20, 2008, the Departments of Administration and Revenue submitted a report to the Governor and Legislature that identified revenue projections for the 2008-09 fiscal year and the 2009-11 biennium. That report, required by statute, is provided to inform the Governor and Legislature of the magnitude of state agency biennial budget requests and present a projection of general fund tax collections.

Due to the decline in economic indicators since November, our analysis indicates that for the three-year period, aggregate, general fund tax collections will be $342.4 million less than those reflected in the November 20 report.

Compared to the November 20 report, tax collections are projected to be $267.1 million lower in 2008-09, $60.1 million lower in 2009-10, and $15.2 million lower in 2010-11. The primary reason for the $342.4 million reduction is due to lower corporate income tax collections of $322.3 million over the three-year period.

2008-09 General Fund Condition Statement

The administration's November 20 report also includes a general fund balance for the 2008-09 fiscal year. That statement shows a gross ending balance (June 30, 2009) of -$281.2 million and a net balance (after consideration of the $65.0 million required statutory balance) of -$346.2 million.

Our analysis indicates a general fund gross balance of -$528.8 million and a net balance of -$593.8 million. This is $247.6 million below that shown in the November 20 report. The 2008-09 general fund condition statement is shown in Table 1.

TABLE 1

Estimated 2008-09 General Fund Condition Statement

	2008-09
Revenues	
Opening Balance, July 1	$130,696,000
Taxes	12,495,200,000
Departmental Revenues	
Tribal Gaming	93,922,200
Other	532,323,000
Total Available	$13,252,141,200
Appropriations	
Gross Appropriations	$14,117,942,500
Compensation Reserves	132,617,900
Biennial Appropriation Adjustment	-34,777,000
Sum Sufficient Reestimates	-18,340,600
Less Lapses	-416,490,000
Net Appropriations	$13,780,952,800
Balances	
Gross Balance	-$528,811,600
Less Required Statutory Balance	-65,000,000
Net Balance, June 30	-$593,811,600

The factors that cause the $247.6 million difference between the two reports follow.

First, our tax collection estimates for 2008-09 are $267.1 million below those of the November 20 report. Second, the departmental revenues (nontax receipts deposited in the general fund) of this report are $6.3 million less than those of November 20. Third, estimated lapses are

$3.8 million less than those of the administration. Finally, these reductions are partially offset by a decrease in estimated sum sufficient appropriation expenditures of $29.6 million.

2008-09 Appropriation Shortfalls

There are some programs which are facing potential shortfalls in the 2008-09 fiscal year.

Medical Assistance. It is currently estimated that the costs of funding the state's share of medical assistance (MA) and BadgerCare Plus benefits will exceed amounts available for these programs by $133.0 million. This is due to an increase in projected costs of $53.5 million and a decision to require a lapse of $79.5 million from the MA appropriation under the 2007-09 budget and budget adjustment acts. To partially address this shortfall, the Department of Health Services (DHS) indicates that it plans to lapse $15.0 million from the MA trust fund and seek legislative approval to fully expend the rest of the projected uncommitted revenue in the segregated MA trust fund ($31.8 million). In addition, DHS intends to delay $22.0 million of 2008-09 MA payments to 2009-10. After these two actions, the remaining shortfall is projected to be $64.2 million. It should be noted that funding for the MA program in 2008-09 assumes that $309 million from a tobacco securitization transaction will be placed in the MA trust fund. That transaction is anticipated in 2008-09 but has not yet occurred.

Department of Children and Families (DCF). The Department has identified a potential shortfall of $40.1 million in three areas. DCF expects expenditures for direct child care services under the Wisconsin Shares program, including child care subsidies, local administration, on-site child care at job centers and counties, and migrant child care, to exceed the amount of funding budgeted by $20.4 million in 2008-09. The Department has applied for federal temporary assistance for needy families (TANF) contingency funds which, if received, would offset some or all of this shortfall. Second, DCF anticipates expenditures for child welfare services in Milwaukee County will exceed the amount of funding budgeted for that purpose by $5.0 million in 2008-09. Finally, when the federal TANF program replaced the former aid to families with dependent children (AFDC) program in 1996, there was some confusion as to what states should do with the AFDC overpayment recoveries collected. After conflicting guidance, the Administration for Children and Families, in the U.S. Department of Health and Human Services, indicated that states must pay the federal share of AFDC overpayment recoveries. Although the state appealed this decision, it was determined that the state owed $10.7 million, with an additional $4.0 million in interest, for a total of $14.7 million. It is possible that this debt may be repaid over a period of time, such that only a portion of the debt would be repaid in 2008-09.

Corrections. The Department of Corrections has identified a potential 2008-09 shortfall of $21.0 million. During the course of the biennium, the Department has been subject to a $24.7 million lapse requirement and now believes that it may not have sufficient funding for the remainder of the fiscal year.

Public Defender. Under the overall lapse requirements of 2007 Acts 20 and 226, $4.6 million is scheduled to be taken from the appropriations of the Public Defender. Because of that, and increased caseloads, the Office now indicates that it faces an estimated shortfall in 2008-09 of $5.9 million, primarily in the private bar appropriation.

In the November 20, 2008, report, DOA Secretary Morgan indicated that the Governor will be developing legislation to address the fiscal year 2008-09 deficit for introduction in 2009. The shortfalls mentioned above will likely be addressed by that legislation, potential receipt of federal economic stimulus funds, or modifications in lapse requirements.

General Fund Tax Revenues

The following sections present information related to general fund tax revenues for 2008-09 and the 2009-11 biennium. The information provided includes a review of the economy in 2008, a summary of the national economic forecast for 2009 through 2011, and detailed general fund tax revenue projections for the current fiscal year and next biennium.

Review of the National Economy in 2008

The U.S. economy experienced a series of dramatic events in 2008, most stemming from what has been characterized as a global financial crisis. By year-end, the cumulative impact of those events was evident in slower economic activity, rising unemployment, and sharply lower projections for near-term U.S. economic growth.

Last February, this office prepared general fund revenue estimates for the 2007-09 biennium based on the February, 2008, forecast of the U.S. economy prepared by IHS Global Insight, Inc. (Global Insight). At that time, Global Insight stated that the U.S. economy had entered a recessionary phase and that real (inflation-adjusted) gross domestic product (GDP) would contract at annualized rates of 0.4% and 0.5%, respectively, during the first two quarters of 2008. In that forecast, Global Insight identified several factors it believed were negatively impacting U.S. economic growth. Those factors included falling residential construction activity and housing prices, a weak labor market that was constraining consumer spending, and tight credit market conditions exacerbated by the write-offs (and the associated downward pressure on capital reserves) banks and other financial companies were taking in connection with their holdings of mortgage-backed securities. Despite these pressures, positive economic growth was expected to resume in the second half of 2008, fueled by lower interest rates and strong growth in exports. Global Insight also believed the economy would be boosted by the Economic Stimulus Act of 2008, a two-year $168 billion federal stimulus package enacted in February, 2008, that for fiscal year 2008 included $107 billion in personal tax rebates and $45 billion in business tax incentives in the form of enhanced expensing and bonus depreciation. On balance, Global Insight's February, 2008, forecast called for full-year real GDP growth of 1.4% in 2008 and 2.2% in 2009.

Actual U.S. economic growth in the first half of the year exceeded Global Insight's February, 2008, projections, with real GDP increasing at annualized rates of 0.9% in the first quarter and 2.8% in the second quarter. Despite this better-than-expected growth, several concerns led Global Insight at mid-year to lower its economic projections for late 2008 and 2009.

One of those concerns was the rapid increase in world commodity prices that occurred in the first half of 2008. In early July, the price of crude oil, as measured by West Texas Intermediate (WTI) spot prices, exceeded $140 a barrel, more than double its year-earlier level. Global Insight believed the inflationary impact of rising oil, gasoline, food, and other commodity prices would result in a reduction in real disposable income during the second half of 2008, and an associated decline in real consumer spending in late 2008 and early 2009.

Another concern was the continued economic drag caused by the U.S. residential housing market. In February, 2008, Global Insight had estimated that declining investment in the residential sector would subtract from real GDP growth in 2008, but that a gradual recovery would enable that sector to positively contribute to real GDP growth in 2009. As 2008 advanced, an accelerating decline in housing prices, and weak new home sales and housing starts, prompted Global Insight to push the anticipated recovery in the housing sector to late 2009 and beyond.

A third concern was the tightening conditions in world credit markets. Continuing a process that began in 2007, banks and other financial companies in the U.S. and abroad announced large losses on their holdings of mortgage-backed securities as the underlying mortgage loans experienced relatively high rates of delinquency and default. The losses on these and other assets, coupled with increasing loan loss reserves, impaired banks' capital and constrained their capacity and willingness to lend money.

