

## OFFICIAL STATEMENT

### New Issue

This Official Statement provides information about the 2012 Bonds. Some of the information appears on this cover page for ready reference. To make an informed investment decision, a prospective investor should read the entire Official Statement. Unless otherwise indicated, capitalized terms are defined in [APPENDIX C](#).

**\$147,450,000**  
**STATE OF WISCONSIN**  
**\$55,000,000 CLEAN WATER REVENUE BONDS,**  
**2012 SERIES 1**  
**\$92,450,000 CLEAN WATER REVENUE REFUNDING BONDS,**  
**2012 SERIES 2**

**Dated: Date of Delivery**

**Due: June 1, as shown on the inside front cover**

<b>Ratings</b>	AA+ Fitch Ratings Aa1 Moody's Investors Service, Inc. AA+ Standard & Poor's Ratings Services
<b>Tax Exemption</b>	Interest on the 2012 Bonds is, for federal income tax purposes, excluded from gross income and not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. Interest on the 2012 Bonds is not excluded from current State of Wisconsin income and franchise taxes— <a href="#">Pages 12-13</a> .
<b>Redemption</b>	The 2012 Series 1 Bonds maturing on or after June 1, 2023 are callable at par on or after June 1, 2022. The 2012 Series 2 Bonds are not subject to optional redemption— <a href="#">Page 3</a> .
<b>Security</b>	The 2012 Bonds are payable solely from (1) Pledged Loan Repayments, (2) amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and (3) all other Pledged Receipts. As of April 30, 2012, the Milwaukee Metropolitan Sewerage District and the State were expected to be the source of approximately 27% and 21%, respectively, of the funds expected to pay debt service on the Outstanding Bonds— <a href="#">Pages 6-9</a> .
<b>Priority</b>	The 2012 Bonds are issued on a parity with all other Bonds previously or hereafter issued under the General Resolution— <a href="#">Page 6</a> .
<b>Purpose</b>	Proceeds of the 2012 Series 1 Bonds are being used to make Pledged Loans to Municipalities primarily for construction or improvement of their wastewater treatment facilities. Proceeds of the 2012 Series 2 Bonds are being used to refund previously issued Outstanding Bonds. Proceeds of the 2012 Bonds are also being used to pay Costs of Issuance— <a href="#">Page 2</a> .
<b>Interest Payment Dates</b>	June 1 and December 1, commencing December 1, 2012
<b>Closing/Settlement</b>	On or about July 26, 2012
<b>Denominations</b>	Multiples of \$5,000
<b>Trustee/Registrar/Paying Agent</b>	U.S. Bank National Association
<b>Bond Counsel</b>	Foley & Lardner LLP
<b>Issuer Contact</b>	Wisconsin Capital Finance Office (608) 266-2305; <a href="mailto:DOACapitalFinanceOffice@wisconsin.gov">DOACapitalFinanceOffice@wisconsin.gov</a>
<b>Book-Entry-System</b>	The Depository Trust Company— <a href="#">Pages 4-5</a> .
<b>2011 Annual Report</b>	This Official Statement incorporates by reference, and updates information and makes changes or additions to, <a href="#">Parts I, II, III</a> , and <a href="#">VI</a> of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2011.

The prices and yields listed on the inside front cover were determined on July 10, 2012 at negotiated sale. The 2012 Bonds were purchased at an aggregate purchase price of \$176,080,294.18.

<b>J.P. Morgan</b>	<b>Ramirez &amp; Co., Inc.</b>	
<b>BMO Capital Markets GKST Inc.</b>	<b>Cabrera Capital Markets, LLC</b>	<b>Citigroup</b>
<b>Goldman, Sachs &amp; Co.</b>	<b>Jefferies</b>	

July 11, 2012

**CUSIP NUMBERS, MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS,  
PRICES, AND REDEMPTION INFORMATION**

**\$147,450,000**

**STATE OF WISCONSIN**

**\$55,000,000 CLEAN WATER REVENUE BONDS,  
2012 SERIES 1**

<b>CUSIP</b>	<b>Year (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield at Issuance</b>	<b>Price at Issuance</b>	<b>First Optional Redemption Date</b>	<b>Call Price</b>
977092 UP8	2014	\$ 1,945,000	2.00%	0.42%	102.904%	Not Callable	-
977092 UQ6	2015	1,980,000	3.00	0.57	106.852	Not Callable	-
977092 UR4	2016	2,040,000	3.00	0.73	108.595	Not Callable	-
977092 US2	2017	2,105,000	3.00	0.97	109.588	Not Callable	-
977092 UT0	2018	2,165,000	4.00	1.23	115.580	Not Callable	-
977092 UU7	2019	2,250,000	4.00	1.48	116.350	Not Callable	-
977092 UV5	2020	2,340,000	4.00	1.71	116.748	Not Callable	-
977092 UW3	2021	2,435,000	4.00	1.94	116.670	Not Callable	-
977092 UX1	2022	2,535,000	4.00	2.06	117.208	Not Callable	-
977092 UY9	2023	2,635,000	5.00	2.26	124.065	2022	100%
977092 UZ6	2024	2,765,000	5.00	2.42	122.482	2022	100
977092 VA0	2025	2,905,000	5.00	2.54	121.310	2022	100
977092 VB8	2026	3,050,000	5.00	2.63	120.439	2022	100
977092 VC6	2027	3,205,000	5.00	2.72	119.576	2022	100
977092 VD4	2028	3,365,000	5.00	2.80	118.816	2022	100
977092 VE2	2029	3,530,000	5.00	2.87	118.155	2022	100
977092 VF9	2030	3,705,000	5.00	2.94	117.498	2022	100
977092 VG7	2031	3,895,000	5.00	3.01	116.846	2022	100
977092 VH5	2032	4,085,000	5.00	3.08	116.198	2022	100
977092 VJ1	2033	2,065,000	5.00	3.15	115.554	2022	100

<sup>(a)</sup> These 2012 Series 1 Bonds are priced to the June 1, 2022 first optional redemption date.

**\$92,450,000 CLEAN WATER REVENUE REFUNDING BONDS,  
2012 SERIES 2**

<b>CUSIP</b>	<b>Year (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield at Issuance</b>	<b>Price at Issuance</b>	<b>First Optional Redemption Date</b>	<b>Call Price</b>
977092 VK8	2015	\$ 4,500,000	5.000%	0.57%	112.492%	Not Callable	-
977092 VL6	2016	4,730,000	5.000	0.73	116.169	Not Callable	-
977092 VM4	2017	9,305,000	5.000	0.97	119.035	Not Callable	-
977092 VN2	2018	9,825,000	5.000	1.23	121.205	Not Callable	-
977092 VP7	2019	10,335,000	5.000	1.48	122.839	Not Callable	-
977092 VQ5	2020	10,860,000	5.000	1.71	124.061	Not Callable	-
977092 VR3	2021	5,000,000	2.625	1.94	105.542	Not Callable	-
977092 VV4	2021	6,420,000	5.000	1.94	124.764	Not Callable	-
977092 VS1	2022	11,890,000	5.000	2.06	126.079	Not Callable	-
977092 VT9	2023	12,495,000	5.000	2.30	125.786	Not Callable	-
977092 VU6	2024	7,090,000	5.000	2.49	125.611	Not Callable	-

This document is called the State’s Official Statement because it is the only document the State has authorized for providing information about the 2012 Bonds. This document is not an offer or solicitation for the 2012 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 2012 Bonds, and anything else related to the offering.

The purpose of this document is to provide prospective investors with information that may be important in making an investment decision. It may not be used for any other purpose without the State’s permission. The State is the author of this document and is responsible for its accuracy and completeness. The Underwriters are not; however, in accordance with their responsibilities under federal securities laws, the Underwriters are required to review the information in this document and must 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 contained in this document are made as of the date hereof, 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 but not others. For example, financial staff focused on quantitative financial information, and legal counsel focused on specific documents or legal issues assigned to them.

No dealer, broker, sales representative, or other person has been authorized to give any information or to make any representations about the 2012 Bonds other than what is in this document. The information and expressions of opinion in this document may change without notice. Neither the delivery of this document nor any sale of the 2012 Bonds implies that there has been no change in the other matters contained in this document since its date. Material referred to in this document is not part of this document unless expressly included.