The world financial crisis deepened in the second half of 2008 as several of the nation's largest financial institutions, including Lehman Brothers, Washington Mutual, IndyMac Bancorp, Fannie Mae and Freddie Mac, American International Group (AIG), and Citigroup either filed for bankruptcy, were placed into some form of government receivership or conservatorship, or required substantial assistance from the federal government. These events, combined with the ongoing write-down of asset values, sharply falling stock prices (by mid-November, the S&P 500 had declined by roughly 50% from its year-earlier high), and weakening economic conditions, led to a further contraction in the availability of credit. Describing financial market conditions in its October, 2008, forecast, Global Insight stated that the interbank lending market was not functioning, and that the "seizing up" of credit was working its way into the broader economy as "consumers, businesses, and state and local governments find it harder or impossible to obtain credit - and cut back on spending, investment, and hiring as a result."

Responding to these forces, economic activity slowed in the second half of 2008, with real GDP contracting at an annualized rate of 0.5% in the year's third quarter. Global Insight's most recent forecast (January, 2009), discussed in more detail below, estimates that real GDP fell at an annualized rate of 5.6% in the final quarter of 2008, which would be the largest quarterly contraction in real GDP since the first quarter of 1982.

Employment also fell at an accelerating pace through 2008, with job losses averaging 483,500 a month in the year's last four months according to the U.S. Bureau of Labor Statistics' December, 2008, jobs report. For 2008 as a whole, total non-farm payroll employment in the U.S. declined by 2.6 million, and the unemployment rate increased from 5.0% at the beginning of the year to 7.2% in December. Other measures of U.S. economic activity such as industrial production and business investment also fell during the second half of 2008.

In the U.S., the federal legislative response to the world financial crisis included the aforementioned Economic Stimulus Act of 2008, the Housing and Economic Recovery Act of 2008, and perhaps most notably, the troubled asset relief program (TARP). Enacted into law on October 3, 2008, as part of the Emergency Economic Stabilization Act of 2008, the initial stated intent of the $700 billion TARP was to purchase troubled assets (such as mortgage-backed securities) from financial institutions in order to restore liquidity and stability to the financial system. The legislation created an Office of Financial Stability in the Department of the Treasury authorized to immediately expend $250 billion, with an additional $100 billion available with presidential approval. With respect to the remaining $350 billion, the President was required to submit a written request to Congress seeking the release of those funds. Under the legislation, that release would be authorized unless, within 15 days of receiving the President's request, both houses of Congress passed a joint resolution of disapproval.

Shortly after TARP was enacted, the U.S. Treasury shifted the program's focus away from purchasing troubled assets and toward making direct capital infusions into financial institutions (in exchange for preferred shares and warrants from those institutions) through a "Capital Purchase Program." By year-end 2008, it appeared that through this Capital Purchase Program, other bank capitalization efforts, large commitments to AIG and Citigroup, and assistance to the domestic automotive industry in the form of bridge loans to General Motors and Chrysler and a $5 billion equity investment in GMAC, all or virtually all of the initial $350 billion in TARP financing had been allocated. On January 15, 2009, the Senate effectively authorized the release of the remaining $350 billion by voting down a proposed joint resolution disapproving the President's request for the funds.

The U.S. Federal Reserve responded to the crisis by initiating a series of "facilities" such as the Term Auction Facility, the Term Securities Lending Facility, the Term Asset-Backed Securities Loan Facility, the Commercial Paper Facility, the Money Market Investor Funding Facility, and the Primary Dealer Credit Facility, all of which are intended to promote liquidity and increase access to credit. Similarly, under a mortgage-backed securities purchase program designed to reduce the cost and increase the availability of credit for the purchase of homes, the Federal Reserve plans to purchase up to $500 billion of securities guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae by the end of the second quarter of 2009.

The Federal Reserve also cut several key interest rates. In September, 2007, the Federal Open Market Committee (FOMC) lowered its target range for the federal funds rate (the rate at which banks lend balances at the federal reserve to other banks overnight) by 50 basis points to 4.75%. Through the rest of 2007 and through 2008, the FOMC continued to lower the federal funds rate, culminating in a 75 to 100 basis point reduction in December, 2008, that took the rate's target range to an all-time low of 0.0% to 0.25%. During that same period, the Federal Reserve also lowered its discount rate (the rate at which banks can borrow money from their regional federal reserve bank's discount window) by a comparable amount, to 0.5%.

Other U.S. policy responses to the crisis have included case-by-case interventions, such as the Federal Reserve's actions to facilitate JP Morgan Chase's acquisition of Bear Stearns in March, 2008, and the Federal Deposit Insurance Corporation's (FDIC) increase of the basic limit on federal deposit insurance coverage from $100,000 to $250,000.

Like the U.S. Federal Reserve, the Bank of England, the European Central Bank, and central banks in China, Japan, and Canada, among others, lowered interest rates in the second half of 2008. Further mirroring the U.S. response, foreign governments also sought to restore liquidity and improve the flow of credit in their economies. Those efforts included increased deposit insurance limits, fiscal stimulus programs, and direct government investment/intervention in domestic banking sectors. Additional monetary and fiscal-stimulus initiatives are expected in 2009 as economies in Japan, Canada, and the Eurozone contract and as growth in many of the world's other economies slows relative to the experience of recent years.

National Economic Forecast

As 2009 begins, Global Insight believes the current U.S. recession (which according to the National Bureau of Economic Research began in December, 2007) is likely to prove among the longest and deepest of the postwar era. In its January, 2009, forecast, however, Global Insight expects economic conditions to begin stabilizing in the second half of 2009 and to move toward recovery in 2010. Several key assumptions underlie that forecast. First, there will be a new federal fiscal stimulus package, comprised of a mix of infrastructure spending, support for state and local governments, increased transfer payments, and tax cuts. Second, the remaining $350 billion in TARP funds will be used primarily to purchase troubled assets and to fund a foreclosure prevention program. Third, oil prices will average $34 a barrel in 2009 before resuming a multi-year climb back to $77 a barrel in 2011. Fourth, the Federal Reserve will keep the target federal funds rate at or near 0.0% for all of 2009, and will only begin to tighten in the first quarter of 2010. Fifth, after appreciating in the second half of 2008 in a "flight from risk", the U.S. dollar will remain relatively constant against other major currencies in 2009, and depreciate modestly during the ensuing several years. Sixth, foreign economic growth is weakening rapidly and will remain weak through 2009, with full-year real GDP falling in Canada, Japan, the Eurozone, and Mexico. Finally, real defense expenditures will continue to grow in 2009 (+4.0%), but at a slower rate than in 2008 (+7.1%). These assumptions are reflected in the following economic indicators taken from Global Insight's January, 2009, forecast.

Real GDP. After growing by 2.0% in 2007, real GDP growth is believed to have slowed to 1.2% in 2008, marked by a pronounced slowdown in the second half of the year. Negative economic growth is expected to continue in the first two quarters of 2009, with real GDP contracting at annualized rates of 5.4% and 1.8%, respectively, before stabilization and recovery begins in late 2009 and 2010. For full-year 2009, real GDP is expected to fall by 2.5%. In 2010 and 2011, Global Insight believes real GDP will grow by 2.2% and 3.2%, respectively.

Consumer Prices. Consumer prices increased 3.8% in 2008. That full-year rate, however, masks a dramatic mid-year reversal coinciding with the collapse in world energy and other commodity prices. After rising above $140 a barrel in early July, WTI spot prices fell approximately 70% to close the year near $40 a barrel. The national average retail price of gasoline (including taxes) followed a similar track, ending the year near $1.60 a gallon, compared to more than $4.00 a gallon in the summer of 2008. These trends are expected to continue in the near term, with oil prices averaging approximately $34 a barrel in 2009. For full-year 2009, overall consumer prices are expected to fall 2.2%, with the less volatile "core" prices (consumer prices excluding food and energy) rising 1.0%. A return of moderate consumer price inflation is anticipated in 2010 (overall consumer prices up 2.4%, core inflation of 1.4%), and 2011 (overall consumer prices up 3.4%, core inflation of 2.0%).

Personal Consumption Expenditures. In 2008, nominal (current-dollar) consumer spending increased by an estimated 3.7%. However, purchases of several items not subject to the state sales tax, such as food for home consumption (+6.7%), gasoline and oil (+12.1%), heating fuel (+13.6%), and services (+4.7%) increased at a faster rate than did personal consumption expenditures as a whole. Conversely, purchases of consumer durable goods, which are generally subject to the state sales tax, fell by 5.5% in 2008, including a 14.0% decline in the sale of motor vehicles and parts.

Looking forward, consumer spending is expected to get some support from the anticipated federal stimulus package and lower energy prices. More than offsetting those positives, however, at least in the near term, will be increased levels of unemployment and more conservative spending patterns as consumers adjust to the negative wealth effects of lower housing values and lower stock prices (the real net worth of U.S. households declined by an estimated 17.4% in 2008). Light vehicle sales are expected to be particularly weak in 2009, totaling 10.3 million vehicles. That projected sales total would represent a 21.2% decline from the 2008 figure and would be about 40% less than the number of light vehicles sold in 2000. For full-year 2009, total personal consumption expenditures are expected to fall 2.1%. According to Global Insight, this would be the first year-over-year decline in nominal consumption since 1938. A rebound, reflecting the anticipated improvement in general economic conditions, is forecast for 2010 (+4.2%) and 2011 (+5.0%). Sales of items that are generally subject to the sales tax are expected to decrease by 5.2% in 2009 and then increase by 3.9% in 2010 and 5.2% in 2011.

Employment. Total U.S. employment, as measured by non-farm payrolls, fell by 2.6 million in 2008. The great majority of those losses (1.9 million) occurred in the last four months of the year. The nation's unemployment rate also increased in 2008, from 5.0% in January to 7.2% in

December. Particular areas of employment weakness in 2008 were the construction (-8.5%) and manufacturing (-5.7%) sectors. Weakness in those two sectors is expected to continue in 2009, with employment in the construction industry falling 9.3%, and manufacturing employment falling 9.0%. The few areas of relative strength in 2009 are expected to include educational services (+4.3%) and health care (+3.4%).

Overall, Global Insight expects the U.S. unemployment rate to rise to 8.5% in 2009 and to 9.1% in 2010, before receding to 8.5% in 2011. Total employment is projected to decline by nearly five million jobs, peak to trough (fourth quarter 2007 to fourth quarter 2009), before job growth resumes in early 2010. Total U.S. nonfarm payrolls are not expected to return to their fourth quarter 2007 level, however, until 2012.

Housing Starts and Housing Prices. U.S. housing starts are estimated to have totaled 906,000 units in 2008, down over 30% from 2007. In the near-term, residential housing construction activity is expected to contract further, with total housing starts of 604,000 units in 2009. That total would represent a decline of more than 70% from the total number of housing starts that occurred in 2005. Global Insight believes residential housing construction activity will rebound in 2010, driven by an improving economy and reduced inventories of new houses. Total housing starts are expected to be 976,000 units in 2010 and 1,339,000 units in 2011.

According to the Federal Housing Finance Agency (FHFA), average U.S. housing prices fell 7.5% during the 12-month period ending in October, 2008, and are down 8.8% from their peak in April, 2007. Other housing price indices indicate much larger price declines. For instance, as of October, 2008, the S&P Case-Shiller 20-city composite index is down 23.4% from what it views as the mid-2006 price peak. Due to high inventory levels of unsold homes and rising foreclosure rates, Global Insight expects the median price of an existing home to continue falling in 2009 (-11.7%) and 2010 (-4.4%), before recovering modestly in 2011 (+3.8%).

Personal Income. After rising by annual rates of between 5.6% and 7.1% in the preceding four years, personal income is estimated to have grown by 3.8% in 2008, as rising unemployment and deteriorating economic conditions constrained income growth. For 2009, personal income is expected to increase by only 0.8%, with real disposable income increasing by a healthier 3.3% due largely to falling consumer prices. In 2010 and 2011, personal income is projected to increase by 2.5% and 4.5%, respectively. Inflation's return in 2010, however, will limit the growth in real disposable income during those years to 0.5% and 1.1%, respectively.

Exports. Exports contributed to U.S. economic growth in 2008, increasing by an estimated 12.8% in nominal terms. Export growth was particularly strong in the first half of the year, aided by a weaker U.S. dollar and economic growth overseas. In its most recent forecast, Global Insight expects U.S. exports to decline in 2009 (-11.7%) as foreign demand falls in the face of a worldwide recession. The U.S. trade deficit, however, is expected to improve in 2009, from $666 billion to $280 billion, as the dollar value of oil imports declines by more than $300 billion due to lower crude oil prices. After remaining flat in 2010, exports are expected to increase by 9.8% in 2011.

The trade deficit is projected to increase to $462 billion in 2010 and to $621 billion in 2011, as oil prices rise and the demand for imports by U.S. consumers increases in response to gradually improving economic conditions.

Corporate Profits. In 2008, pre-tax book profits are estimated to have fallen by 15.5%. Consistent with Global Insight's macroeconomic forecast, that measure of corporate profitability is expected to decline again in 2009 (-4.1%) before recovering in 2010 (+11.9%) and 2011 (+1.0%). Economic profits, which are not affected by federal tax law changes, are believed to have fallen 8.0% in 2008, and are expected to fall in 2009 (-9.8%). In subsequent years, economic profits are projected to increase in 2010 (+7.9%) and 2011 (+2.9%).

Business Investment. Global Insight estimates that business investment spending increased 3.1% in 2008. Continuing a trend of recent years, spending on nonresidential structures was strong in 2008, increasing by an estimated 14.8%. That trend is expected to reverse itself, as investment in nonresidential structures is projected to decline by 18.2% in 2009 and 16.2% in 2010. A slight recovery (+8.7%) is anticipated in 2011. Business spending on equipment and software (E&S) fell 2.3% in 2008, and will fall an additional 15.5% in 2009. This anticipated decrease in overall E&S spending in 2009 includes decreases of over 20% in spending on computers, industrial equipment, and transportation equipment. E&S spending is expected to recover in 2010 (+6.7%) and 2011 (+15.5%).

The economic indicators described above, and summarized in Table 2, reflect Global Insight's "baseline" forecast. Under a more pessimistic scenario, which Global Insight characterizes as a "very deep recession" and to which it assigns a 20% probability, the U.S. economy experiences a more severe economic downturn triggered by a deepening financial crisis, higher rates of unemployment, and greater rates of decline in housing starts and capital spending. In addition, the combined impact of falling asset values and negative economic growth causes consumers to retrench even further than is assumed under the baseline forecast. Real GDP under Global Insight's pessimistic scenario falls by 3.5% in 2009 before recovering slightly in 2010 (+0.8%) and 2011 (+2.7%). Under this scenario, the unemployment rate averages 8.8% in 2009, and 9.9% in 2010, and does not return to below 8.0% until late in 2015.

A more optimistic scenario, to which Global Insight also assigns a 20% probability, envisions a relatively less severe recession and a quicker recovery as the combination of fiscal and monetary stimulus succeeds in restoring the flow of credit in the economy. Under this scenario, real GDP contracts in 2009 by less than under the baseline forecast (-1.5% versus -2.5%) and the full-year unemployment rate in 2009 is 8.1% rather than 8.5%. Under this optimistic scenario, the U.S. economy also experiences a stronger recovery beginning in 2010, as measured by higher rates of real GDP growth (+3.4% in 2010 and +3.3% in 2011), and a gradually retreating unemployment rate (8.0% in 2010 and 7.3% in 2011).

Table 2 shows several national economic indicators drawn from Global Insight's January, 2009, U.S. Economic Outlook.

TABLE 2

Summary of National Economic Indicators
IHS Global Insight, Inc., Baseline Forecast, January, 2009
($ in Billions)

	2008	2009	2010	2011
Nominal Gross Domestic Product	$14,276.7	$14,081.2	$14,573.2	$15,278.5
Percent Change	3.4%	-1.4%	3.5%	4.8%
Real Gross Domestic Product	$11,657.7	$11,364.4	$11,616.8	$11,985.6
Percent Change	1.2%	-2.5%	2.2%	3.2%
Consumer Prices (Percent change)	3.8%	-2.2%	2.4%	3.4%
Personal Income	$12,108.9	$12,204.3	$12,513.8	$13,079.9
Percent Change	3.8%	0.8%	2.5%	4.5%
Personal Consumption Expenditures	$10,064.8	$9,857.4	$10,273.0	$10,782.0
Percent Change	3.7%	-2.1%	4.2%	5.0%
Economic Profits	$1,511.1	$1,362.4	$1,469.7	$1,512.6
Percent Change	-8.0%	-9.8%	7.9%	2.9%
Unemployment Rate	5.8%	8.5%	9.1%	8.5%
Light Vehicle Sales (millions)	13.1	10.3	12.5	14.5
Percent Change	-18.8%	-21.2%	21.5%	15.8%
Housing Starts (millions)	0.91	0.60	0.98	1.34
Percent Change	-32.4%	-33.3%	61.6%	37.2%
Exports	$1,875.0	$1,656.3	$1,655.0	$1,817.4
Percent Change	12.8%	-11.7%	- 0.1%	9.8%

General Fund Tax Collections

Table 3 shows revenue estimates for all general fund tax sources for the 2008-09 fiscal year and each year of the 2009-11 biennium. Over the three-year period, these estimates are $342.4 million lower than the Department of Revenue's November 20 projections (-$267.1 million in 2008-09, -$60.1 million in 2009-10, and -$15.2 million in 2010-11). The $342.4 million variance is a difference of 0.9%. The reduced estimates reflect more recent revenue collections data and a national economic forecast that is more pessimistic than the November forecast. Most of the decrease ($322.3 million over the three-year period) is in the corporate income tax. Smaller decreases are projected for the sales tax, real estate transfer fee, insurance company taxes, and the estate tax. Projected revenues from the individual income tax, public utility taxes, and excise taxes on alcohol and tobacco are slightly higher than DOR's November estimates. The estimates include the effects of all tax law changes enacted to date and the estimated impact of sales tax refunds associated with the Menasha Corporation lawsuit, which is discussed in more detail below.