In connection with the offering of the 2012 Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of such 2012 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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# STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF THE 2012 BONDS

## BUILDING COMMISSION MEMBERS

### Voting Members

	Term of Office Expires
Governor Scott Walker, Chairperson	January 5, 2015
Representative Dean Kaufert, Vice-Chairperson	January 7, 2013
Senator Robert Cowles	January 7, 2013
Senator Fred Risser	January 7, 2013
Senator Dale Schultz	January 5, 2015
Representative Joan Ballweg	January 7, 2013
Representative Gordon Hintz	January 7, 2013
Mr. Robert Brandherm, Citizen Member	At the pleasure of the Governor

### Nonvoting, Advisory Members

Mr. Gil Funk, State Chief Engineer Department of Administration	_____
Mr. Daniel J. Stephans, State Chief Architect Department of Administration	_____

### Building Commission Secretary

Ms. Summer R. Shannon-Bradley, Administrator Division of Facilities Development Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration
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## OTHER PARTICIPANTS

Mr. J.B. Van Hollen State Attorney General	January 5, 2015
Mr. Mike Huebsch, Secretary Department of Administration	At the pleasure of the Governor
Ms. Cathy Stepp, Secretary Department of Natural Resources	At the pleasure of the Governor

## 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](mailto:DOACapitalFinanceOffice@wisconsin.gov)

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

Mr. David R. Erdman  
Assistant Capital Finance Director  
(608) 267-0374  
[david.erdman@wisconsin.gov](mailto:david.erdman@wisconsin.gov)

Mr. Michael D. Wolff  
Finance Programs Administrator  
(608) 267-2734  
[michael.wolff@wisconsin.gov](mailto:michael.wolff@wisconsin.gov)

## SUMMARY DESCRIPTION OF THE 2012 BONDS

*Selected information is presented on this page for the convenience of the user. To make an informed investment decision regarding the 2012 Bonds, a prospective investor should read the entire Official Statement*

Principal Amount and Description:	\$55,000,000 Clean Water Revenue Bonds, 2012 Series 1 \$92,450,000 Clean Water Revenue Refunding Bonds, 2012 Series 2
Denominations:	Multiples of \$5,000
Dated Date:	Date of delivery (on or about July 26, 2012)
Interest Payment:	June 1 and December 1, commencing December 1, 2012
Maturities:	<i>2012 Series 1 Bonds</i> —June 1, 2014-2033 <i>2012 Series 2 Bonds</i> —June 1, 2015-2024
Record Dates:	May 15 and November 15
Redemption:	<i>Optional</i> —The 2012 Series 1 Bonds maturing on or after June 1, 2023 are callable at par on or after June 1, 2022. The 2012 Series 2 Bonds are not subject to optional redemption—See “ <b>2012 Bonds; Redemption Provisions</b> ”
Form:	Book-entry-only system.
Trustee/Paying Agent:	All payments of principal of, and interest on, the 2012 Bonds will be made by U.S. Bank National Association, as Paying Agent. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security for Bonds:	The 2012 Bonds, and all other parity Bonds previously issued or to be issued in the future, are payable solely from: <ul style="list-style-type: none"> <li>• Pledged Loan Repayments,</li> <li>• Amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, and</li> <li>• Any other Pledged Receipts.</li> </ul> <p>As of April 30, 2012, the Milwaukee Metropolitan Sewerage District and the State were expected to be the sources of approximately 27% and 21%, respectively, of the funds applied to pay debt service on the Outstanding Bonds—See “<b>SECURITY</b>”</p>
Outstanding Parity Bonds:	\$897,475,000 as of April 30, 2012, and \$839,305,000 as of June 15, 2012 after payment of debt service due on June 1, 2012.
Authority for Issuance:	The 2012 Bonds are authorized under the Chapter 18 and Sections 281.58 and 281.59, Wisconsin Statutes.
Purpose:	Proceeds of the 2012 Series 1 Bonds are being used to make Pledged Loans to Municipalities primarily for construction or improvement of their wastewater treatment facilities. Proceeds of the 2012 Series 2 Bonds are being used to refund previously issued Outstanding Bonds. Proceeds of the 2012 Bonds are also being used to pay Costs of Issuance.

Additional Bonds:	Additional Bonds may be issued without limitation as to the amount, subject to any applicable statutory limitation, payable on a parity with the 2012 Bonds and all other Bonds previously issued, provided that the Loan Credit Reserve Fund Requirement and the Subsidy Fund Requirement are satisfied—See “SECURITY”
Tax Exemption:	Interest on the 2012 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers—See “OTHER MATTERS; Tax Exemption”
	Interest on the 2012 Bonds is not excluded from current State of Wisconsin income and franchise taxes—See “OTHER MATTERS; Tax Exemption”
Legal Opinion:	Validity and tax opinion on the 2012 Bonds to be provided by Foley & Lardner LLP—See APPENDIX D