TABLE 3

Projected General Fund Tax Collections (Millions)

	2007-09 Biennium		2009-11 Biennium	
	2007-08 Actual	2008-09 Estimated	2009-10 Estimated	2010-11 Estimated
Individual Income	$6,713.7	$6,585.0	$6,335.0	$6,600.0
Sales and Use	4,268.0	4,025.0	3,955.0	4,205.0
Corporate Income & Franchise	837.8	650.0	700.0	725.0
Public Utility	297.5	327.0	331.0	340.0
Excise				
Cigarettes	455.7	565.0	559.4	553.8
Liquor and Wine	45.2	44.0	45.8	47.6
Tobacco Products	29.8	41.5	42.0	42.5
Beer	9.6	10.0	10.0	10.0
Insurance Company	156.6	170.0	178.5	180.0
Estate	158.8	22.0	0.0	0.0
Miscellaneous Taxes	70.3	55.7	51.5	53.2
Total	$13,043.0	$12,495.2	$12,208.2	$12,757.1
Change from Prior Year		-$547.8	-$287.0	$548.9
Percent Change		-4.2%	-2.3%	4.5%

Individual Income Tax. Individual income tax revenues are estimated to total $6,585.0 million in 2008-09, which represents a 1.9% decrease relative to income tax collections in 2007-08 of $6,713.7 million. Individual income tax revenues are estimated at $6,335.0 million in 2009-10 and $6,600.0 million in 2010-11. These figures represent a decrease of 3.8% in the first year and an increase of 4.2% in the second year. The estimates are based on current collections data, the economic forecast, and assumptions about taxable personal income growth, as well as the effect of law changes.

The January, 2009, Global Insight forecast projects national personal income growth of 3.8% in 2008, 0.8% in 2009, and 2.5% in 2010. Wisconsin personal income has typically grown at a slower rate than national personal income in recent years, and it is anticipated that this trend will continue over the forecast period. Personal income, as measured by the U.S. Bureau of Economic

Analysis, does not include income from capital gains realizations. The tax revenue estimates include a significant downward adjustment in the amount of income tax paid on capital gains to reflect recent losses in asset markets.

The most significant law changes affecting the estimates are the 100% exemption from taxation for social security benefits and the deduction for medical insurance premiums paid by individuals whose employers provide partial health insurance coverage. These provisions were enacted in 2005 Wisconsin Act 25 (the 2005-07 biennial budget) and 2007 Wisconsin Act 20 (the 2007-09 biennial budget), respectively, and each first applied in tax year 2008. The full effect of the social security exemption will occur in 2008-09, but due to a four-year phase-in, the full effect of the medical insurance premium deduction will not occur until 2011-12. Other deductions and credits enacted in recent years will also have a downward impact on revenues.

In addition to the recent law changes, anticipated changes in individual income tax revenues are influenced by the effect of the annual indexing adjustments made to the sliding scale standard deduction and tax brackets. The indexing adjustments for a given year are based on the annual percentage change in the Consumer Price Index as of the month of August of the prior year. While the change in the index as of August, 2008, was considerably higher than in recent years, the change in the index as of August, 2009, is expected to be a reduction from the prior year. These changes will lower income tax collections for tax year 2009 (fiscal year 2009-10) but increase collections for tax year 2010 (fiscal year 2010-11). The indexing adjustment for tax year 2009 will be 5.3%, while the adjustment for tax year 2010 is projected to be -3.8%. The negative indexing adjustment in 2010 will reduce the standard deduction and narrow the tax brackets compared to 2009.

Sales and Use Tax. State sales and use tax revenues totaled $4,268.0 million in 2007-08 and are estimated at $4,025.0 million for 2008-09. The estimate for 2008-09 is a 5.7% decrease from the prior year. Sales tax revenues in the next biennium are estimated at $3,955.0 million in 2009-10 and $4,205.0 million in 2010-11. These estimates reflect a 1.7% reduction in 2009-10 and growth of 6.3% in 2010-11.

Sales tax collections through December, 2008, are 0.47% lower than the same period in 2007 (after adjusting for law changes and modifications to the year-end accrual process in 2007-08), which is higher than the annualized growth rate of -5.7% for the entire fiscal year. The projections reflect forecasts for growth in taxable personal consumption expenditures, modified to account for law changes that provided new sales tax exemptions. These estimates also account for the revenue loss due to the July, 2008, State Supreme Court decision in Wisconsin Department of Revenue v. Menasha Corporation, which expanded the types of computer software that are exempt from the sales tax. The fiscal effects of this decision reduce ongoing sales tax revenues by an estimated $28.3 million per year beginning in 2008-09. The Department of Revenue estimates additional revenue losses from anticipated sales tax refunds resulting from the decision of $21 million, $73 million, and $29 million in 2008-09, 2009-10, and 2010-11, respectively. These amounts are lower than previous estimates because the Department has received fewer claims for refunds than anticipated.

Corporate Income and Franchise Tax. Corporate income and franchise taxes are projected to decrease from $837.8 million in 2007-08 to $650.0 million in 2008-09. Collections are forecast to rebound somewhat to $700.0 million in 2009-10 and $725.0 million in 2010-11. The estimate for 2008-09 is a 22.4% decrease from the previous year. Growth rates of 7.7% and 3.6% are estimated for 2009-10 and 2010-11, respectively.

The estimate for 2008-09 reflects a substantial decline in year-to-date corporate income and franchise tax collections. After adjusting for accrual modifications at the end of 2007-08, through December, 2008, corporate income and franchise tax collections are almost 18% below 2007-08 amounts, and corporate earnings are not projected to improve during the remainder of the fiscal year.

During the forecast period, corporate collections will be affected by declining and then depressed consumer spending, higher inventory to sales ratios, and substantial cuts in capital investment. Under the forecast, real personal consumption expenditures decrease 0.9% in 2009, then increase 2.3% in 2010. In contrast, real personal consumption expenditures grew at least 2.8% each year from 2003 through 2007. Real nonresidential fixed investment is forecast to decrease 15.1% in 2009 and 0.3% in 2010. Exports, which were a prominent source of corporate earnings in recent years, are projected to drop sharply in 2009 before flattening out, due to the global nature of the recession. The forecast projects real exports to decline 7.0% in 2009 and 0.9% in 2010. Business costs are not expected to be able to be cut enough to offset the decline in demand. In addition, the substantial decline in demand reduces the pricing power of firms. As a result, corporate economic profits are forecast to decline 9.8% in 2009 and then to increase 7.9% in 2010, and 2.9% in 2011. Aggregate economic profits in 2011 will be at essentially the same level as in 2008.

The corporate income and franchise tax estimates have been adjusted to reflect a number of tax law changes that will take effect during the forecast period, such as the medical records tax credit and the treatment of related entity rent and interest expenses.

Public Utility Taxes. Public utility taxes are estimated to be $327.0 million in 2008-09, $331.0 million in 2009-10, and $340.0 million in 2010-11. These estimates represent year-to-year increases of 9.9% in 2008-09, 1.2% in 2009-10, and 2.7% in 2010-11. The gross revenues tax group comprises over 70% of estimated collections over the three-year period and accounts for just over half of the estimated increase over 2007-08 actual tax collections. The largest increase is forecast for the private light, heat, and power companies and is due to higher revenues resulting from the construction of new electric generating facilities and the cost of fuel used to generate electricity. Although the ad valorem tax group represents only 27% of total public utility tax revenues over the three-year period, the ad valorem group is forecast to provide 47% of the growth in tax revenues. This is attributable to estimated increases in ad valorem tax rates and higher assessed values due to investment in plant and equipment.

Excise Taxes. General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), tobacco products, and beer. In 2007-08, excise tax collections totaled $540.3 million. Of this amount, $455.7 million (approximately 84%) was from the excise tax on cigarettes. Excise tax revenues are estimated at $660.5 million in 2008-09, $657.2 million in 2009-10, and $653.9 in 2010-11. These estimates represent growth of 22.3% in 2008-09, -0.5% in 2009-10, and -0.5% in 2010-11.

The anticipated 22.3% growth in 2008-09 is largely caused by the effects of the increased tax rates on cigarettes and tobacco products. The cigarette tax was increased from $0.77 to $1.77 per pack effective January 1, 2008. Tobacco products were taxed at a rate of 25% of the manufacturer's sales price prior to January 1, 2008. Under current law, tobacco products are taxed at a rate of $1.31 per ounce for moist snuff and 50% of the manufacturer's sales price for all other tobacco products. The increased rates in these excise taxes were in effect for only six months of 2007-08, whereas 2008-09 collections will have a full year of collections at the higher tax rates.

Insurance Premiums Taxes. Insurance premiums taxes are projected to increase from $156.6 million in 2007-08 to $170.0 million in 2008-09, $178.5 million in 2009-10, and $180.0 million in 2010-11. The estimate for 2008-09 is based on year-to-date premiums tax collections, which are about 9.0% higher than for the same period of 2007-08. Estimates for 2009-10 and 2010-11 reflect anticipated increased premiums charged by insurers. Investment income is generally a significant source of income for insurers. In response to the substantial decline in investment income from the downturn in financial markets, insurance companies are expected to increase premium rates to attempt to maintain some level of profitability. Collections are projected to moderate in 2010-11 to reflect the forecast of a stabilizing economy.

Estate Tax. Revenues from the estate tax totaled $158.8 million in 2007-08 and are currently estimated at $22.0 million for 2008-09 and $0 in 2009-10 and in 2010-11. The significant reduction in estimated revenues in 2008-09 and absence of revenue in the next biennium are the result of provisions under current federal and state laws that eliminate the state estate tax for deaths on or after January 1, 2008. As of January 1, 2008, the state statutes impose an estate tax equal to the credit for state death taxes allowed under the federal estate tax in effect on the date of the decedent's death. However, federal law no longer includes a credit for state death taxes (which was phased out between 2002 and 2005, and eliminated as of January 1, 2005). Therefore, the Wisconsin estate tax is no longer imposed for deaths occurring on or after January 1, 2008.

The current federal estate tax provisions are scheduled to sunset for deaths occurring after December 31, 2010, which would restore the credit for state death taxes. In the absence of a federal law change to repeal the sunset provision or otherwise modify the federal estate tax, Wisconsin would resume collecting an estate tax for deaths occurring in 2011. Because estate taxes are generally payable nine months after the date of death, Wisconsin would begin receiving revenues in the fall of 2011 (the 2011-12 fiscal year).

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 $70.3 million in 2007-08, of which 85% was generated through the real estate transfer fee. Based on a decrease in average home prices, a slowdown in the housing sector as described under the "U.S. Economic Outlook," and a 25.8% decrease in the real estate transfer fee collections through December, 2008, miscellaneous taxes are projected to decrease to $55.7 million in 2008-09 (which represents a 20.8% decrease from 2007-08 collections). Miscellaneous taxes are estimated to decrease to $51.5 million in 2009-10 and increase to $53.2 million in 2010-11, which represents a 7.5% decrease and a 3.3% increase in revenues, respectively.

We will continue to monitor economic forecasts, tax collections, other 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 40-48).

The following tables provide updates and additions to various tables containing General Fund information for the 2008-09 fiscal year, which are presented on either a cash basis or an agency-recorded basis. The projections and estimates in the following tables, unless otherwise noted, reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20), the budget adjustment bill for the 2007-09 biennium (2007 Wisconsin Act 226), the updated General Fund tax collection projections, as included in the January 29, 2009 LFB memorandum (and updated on February 11, 2009), and the State's economic stimulus and budget repair bill for the 2008-09 fiscal year and the 2009-11 biennium (2009 Wisconsin Act 2). The projections in this table do not reflect the federal economic stimulus money the State will receive in the 2008-09 fiscal year, which is expected to reduce General Fund expenditures by approximately $597 million and have a corresponding improvement in the projected ending General Fund cash balance (this being only a portion of the federal economic stimulus money the State expects to receive). These tables contain information through January 31, 2009.

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 State can have a negative cash balance at the end of a fiscal year. The Wisconsin Statutes provide certain administrative remedies, such as temporary reallocation, to deal with periods when the balance, on a cash basis, is negative. If the amount of temporary reallocation available to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate and defer certain payments.

Table II-8; Actual and Projected General Fund Cash Flow (Page 43). Replace with the following updated table:

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2008 TO JANUARY 31, 2009
PROJECTED GENERAL FUND CASH FLOW; FEBRUARY 1, 2009 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[(a)(b)]												
Beginning Balance	$ 24,835	$ 172,120	$ 464,375	$ 895,808	$ 1,403,014	$ 1,127,538	$ 410,515	$ 1,092,877	$ 845,912	$ (560,636)	$ (100,611)	$ 34,003
Ending Balance [(c)]	172,120	464,375	895,808	1,403,014	1,127,538	410,515	1,092,877	845,912	(560,636)	(100,611)	34,003	(658,741)
Lowest Daily Balance [(c)]	17,165	(74,304)	125,448	395,498	868,079	(238,871)	410,515	767,959	(560,636)	(952,743)	(374,024)	(1,330,397)
RECEIPTS												
TAX RECEIPTS												
Individual Income	$ 599,419	$ 416,459	$ 852,654	$ 635,921	$ 448,743	$ 530,156	$ 1,006,460	$ 523,095	$ 627,504	$ 1,156,586	$ 389,441	$ 837,071
Sales & Use	424,497	414,465	400,891	405,299	372,531	327,928	401,249	281,682	271,278	312,010	316,114	345,896
Corporate Income	29,250	34,416	144,769	36,415	25,102	137,104	22,307	14,737	149,176	24,972	16,293	138,722
Public Utility	61	150	1,178	4,977	166,701	115	128	-	200	2,600	179,100	500
Excise	68,383	58,369	61,880	62,978	52,292	50,023	54,133	54,100	46,000	49,900	54,000	56,300
Insurance	712	1,106	37,504	440	1,372	36,557	3,671	22,619	27,778	32,736	1,543	35,609
Inheritance	12,093	10,971	7,118	3,216	458	453	754	-	-	-	-	-
Subtotal Tax Receipts	$ 1,134,415	$ 935,936	$ 1,505,994	$ 1,149,246	$ 1,067,199	$ 1,082,336	$ 1,488,702	$ 896,233	$ 1,121,936	$ 1,578,804	$ 956,491	$ 1,414,098
NON-TAX RECEIPTS												
Federal	$ 563,248	$ 566,365	$ 480,475	$ 697,621	$ 505,320	$ 695,264	$ 617,061	$ 583,500	$ 598,800	$ 525,400	$ 699,000	$ 520,800
Other & Transfers	514,783	206,097	514,202	574,653	260,962	248,921	417,508	576,500	309,421	344,210	281,093	588,577
Note Proceeds[(d)]	801,840	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	$ 1,879,871	$ 772,462	$ 994,677	$ 1,272,274	$ 766,282	$ 944,185	$ 1,034,569	$ 1,160,000	$ 908,221	$ 869,610	$ 980,093	$ 1,109,377
TOTAL RECEIPTS	$ 3,014,286	$ 1,708,398	$ 2,500,671	$ 2,421,520	$ 1,833,481	$ 2,026,521	$ 2,523,271	$ 2,056,233	$ 2,030,157	$ 2,448,414	$ 1,936,584	$ 2,523,475
DISBURSEMENTS												
Local Aids	$ 1,172,822	$ 130,313	$ 881,727	$ 181,686	$ 1,026,759	$ 1,344,140	$ 232,877	$ 303,500	$ 1,385,900	$ 150,200	$ 191,900	$ 2,002,200
Income Maintenance	636,352	425,402	352,616	720,279	433,319	506,686	437,842	418,166	410,209	448,219	338,725	201,403
Payroll and Related	474,451	427,624	275,539	508,109	287,731	447,779	537,623	368,834	251,350	412,713	386,805	384,723
Tax Refunds	76,352	67,223	47,309	69,728	92,804	127,611	176,175	593,400	511,200	435,100	174,300	172,100
Debt Service	104,317	0	158,589	-	0	-	-	1,537	327,165	-	28,837	-
Miscellaneous	392,867	365,581	353,458	434,512	268,344	317,328	456,392	421,868	345,148	336,424	475,670	455,793
Note Repayment[(d)]	9,840	-	-	-	-	-	-	195,893	205,733	205,733	205,733	-
TOTAL DISBURSEMENTS	$ 2,867,001	$ 1,416,143	$ 2,069,238	$ 1,914,314	$ 2,108,957	$ 2,743,544	$ 1,840,909	$ 2,303,198	$ 3,436,705	$ 1,988,389	$ 1,801,970	$ 3,216,219

(a) The projections in this table reflect the budget (2007 Wisconsin Act 20), the budget adjustment bill (2007 Wisconsin Act 226), the economic stimulus and budget repair legislation (2009 Wisconsin Act 2), along with updated General Fund tax collections provided by LFB on January 29, 2009 and updated on February 11, 2009 to reflect the federal SCHIP legislation. The projections also reflect the assumption that the State will receive approximately $75 million pursuant to the amended gaming compacts with tribal governments, and the additional receipts resulting from lapses and timing of transfers during May and June 2009. The projections in this table do not reflect the federal economic stimulus money the State will receive in FY09, which is expected to reduce General Fund expenditures by $597 million and have a corresponding improvement in the projected ending General Fund cash balance (this being only a portion of the federal economic stimulus money the State expects to receive). This table does not include any temporary reallocation (which has been previously referred to as interfund borrowing).