**OFFICIAL STATEMENT**  
**\$147,450,000**  
**STATE OF WISCONSIN**  
**\$55,000,000 CLEAN WATER REVENUE BONDS,**  
**2012 SERIES 1**

**\$92,450,000 CLEAN WATER REVENUE REFUNDING BONDS,**  
**2012 SERIES 2**

**INTRODUCTION**

This Official Statement provides information about two series of clean water revenue bonds that are being issued by the State of Wisconsin (**State**): the \$55,000,000 Clean Water Revenue Bonds, 2012 Series 1 (**2012 Series 1 Bonds**) and the \$92,450,000 Clean Water Revenue Refunding Bonds, 2012 Series 2 (**2012 Series 2 Bonds**) (the 2012 Series 1 Bonds and the 2012 Series 2 Bonds are collectively called the **2012 Bonds**). This Official Statement incorporates by reference, and includes updates, and makes changes or additions, to the information presented in, **Parts I, II, III, and VI** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2011 (**2011 Annual Report**).

The 2012 Bonds are authorized under the Wisconsin Statutes and a Clean Water Revenue Bond General Resolution adopted by the State of Wisconsin Building Commission (**Commission**) on March 7, 1991, as amended by resolutions adopted by the Commission on July 30, 2003 and June 28, 2006 (**General Resolution**). The 2012 Bonds are being issued under two series resolutions adopted by the Commission on February 15, 2012 (collectively, **Series Resolution**). The General Resolution and the Series Resolution are collectively referred to as the **Resolution**.

The Commission has authorized the State Department of Administration (**DOA**) to prepare this Official Statement. This Official Statement contains information furnished by the State or obtained from the sources indicated. Requests for additional information, including copies of the Resolution, Financial Assistance Agreements, or Municipal Obligations, may be directed to:

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

Unless otherwise indicated, capitalized terms used in this Official Statement are defined in **APPENDIX C**.

**PLAN OF FINANCE**

**General**

The 2012 Series 1 Bonds are being issued to make loans under the Clean Water Fund Program. The 2012 Series 2 Bonds are being issued for the advance refunding of certain maturities of previously issued Outstanding Bonds. Proceeds of the 2012 Bonds are also being used for Costs of Issuance. See **“PLAN OF FINANCE; Sources and Uses of Funds”**.

## Plan of Refunding

The refunded maturities of the previously issued Outstanding Bonds are currently outstanding in the aggregate principal amount of \$101,245,000 (**Refunded Bonds**). **APPENDIX E** identifies, and provides information concerning, the Refunded Bonds.

To provide for the advance refunding of the Refunded Bonds, a portion of the 2012 Series 2 Bond proceeds will be used to purchase noncallable direct obligations of the United States (**Government Obligations**). These Government Obligations, together with the interest to be earned and a beginning cash deposit, will be sufficient:

- (i) to pay when due the interest on the Refunded Bonds to and including their respective redemption dates; and
- (ii) to redeem the Refunded Bonds on their respective redemption dates.

### *Defeasance Escrow Agreement*

The Government Obligations, the beginning cash balance, and the interest earnings will be held in an escrow fund (**Escrow Fund**) created by a Defeasance Escrow Agreement (**Escrow Agreement**), between the State and The Bank of New York Mellon Trust Company, N.A. (**Escrow Trustee**) solely for the benefit of the owners of the Refunded Bonds.

The Escrow Fund will be held by the Escrow Trustee in trust to make payments of the principal of, and redemption premium, if any, and interest on, the Refunded Bonds. The Escrow Fund will be held by the Escrow Trustee separate and apart from all other funds or accounts held by the Escrow Trustee. The Escrow Trustee will have no lien whatsoever upon any moneys in the Escrow Fund for any of its fees and costs incurred in carrying out the provisions of the Escrow Agreement. Instead, the State will pay the Escrow Trustee's fees and costs from proceeds of the 2012 Series 2 Bonds.

The arithmetical accuracy of the computations of the sufficiency of the amounts deposited into the Escrow Fund will be independently verified by Robert Thomas CPA, LLC (**Verification Agent**).

In the opinion of Bond Counsel, upon the State making the deposit described above into the Escrow Fund, the Refunded Bonds will be deemed to be paid and will no longer be considered Outstanding for purposes of the General Resolution.

## Sources and Uses of Funds

The State anticipates that the proceeds of the 2012 Bonds will be applied as follows.