(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 for temporary reallocations 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-9; General Fund Cash Receipts and Disbursements Year to Date; Compared to Estimates and Previous Fiscal Year. (Page 44). Replace with the following updated table.

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 January 31, 2009
(Amounts in Thousands)

	FY08 through January 2008	FY09 through January 2009				
	Actual	Actual	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY08 Actual to FY09 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$ 4,623,411	$ 4,489,812	$ 4,636,675	$ (146,863)	$ (146,863)	$ (133,599)
Sales	2,778,483	2,746,860	2,705,000	41,860	41,860	(31,623)
Corporate Income	488,684	429,363	435,100	(5,737)	(5,737)	(59,321)
Public Utility	152,249	173,310	162,500	10,810	10,810	21,061
Excise	221,230	408,058	386,700	21,358	21,358	186,828
Insurance	70,551	81,362	86,212	(4,850)	(4,850)	10,811
Inheritance	88,887	35,063	30,953	4,110	4,110	(53,824)
Total Tax Receipts	$ 8,423,495	$ 8,363,828	$ 8,443,140	$ (79,312)	$ (79,312)	$ (59,667)
Non-Tax Receipts						
Federal	$ 3,842,779	$ 4,125,354	$ 3,935,475	$ 189,879	$ 189,879	$ 282,575
Other and Transfers	2,400,334	2,737,126	2,501,920	235,206	235,206	336,792
Note Proceeds	594,000	801,840	801,840	-	-	207,840
Total Non-Tax Receipts	$ 6,837,113	$ 7,664,320	$ 7,239,235	$ 425,085	$ 425,085	$ 827,207
TOTAL RECEIPTS	$ 15,260,608	$ 16,028,148	$ 15,682,375	$ 345,773	$ 345,773	$ 767,540
DISBURSEMENTS						
Local Aids	$ 4,687,284	$ 4,970,324	$ 4,996,508	$ 26,184	$ 26,184	$ 283,040
Income Maintenance	3,230,642	3,512,496	3,275,774	(236,722)	(236,722)	281,854
Payroll & Related	2,552,503	2,958,856	2,923,412	(35,444)	(35,444)	406,353
Tax Refunds	647,679	657,202	487,400	(169,802)	(169,802)	9,523
Debt Service	274,896	262,906	282,661	19,755	19,755	(11,990)
Miscellaneous	2,548,474	2,588,482	2,653,732	65,250	65,250	40,008
Note Repayment	4,213	9,840	9,840	-	-	5,627
TOTAL DISBURSEMENTS	$ 13,945,691	$ 14,960,106	$ 14,629,327	$ (330,779)	$ (330,779)	$ 1,014,415
VARIANCE FY09 YEAR-TO-DATE				$ 14,994	$ 14,994	

(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), the budget adjustment bill (2007 Wisconsin Act 226), the issuance of $800 million in operating notes for the 2008-09 fiscal year, the updated General Fund tax collection projections included in the January 29, 2009 LFB memorandum (as updated on February 11, 2008), and the State's economic stimulus and budget repair bill for the 2008-09 fiscal year and the 2009-11 biennium (2009 Wisconsin Act 2). The projections in this table do not reflect the federal economic stimulus money the State will receive in the 2008-09 fiscal year, which is expected to reduce General Fund expenditures by approximately $597 million and have a corresponding improvement in the projected ending General Fund cash balance (this being only a portion of the federal economic stimulus money the State expects to receive).

(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-10; General Fund Monthly Position (Page 45). Replace with the following updated table:

GENERAL FUND MONTHLY CASH POSITION[(a)]
July 1, 2006 through January 31, 2009 – Actual
February 1, 2009 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)	1,708,398	1,416,143
	September	464,376		2,500,671	2,069,238
	October	895,809		2,421,520	1,914,314
	November	1,403,015		1,833,481	2,108,957
	December	1,127,539	(d)	2,026,521	2,743,544
2009	January	410,516		2,523,271	1,840,909
	February	1,092,878		2,056,233	2,303,198
	March	845,913	(d)	2,030,157	3,436,705
	April	(560,635)	(d)	2,448,414	1,988,389
	May	(100,610)	(d)	1,936,584	1,801,970
	June	34,004	(d)	2,523,475	3,216,219

(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), the budget adjustment bill (2007 Wisconsin Act 226), the updated General Fund tax collection projections included in the January 29, 2009 LFB memorandum (as updated on February 11, 2008), and the State's economic stimulus and budget repair bill for the 2008-09 fiscal year and the 2009-11 biennium (2009 Wisconsin Act 2). The projections in this table do not reflect the federal economic stimulus money the State will receive in the 2008-09 fiscal year, which is expected to reduce General Fund expenditures by approximately $597 million and have a corresponding improvement in the projected ending General Fund cash balance (this being only a portion of the federal economic stimulus money the State expects to receive).

(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 temporary reallocation available to the General Fund is not sufficient, then the Secretary of Administration is authorized to set priorities for payments from the General Fund and to prorate or defer certain payments.

Source: Wisconsin Department of Administration

Table II-11; Balances in Funds Available for Temporary Reallocation (Page 46). Replace with the following updated table:

BALANCES IN FUNDS AVAILABLE FOR TEMPORARY REALLOCATION[(a)]
July 31, 2006 to January 31, 2009 – Actual
February 28, 2009 to June 30, 2009 – Estimated
(Amounts in Millions)

The following two tables show, on a monthly basis, the cash balances available for temporary reallocation. 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 temporary reallocation, 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 $4.3 billion in August 2008. The Secretary of Administration may not exercise the authority to use temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which a temporary reallocation would be made.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2006	2007	2008	2009
January		$ 1,048	$ 1,203	$ 1,045
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	944	
September	1,067	1,204	1,081	
October	925	1,110	906	
November	966	1,229	1,011	
December	1,019	1,244	1,072	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2006	2007	2008	2009
January		$ 4,509	$ 4,943	$ 5,372
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	4,813	4,813
July	$ 4,218	4,862	5,422	
August	3,978	4,383	4,589	
September	3,845	4,264	4,479	
October	3,361	3,900	3,900	
November	3,477	4,017	3,936	
December	3,764	4,141	4,461	

[(a)] The amounts shown reflect a reduction in the aggregate cash balances available to the extent any fund had a negative balance and temporary reallocations were made from such fund.

Source: Wisconsin Department of Administration

Table II-12; General Fund Recorded Revenues (Page 47). Replace with the following updated table:

GENERAL FUND RECORDED REVENUES[(a)]
(Agency-Recorded Basis)
July 1, 2008 to January 31, 2009 compared with previous year

	Annual Fiscal Report Revenues 2007-08 FY[(b)]	Projected Revenues 2008-09 FY[(c)]	Recorded Revenues July 1, 2007 to Janaury 31, 2008 [(d)]	Recorded Revenues July 1, 2008 to January 31, 2009[(e)]
Individual Income Tax ....………	$ 6,713,681,000	$ 6,585,000,000	$ 3,995,632,384	$ 3,990,042,191
General Sales and Use Tax ……..	4,268,045,000	4,034,400,000	2,210,855,041	$2,166,719,250
Corporate Franchise and Income Tax ....………	837,807,000	677,700,000	414,566,683	277,978,074
Public Utility Taxes ....………	297,460,000	327,000,000	145,868,892	165,824,071
Excise Taxes ....………	540,259,000	653,800,000	193,037,369	337,851,308
Inheritance Taxes ....…………	158,789,000	22,000,000	89,519,927	21,302,111
Insurance Company Taxes ……..	156,606,000	170,000,000	69,053,865	75,290,702
Miscellaneous Taxes ....…………	70,296,000	55,700,000	43,540,557	37,152,496
SUBTOTAL...........…………	13,042,943,000	12,525,600,000	7,162,074,717	7,072,160,203
Federal and Other Inter-Governmental Revenues[(f)] ....…	6,803,292,000	6,440,565,100	3,864,100,408	4,143,255,252
Dedicated and Other Revenues[(g)] ....………	4,151,603,000	4,802,995,000	2,569,969,476	2,814,019,465
TOTAL..................…………	$ 23,997,838,000	$ 23,769,160,100	$ 13,596,144,602	$ 14,029,434,921

(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 amounts are from the Annual Fiscal Report (budgetary basis) for the 2007-08 fiscal year, dated October 15, 2008.

(c) The projections in this table reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20), the budget adjustment bill (2007 Wisconsin Act 226), the updated General Fund tax collection projections included in the January 29, 2009 LFB memorandum (as updated on February 11, 2008), and the State's economic stimulus and budget repair bill for the 2008-09 fiscal year and the 2009-11 biennium (2009 Wisconsin Act 2). The projections in this table do not reflect the federal economic stimulus money the State will receive in the 2008-09 fiscal year, which is expected to reduce General Fund expenditures by approximately $597 million and have a corresponding improvement in the projected ending General Fund cash balance (this being only a portion of the federal economic stimulus money the State expects to receive).

(d) The amounts shown are 2007-08 fiscal year revenues as recorded by 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 its 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.

(e) 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 its 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.

(f) This category includes intergovernmental transfers. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

(g) Certain transfers between General Fund appropriations are recorded as both revenues and expenditures of the General Fund. The amount of these transfers may vary greatly between fiscal years, and therefore this category may not be comparable on a historical basis.

Source: Wisconsin Department of Administration

Table II-13; General Fund Recorded Expenditures by Function (Page 48). Replace with the following updated table:

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency-Recorded Basis)
July 1, 2008 to January 31, 2009 compared with previous year

	Annual Fiscal Report Expenditures 2006–07 FY[(b)]	Appropriations 2007–08 FY[(c)]	Recorded Expenditures July 1, 2007 to January 31, 2008[(d)]	Recorded Expenditures July 1, 2008 to January 31, 2009[(e)]
Commerce	$ 240,689,000	$ 297,356,200	$ 136,923,731	$ 134,119,934
Education	10,853,809,000	11,206,194,400	5,446,998,672	5,729,484,088
Environmental Resources	321,892,000	352,393,100	140,575,797	131,777,342
Human Relations & Resources	9,645,679,000	9,281,574,700	5,574,926,700	5,926,548,973
General Executive	802,326,000	1,127,630,700	510,041,261	550,608,601
Judicial	126,563,000	128,761,600	82,756,908	86,733,685
Legislative	65,047,000	71,588,000	33,831,001	32,234,124
General Appropriations	2,047,768,000	2,188,558,500	1,808,649,411	1,899,886,224
TOTAL	$ 24,103,773,000	$ 24,654,057,200	$ 13,734,703,481	$ 14,491,392,970

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

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2007-08 fiscal year, dated October 15, 2008.

(c) The estimates in this table reflect the budget for the 2007-09 biennium (2007 Wisconsin Act 20), the budget adjustment bill (2007 Wisconsin Act 226), and the State's economic stimulus and budget repair bill for the 2008-09 fiscal year and the 2009-11 biennium (2009 Wisconsin Act 2). The projections in this table do not reflect the federal economic stimulus money the State will receive in the 2008-09 fiscal year, which is expected to reduce General Fund expenditures by approximately $597 million and have a corresponding improvement in the projected ending General Fund cash balance (this being only a portion of the federal economic stimulus money the State expects to receive).

(d) The amounts shown are 2007-08 fiscal year expenditures as recorded by all State agencies.

(e) The amounts shown are 2008-09 fiscal year expenditures as recorded by all State agencies.

Source: Wisconsin Department of Administration

APPENDIX C
EXPECTED FORM OF BOND COUNSEL OPINION

Upon delivery of the 2009 Series A Bonds, it is expected that Foley & Lardner LLP *will deliver a legal opinion in substantially the following form:*

Subject: $1,529,065,000
State of Wisconsin
General Fund Annual Appropriation Bonds of 2009, Series A

We have served as bond counsel in connection with the issuance by the State of Wisconsin **(State)** of its $1,529,065,000 General Fund Annual Appropriation Bonds of 2009, Series A, dated the date hereof **(Bonds)**. The Bonds are being issued pursuant to Section 16.527 of the Wisconsin Statutes **(Act)**, an authorizing certification of the Department of Administration **(Department)** executed and delivered by its Secretary and dated March 20, 2009 **(Authorizing Certification)**, and a Trust Indenture, dated as of April 1, 2009 **(Indenture)**, between the State, acting by and through the Department, and Deutsche Bank Trust Company Americas, as trustee **(Trustee)**, as supplemented by a First Supplemental Trust Indenture, dated as of April 1, 2009 **(Supplemental Indenture)**, between the State, acting by and through the Department, and the Trustee.

We examined the law, the Authorizing Certification, and certifications of public officials and others. As to questions of fact material to our opinion, we relied upon those certifications without independently undertaking to verify them.

Based upon this examination, it is our opinion that, under existing law:

1. The State has the valid right and lawful authority to enter into and perform its obligations under the Indenture and to issue the Bonds.

2. The execution and delivery of the Indenture has been duly authorized by the Authorizing Certification, in accordance with the Act. The execution and delivery of the Supplemental Indenture and the issuance and sale of the Bonds have been duly authorized by the Authorizing Certification, in accordance with the Act and the Indenture.

3. Each of the Indenture and the Supplemental Indenture has been duly executed and delivered by the State and is a valid and binding obligation enforceable against the State in accordance with its terms.

4. The Bonds have been executed, issued, and delivered in accordance with law, the Authorizing Certification, and the Indenture. The Bonds are valid and binding limited obligations of the State, enforceable in accordance with their terms and payable as provided in the Indenture only from amounts that the legislature may, from year to year, appropriate for such payment.

5. The Bonds do not constitute a debt of the State for constitutional purposes, nor do they constitute the giving or lending of credit of the State, and the State is not generally liable on the Bonds. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof are pledged to the payment of the principal of or the interest on the Bonds.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes. It also is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For the purpose of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. The State must comply with all requirements of the

Internal Revenue Code of 1986, as amended, that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases retroactively to the date the Bonds were issued. This letter expresses no opinion about other federal tax law consequences regarding the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or an equitable proceeding). This letter expresses no opinion as to the availability of any particular form of judicial relief.

Except to the extent, if any, stated in a separate letter, we have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement prepared in connection with the sale and issuance of the Bonds, or other offering material relating to the Bonds, and we express no opinion relating thereto.

This letter speaks as of its date. We assume no duty to change this letter to reflect any facts or circumstances that later come to our attention or any changes in law. In serving as bond counsel, we have established an attorney-client relationship solely with the State.

Very truly yours,

APPENDIX D
CONTINUING DISCLOSURE UNDERTAKING

The State's continuing disclosure undertaking, which appears in the following pages of this Appendix, consists of three parts. The master agreement establishes a general framework under which the State will provide continuing disclosure on various types of securities the State has issued. An addendum describes what financial information and operating data will be disclosed for the particular type of security. A supplement specifies that the master agreement and an addendum shall apply with respect to a particular issue of securities.

MASTER AGREEMENT ON CONTINUING DISCLOSURE

This Master Agreement on Continuing Disclosure (the "Disclosure Agreement") is executed and delivered by the State of Wisconsin (the "Issuer"), a municipal securities issuer and a sovereign government. The Issuer covenants and agrees as follows:

SECTION 1. Definitions.

The following capitalized terms shall have the following meanings:

"**Addendum Describing Annual Report**" means an addendum, substantially in the form of Exhibit A hereto, that describes the contents of an Annual Report for a particular type of obligation.

"**Annual Report**" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"**Bonds**" shall mean any issue of the Issuer's obligations to which this Disclosure Agreement applies.

"**Bondholders**" shall mean the beneficial owners from time to time of the Bonds.

"**Disclosure Agreement**" shall mean this agreement.

"**Issuer**" shall mean the municipal securities issuer described above.

"**Listed Events**" shall mean any of the events listed in Section 6 (a) of this Disclosure Agreement.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board.

"**National Repository**" shall mean any nationally recognized municipal securities information repository for purposes of the Rule.

"**Participating Underwriter**" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

"**Resolution**" shall mean the resolution or resolutions of the State of Wisconsin Building Commission (the agency of the Issuer responsible for issuance of the Bonds) or the trust indenture entered into by the Issuer, pursuant to which the Bonds are issued.

"**Rule**" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"**State Depository**" shall mean the public or private entity, if any, designated by the Issuer as a state depository for the purpose of the Rule.

"**Supplemental Agreement**" means an agreement, substantially in the form of Exhibit B hereto, that determines that the Disclosure Agreement shall apply to a specific issue of obligations and specifies the contents of the Annual Report.

SECTION 2. Purpose of the Disclosure Agreement.

The purpose of this Disclosure Agreement is to assist Participating Underwriters in complying with the Rule in connection with the Bonds.

SECTION 3. Application of the Disclosure Agreement.

This Disclosure Agreement shall apply to an issue of Bonds when the Issuer executes and delivers a Supplemental Agreement. This Disclosure Agreement may apply to more than one issue of Bonds but shall be construed as a separate agreement for each issue of Bonds. The purpose of having this Disclosure Agreement apply to more than one issue of Bonds is to let the Issuer's obligations be uniform for all issues of Bonds.

SECTION 4. Provision of Annual Reports.

(a) The Issuer shall, not later than 180 days following the close of the Issuer's fiscal year (starting with the fiscal year that ends June 30, 1996), provide to each National Repository and State Depository an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Agreement.

(b) If the Annual Report does not include the Issuer's audited financial statements, the Issuer shall submit them to each National Repository and State Depository within ten business days after the statements are publicly available.

(c) If the Issuer fails to provide to each National Repository and State Depository an Annual Report by the date required in subsection (a), the Issuer shall send a notice to each National Repository and State Depository.

SECTION 5. Content of Annual Reports.