<u>Sources</u>	<u>2012 Series 1 Bonds</u>	<u>2012 Series 2 Bonds</u>	<u>Total</u>
Principal Amount.....	\$55,000,000.00	\$ 92,450,000.00	\$147,450,000.00
Original Issue Discount/Premium.....	<u>9,195,497.05</u>	<u>20,160,489.45</u>	<u>29,355,986.50</u>
Total Sources .....	\$64,195,497.05	\$112,610,489.45	\$176,805,986.50
<u>Uses</u>			
Deposit to Loan Fund.....	\$63,839,596.77		\$ 63,839,596.77
Deposit to Escrow Fund.....		\$112,003,310.00	112,003,310.00
Underwriters' Discount.....	279,354.28	446,338.04	725,692.32
Costs of Issuance.....	<u>76,546.00</u>	<u>160,841.41</u>	<u>237,387.41</u>
Total Uses .....	\$64,195,497.05	\$112,610,489.45	\$176,805,986.50



## 2012 BONDS

### General

The **inside front cover of this Official Statement** sets forth the maturity dates, principal amounts, and interest rates for the 2012 Bonds. The 2012 Bonds are being issued in a book-entry-only system. The Commission has appointed, as the securities depository for the 2012 Bonds, The Depository Trust Company, New York, New York (DTC). See **“2012 BONDS; Book-Entry-Only System”**.

The 2012 Bonds will be dated the date of their delivery (expected to be July 26, 2012) and will bear interest from that date payable on June 1 and December 1 of each year, beginning on December 1, 2012.

Interest on the 2012 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. So long as the 2012 Bonds are in the book-entry-only system, payments of the principal of, and interest on, each 2012 Bond will be paid to the securities depository.

The 2012 Bonds are issued as fully registered bonds without coupons in denominations of \$5,000 or any multiple of \$5,000.

The 2012 Bonds and all other bonds issued or to be issued under the General Resolution are collectively referred to as the **Bonds**. U.S. Bank National Association is the trustee for the Bonds (**Trustee**). In addition, the Trustee is the registrar (**Registrar**) and paying agent (**Paying Agent**) for the 2012 Bonds.

### Redemption Provisions

#### *Optional Redemption*

The 2012 Series 1 Bonds maturing on or after June 1, 2023 may be redeemed on June 1, 2022 or any date thereafter, in whole or in part in multiples of \$5,000, at a redemption price equal to par (100% of the principal amount to be redeemed), plus accrued interest to the redemption date. The Commission may decide whether to redeem the 2012 Series 1 Bonds, and the Commission may direct the amounts and maturities of the 2012 Series 1 Bonds to be redeemed.

The 2012 Series 2 Bonds are not subject to optional redemption.

#### *Notice of Redemption*

So long as the 2012 Bonds are in the book-entry-only system, any redemption notice will be sent by the Trustee (by registered or first class mail, postage prepaid) to the securities depository between 30 and 60 days before the redemption date.

All redemption notices will also be sent to each Rating Agency and the Information Services. Failure to give any required notice of redemption as to any particular 2012 Bonds will not affect the validity of the call for redemption of any 2012 Bonds in respect of which no such failure has occurred. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Interest on any 2012 Bond called for redemption will cease to accrue on the redemption date so long as the 2012 Bond is paid or money is provided for its payment. If moneys are not available on the redemption date, the 2012 Bonds or portions that are subject to any redemption notice shall continue to bear interest, until paid, at the same rate as they would have borne had they not been called for redemption.

#### *Selection of 2012 Bonds to be Redeemed*

So long as the 2012 Bonds are in the book-entry-only system, selection of the beneficial owners affected by the optional redemption of serial bonds will be made by the securities depository and its participants by lot, in accordance with their rules.

### Payment and Registration of 2012 Bonds

So long as the 2012 Bonds are in the book-entry-only system, payments of principal and interest will be made by wire transfer to the securities depository or its nominee.

The Trustee is not required to transfer or exchange any 2012 Bond during the 15 days next preceding any interest payment date for the 2012 Bonds, or in the case of the proposed redemption of 2012 Bonds, next preceding the date of the selection of the 2012 Bonds to be redeemed. In the event that less than the entire principal amount of a maturity is redeemed, the Trustee shall issue a new 2012 Bond certificate or certificates in the principal amount outstanding after redemption on the redemption date.

### **Ratings**

The following ratings have been assigned to the 2012 Bonds by several Rating Agencies:

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

Any explanation of what a rating means may only be obtained from the Rating Agency giving the rating. No one can offer any assurance that a rating given to the 2012 Bonds will be maintained for any period of time; a Rating Agency may lower or withdraw the rating it gives if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the 2012 Bonds.

### **Book-Entry-Only System**

The 2012 Bonds will initially be issued in the book-entry-only system. Purchasers of the 2012 Bonds will not receive bond certificates but instead will have their ownership in the 2012 Bonds recorded in the book-entry system.

2012 Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as securities depository for the 2012 Bonds. Ownership of the 2012 Bonds by the purchasers is shown in the records of brokers and other organizations participating in the DTC book-entry system (**DTC Participants**). All transfers of ownership in the 2012 Bonds must be made, directly or indirectly, through DTC Participants.

#### *Payment*

The Paying Agent will make all payments of principal of, and interest on, the 2012 Bonds to DTC. Owners of the 2012 Bonds will receive payments through the DTC Participants.

#### *Notices and Voting Rights*

The State or the Trustee will provide notices and other communications about the 2012 Bonds to DTC. Owners of the 2012 Bonds will receive any notices or communications through the DTC Participants. In any situation involving voting rights, DTC will not vote but rather will give a proxy through the DTC Participants.

#### *Redemption*

If less than all the 2012 Bonds of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the 2012 Bonds to be redeemed from each DTC Participant.

#### *Discontinued Service*

In the event that participation in DTC's book-entry system were to be discontinued and a successor securities depository were not obtained, 2012 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](http://www.dtcc.com). Neither the State nor the Trustee is responsible for any information available on DTC's web site. That information may be subject to change without notice.

Neither the State nor the Trustee is responsible for a failure by DTC or any DTC Participant to transfer payments or notices to the owners of the 2012 Bonds or to follow the procedures established by DTC for its book-entry system.

### **Possible Discontinuance of Book-Entry-Only System**

In the event the 2012 Bonds were not in the book-entry-only system, how the 2012 Bonds are redeemed and paid would differ.

#### *Redemption*

2012 Bonds would be selected for redemption by the Trustee by lot or such other manner as the Trustee shall determine. Any notice of the redemption of any 2012 Bonds would be sent by the Trustee (by registered or first class mail, postage prepaid) to the owners of the 2012 Bonds being redeemed between 30 and 60 days before the redemption date. Failure to give any required notice would not affect the validity of the call for redemption in respect of which no such failure has occurred. Interest on any Bond called for redemption would cease to accrue on the redemption date so long as the 2012 Bond was paid or moneys were on deposit with the Trustee for its payment. If moneys are not available on the redemption date, the 2012 Bonds or portions that are subject to any redemption notice shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

#### *Payment*

Payment of principal would be made by check or draft upon the presentation and surrender of 2012 Bonds at the office of the Paying Agent, and interest would be paid when due by check or draft mailed to the owners of record at the address appearing on the registration books on the **Record Date**—which is the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date. A registered owner of \$1 million or more in principal amount of 2012 Bonds outstanding would be paid by wire transfer to such account as the owner may designate.

## **ENVIRONMENTAL IMPROVEMENT FUND**

The State's Environmental Improvement Fund provides for two separate environmental financing programs:

- **Clean Water Fund Program.** Established in 1990, the Clean Water Fund Program is a municipal financial assistance program for water pollution control projects and includes the State's implementation of a Federal State Revolving Fund Program under the Federal Water Quality Act of 1987. This program also funds the Land Recycling Loan Program, which is a municipal loan program for remediation of contaminated lands.
- **Safe Drinking Water Loan Program.** The Safe Drinking Water Loan Program is a municipal loan program for drinking water projects and includes the State's implementation of the Federal Safe Drinking Water Act Amendments of 1996. Loans from the Safe Drinking Water Loan program are primarily funded from federal Capitalization Grants awarded for this purpose, the required State match for those Capitalization Grants, and recycled State Drinking Water Loan payments.

The State intends to use proceeds of the 2012 Series 1 Bonds, as it has with proceeds of previously issued Bonds (other than refunding Bonds), to make loans under the Clean Water Fund Program. These loans have terms not exceeding 20 years, and most loans have interest rates at or below market interest rates at the times the loans are made. If changes were made to the Wisconsin Statutes, Bond proceeds could be used to make loans under the Safe Drinking Water Loan Program and Land Recycling Loan Program; however, no legislation is pending that would make such changes.