(a) The Annual Report shall be provided for each obligated person described in the Addendum Describing Annual Report, and it shall contain or incorporate by reference, the financial statements and operating data, and use the accounting principles, described in the Addendum Describing Annual Report.

(b) The Annual Report may be submitted as a single document or as a package comprising separate documents. Any or all of the items constituting the Annual Report may be incorporated by reference from other documents that have been submitted to (i) each National Repository and the State Depository, if any or (ii) the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) To allow for uniformity of the contents of Annual Reports with respect to obligations that are similar in character, the Issuer may from time to time describe the contents in an Addendum Describing Annual Report and shall incorporate a description by reference in a Supplemental Agreement.

SECTION 6. Reporting of Significant Events.

(a) This Section 6 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.

7. Modifications to rights of Bondholders.

8. Bond calls.

9. Defeasances.

10. Release, substitution, or sale of property securing repayment of the Bonds.

11. Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall promptly file a notice of such occurrence with each National Repository and the State Depository, if any (or to the MSRB and the State Depository, if any). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to affected Bondholders if it is required pursuant to the Resolution.

(c) Similarly, if the Issuer determines that it failed to give notice as required by this section, it shall promptly file a notice of such occurrence in the same manner as described in subsection (b).

SECTION 7. Termination of Reporting Obligation.

The Issuer's obligations under this Disclosure Agreement with respect to the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds or if the Rule shall be revoked or rescinded by the Securities and Exchange Commission or declared invalid by a final decision of a court of competent jurisdiction.

SECTION 8. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if the following conditions are met:

(a) The amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or an obligated person, or the type of business conducted; and

(b) This Disclosure Agreement, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of Bondholders, as determined by an opinion of nationally recognized bond counsel, a certificate from an indenture trustee for the Bonds, or an approving vote of Bondholders pursuant to the terms of the Resolution at the time of the amendment or waiver.

SECTION 9. Additional Information.

The Issuer may from time to time choose to disseminate other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or include other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default.

A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy of a Bondholder under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance. The Issuer reserves any defense it may have to any such action including that this Disclosure Agreement violates sovereign rights or that no funds have been appropriated for performance.

SECTION 11. Beneficiaries.

The Issuer intends to be contractually bound by this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Participating Underwriters and Bondholders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Responsible Officer.

Pursuant to a resolution adopted by the State of Wisconsin Building Commission on August 9, 1995, the Capital Finance Director has been authorized to execute this Disclosure Agreement on behalf of the Issuer and the Capital Finance Office has been designated the office of the Issuer responsible for providing Annual Reports and giving notice of Listed Events, to the extent required hereunder. Any inquiries regarding this Disclosure Agreement should be directed to the Capital Finance Office, Department of Administration, Division of Executive Budget and Finance, 101 East Wilson Street, Madison, Wisconsin 53702, Phone: (608) 266-5355, Fax: (608) 266-7645.

IN WITNESS WHEREOF, the Issuer has caused this Disclosure Agreement to be executed by its duly authorized officer.

Date: September 25, 1995

STATE OF WISCONSIN,
Issuer

By /S/ FRANK R. HOADLEY

Frank R. Hoadley
Capital Finance Director

EXHIBIT A

FORM OF ADDENDUM DESCRIBING ANNUAL REPORT

**ADDENDUM DESCRIBING ANNUAL REPORT
FOR [TYPE OF OBLIGATIONS]**

This Addendum Describing Annual Report for [Type of Obligation] (the "Addendum") is delivered by the State of Wisconsin (the "Issuer") pursuant to the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated ________________, 1995. This Addendum describes the content of an Annual Report prepared with respect to [type of obligation]. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

<u>Issuer</u>.

The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

<u>Additional Obligated Person(s)</u>:

[None] [Each of the entity named or described by objective criteria below is an obligated person: ____]

<u>Content of Annual Report for Issuer</u>.

Accounting Principles. The following accounting principles shall be used for the financial statements: ____.

Financial Statements. The financial statements shall present the following information: ________.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: _______________________________________ _______________________________.

<u>Content of Annual Report for Additional Obligated Person(s)</u>.

Accounting Principles. The following accounting principles shall be used for the financial statements: ___________________________.

Financial Statements. The financial statements shall present the following information: ________.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: ____.

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: ___________, ____

STATE OF WISCONSIN,
Issuer

By ___________________________

Name: ________________________
Title: _________________________

EXHIBIT B

FORM OF SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (the "Issuer") to supplement the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated _______________, 1995. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby determines that the Disclosure Agreement and the Addendum Describing Annual Report for [Type of Obligation] shall apply to the following issue of obligations:

Name of Obligations:

____

____

Date of Issue: ___________, ____

CUSIPs: ___________________________

IN WITNESS WHEREOF, the Issuer has caused this Supplemental Agreement to be executed by its duly authorized officer.

Date: ___________, ____

STATE OF WISCONSIN,
Issuer

By ___________________________

Name: ________________________
Title: _________________________

FORM OF
ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL FUND ANNUAL APPROPRIATION BONDS ISSUED UNDER APRIL 1, 2009 INDENTURE

This Addendum Describing Annual Report for General Fund Annual Appropriation Bonds Issued Under April 1, 2009 Indenture (the "Addendum") is delivered by the State of Wisconsin (the "Issuer") pursuant to the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated September 25, 1995. This Addendum describes the content of an Annual Report prepared with respect to certain appropriation obligations issued under Section 16.527 of the Wisconsin Statutes, namely, those issued under the Trust Indenture, dated as of April 1, 2009 (the "Indenture") between the Issuer, acting by and through the Department of Administration, and Deutsche Bank Trust Company Americas, as trustee. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

Issuer.

The Issuer is an obligated person, as is any entity described below as an Additional Obligated Person, and no other entity is an obligated person.

Additional Obligated Person:

None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: generally accepted accounting principles.

Financial Statements. The financial statements shall present the following information: The General Purpose External Financial Statements section of the audited Comprehensive Annual Financial Report.

Operating Data. In addition to the financial statements, unaudited operating data concerning the following maters shall be presented:

(i) a determination, with supporting information, of the "Annual Appropriation Amount," as defined in the Indenture for each fiscal year in the current biennium and, in the second fiscal year of a biennium, for the upcoming biennium (for fiscal years before the 2011-12 fiscal year, the "Annual Appropriation Amount" shall be presented as though it applied to such fiscal years);

(ii) the amounts appropriated by the legislature in each fiscal year that are available to pay "Indenture Obligations" (as such term is defined in the Indenture); *provided, however,* that information need not be presented for more than ten years in which amounts have been appropriated;

(iii) revenues received by the State;

(iv) expenditures made by the State;

(v) budgets;

(vi) selected financial data concerning the General Fund;

(vii) information concerning temporary reallocations;

(viii) pertinent information on significant pending litigation;

(ix) balances of outstanding State obligations; and

(x) statistical information on the State's economic condition, veterans housing loan program, and Wisconsin Retirement System.

Reporting of Significant Events:

The Issuer agrees that it will treat each of the following events as though it were a Listed Event under the Disclosure Agreement:

(i) the event of a Budget Bill failing to include the Annual Appropriation Amount (as such terms are defined in the Indenture);

(ii) an Event of Nonappropriation (as such term is defined in the Indenture); and

(iii) any failure to make a payment when due under a Swap Agreement (as such term is defined in the Indenture).

IN WITNESS WHEREOF, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: April 8, 2009

STATE OF WISCONSIN,
Issuer

By:____________________
Frank R. Hoadley
Capital Finance Director

FORM OF
SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (the "Issuer") to supplement the Master Agreement on Continuing Disclosure (the "Disclosure Agreement"), executed and delivered by the Issuer and dated September 25, 1995. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby determines that the Disclosure Agreement and the Addendum Describing Annual Report for General Fund Annual Appropriation Bonds Issued Under April 1, 2009 Indenture, executed and delivered by the Issuer and dated April 8, 2009, shall apply to the following issue of obligations:

Name of Obligations:	$1,529,065,000 State of Wisconsin General Fund Annual Appropriation Bonds of 2009, Series A	
Date of Issue:	April 8, 2009	
CUSIPs:	977100 AY2	977100 AZ9
	977100 BA3	977100 BB1
	977100 BC9	977100 BD7
	977100 BE5	977100 BF2
	977100 BG0	977100 BH8
	977100 BJ4	977100 BK1
	977100 BL9	977100 BM7
	977100 BN5	977100 BP0
	977100 BQ8	977100 BR6
	977100 BS4	977100 BT2
	977100 BU9	977100 BV7
	977100 BW5	977100 BX3
	977100 BY1	977100 BZ8
	977100 CA2	977100 CB0

IN WITNESS WHEREOF, the Issuer has caused this Supplemental Agreement to be executed by its duly authorized officer.

Date: April 8, 2009

STATE OF WISCONSIN,
Issuer

By:____________________
Frank R. Hoadley
Capital Finance Director