## **CLEAN WATER FUND PROGRAM**

The Clean Water Fund Program consists of three loan portfolios:

- **Leveraged Portfolio**, consisting of **Pledged Loans** funded with Bond proceeds along with repayments of the principal of, and interest on, those loans. Only the Leveraged Portfolio is pledged to secure payment of the Bonds.
- **Direct Portfolio** or **Clean Water Portfolio**, consisting of **Direct Loans** funded with federal capitalization grants and the required State match along with repayments of the principal of, and interest on, those loans.
- **Proprietary Portfolio**, consisting of **Proprietary Loans** funded with State general obligation bond proceeds along with repayments of the principal of, and interest on, those loans.

Only Pledged Loans are funded with Bond proceeds, and only Pledged Loan Repayments are pledged to the repayment of the Bonds. In other words, Bond proceeds do not fund Direct Loans or Proprietary Loans, and repayments of Direct Loans or Proprietary Loans are not pledged to the repayment of the Bonds. This Official Statement and the 2011 Annual Report use the term “Pledged Loans” to refer to the same loans that are called “Leveraged Loans” and “Loans” in the General Resolution.

Pledged Loans, Direct Loans, and Proprietary Loans are made to Municipalities pursuant to Financial Assistance Agreements. As evidence of each loan, the Municipality is required to issue and deliver to the State a bond or note of the Municipality (**Municipal Obligation**) obligating the Municipality to repay the loan on the maturity schedule and at the interest rate set forth in the Financial Assistance Agreement.

Information concerning the Clean Water Fund Program is included as **APPENDIX A**, which incorporates by reference Part VI of the 2011 Annual Report. **APPENDIX A** includes updated information and makes changes or additions to Part VI of the 2011 Annual Report.

## SECURITY

The 2012 Bonds are issued on a parity with all other Bonds previously issued or to be issued under the General Resolution.

The Bonds are special obligations of the State, payable solely from the revenues, receipts, funds, and moneys pledged under the General Resolution. Debt service on the 2012 Bonds and all other parity Bonds is secured by a pledge of:

- Pledged Loan Repayments made by Municipalities.
- Amounts in the Loan Fund, Loan Credit Reserve Fund, and Subsidy Fund, each of which were established pursuant to the General Resolution.
- Any other Pledged Receipts.

*The State is not obligated to pay the principal of, and interest on, the 2012 Bonds or any other Bonds from any revenues or funds of the State other than those pledged pursuant to the General Resolution, and neither the full faith and credit nor the taxing power of the State or any agency, instrumentality, or political subdivision thereof is pledged to the payment of the principal of, and interest on, the 2012 Bonds or any other Bonds.*

The Legislature has authorized the issuance of \$2.716 billion of revenue bonds (not including refunding bonds) for the Clean Water Fund Program. The State has previously issued \$1.514 billion of Bonds (not including the 2012 Bonds or any refunding Bonds) and an additional \$474 million of refunding Bonds (not including the 2012 Series 2 Bonds). As of April 30, 2012, approximately \$897 million of Bonds were Outstanding, and as of June 15, 2012, approximately \$839 million of Bonds were Outstanding after payment of debt service due on June 1, 2012.

Prior to the issuance of the 2012 Bonds or additional parity Bonds, the State must certify that, upon the delivery of such Bonds, there will be on deposit in the Subsidy Fund an amount at least equal to the Subsidy Fund Requirement and in the Loan Credit Reserve Fund an amount at least equal to the Loan Credit Reserve Fund Requirement.

Further information concerning the security and source of payment for the Bonds is included as **APPENDIX A**, which incorporates by reference Part VI of the 2011 Annual Report. APPENDIX A includes updated information and makes changes or additions to Part VI of the 2011 Annual Report. Part VI of the 2011 Annual Report addresses the following security matters:

- Pledge of revenues
- Pledged Loans
- Subsidy Fund
- Loan Credit Reserve Fund
- Statutory powers
- State financial participation
- Additional Bonds
- General Resolution

### **Loans**

The Wisconsin Statutes set forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program. Additional information concerning the loan application process, lending criteria, levy limits for counties, commitments, and financial assistance agreements is described in Part VI of the 2011 Annual Report. See **APPENDIX A**.

### **Subsidy Fund**

Since most Pledged Loans are made at interest rates below the Clean Water Fund Program's cost of borrowing, the General Resolution establishes a Subsidy Fund and requires that the amount on deposit meet the Subsidy Fund Requirement and that the Subsidy Fund Transfer Amount be transferred to the Debt Service Fund before each Interest Payment Date. Prior to any disbursement from the Loan Fund, the State is required by the General Resolution to meet the Subsidy Fund Requirement by depositing amounts in the Subsidy Fund. As of April 30, 2012, \$172 million principal amount of State general obligation bonds were on deposit in the Subsidy Fund.

### **Loan Credit Reserve Fund**

The General Resolution establishes the amount and timing of funds and securities required to be deposited in the Loan Credit Reserve Fund, based on Loan Credit Reserve Fund Schedules reviewed by each Rating Agency. To the extent the amount of deposit required by the Schedule approved by one Rating Agency differs from the amount required by the Schedule approved by another Rating Agency, the larger amount is required. See **APPENDIX A**.

As of April 30, 2012, the Loan Credit Reserve Fund consisted of \$105 million in cash and investments, which exceed the \$101 million Loan Credit Reserve Fund Requirement as of that date.

As of April 30, 2012, the cash and investments in the Loan Credit Reserve Fund were invested as follows:

- \$8 million in a collateralized investment repurchase agreement with Bayerische Landesbank Girozentrale with the investment securities held by Wells Fargo Bank, National Association, as custodian.
- \$31 million in direct obligations of the United States under four separate forward delivery agreements with Wells Fargo Bank, N.A., as the successor-in-interest to Wachovia Bank, National Association.
- \$2 million in direct obligations of the United States under a forward delivery agreement with Westdeutsche Landesbank Girozentrale.
- \$14 million in direct obligations of the United States under two separate reserve fund forward delivery agreements with JPMorgan Chase Bank, NA.
- \$10 million in general obligations of the State of Wisconsin with an extendible maturity date.
- \$40 million in an investment pool managed by the State of Wisconsin Investment Board.

Each of the above investments provide for liquidation of the investments if and when required by the terms of the General Resolution.

No information is provided in this Official Statement about any rating assigned to an obligor or guarantor of any investment agreement or forward delivery agreement held on deposit in the Loan Credit Reserve Fund. Certain events related to the investments or agreements could occur that may impact the Loan Credit Reserve Fund and the amount available in the Loan Credit Reserve Fund to meet the Loan Credit Reserve Fund Requirement.

If one or more Municipalities fail to make their Pledged Loan Repayments, and the amount available from the Loan Credit Reserve Fund is less than the amount of the delinquent payments, the Clean Water Fund Program may be unable to make timely payments of the principal or redemption price of, or interest on, the Bonds. However, any effect on Bondowners of a failure by one or more Municipalities to pay debt service on Pledged Loans would be moderated by amounts available in the Loan Credit Reserve Fund and the Subsidy Fund and by the security provisions of the Financial Assistance Agreements.

### **The State**

As of April 30, 2012, based on the general obligations of the State deposited in the Subsidy Fund and cash-flow calculations, the State was expected to be the source of 21% of the funds applied to pay debt service on the Outstanding Bonds. This percentage will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on the Outstanding Bonds.

Information concerning the State, its financial condition, and its general obligations is included as **APPENDIX B**, which incorporates by reference Parts II and III of the 2011 Annual Report. Appendix B also includes updated information and makes changes or additions to Parts II and III of the 2011 Annual Report, including, but not limited to, (i) updated projections of General Fund tax collections for the 2011-13 biennium, as provided by the State's Department of Revenue to the State's Department of Administration and referenced in a memorandum provided by the Department of Administration on May 10, 2012, (ii) updated General Fund tax revenue estimates and projected General Fund condition statements for each fiscal year of the 2011-13 biennium, as included in the February 10, 2012 memorandum from the Legislative Fiscal Bureau, and (iii) General Fund information for the 2011-12 fiscal year through May 31, 2012, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the 2012-13 fiscal year presented on a cash basis.

### **Milwaukee Metropolitan Sewerage District**

Based on cash-flow calculations as of April 30, 2012, the Milwaukee Metropolitan Sewerage District (MMSD) was expected to be the source of 27% of the funds applied to pay debt service on the Outstanding Bonds. This percentage will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on the Outstanding Bonds. MMSD has issued Municipal Obligations to evidence its obligation to repay its Pledged Loans. The Municipal Obligations issued by MMSD are general obligations; MMSD has made an irrevocable levy of ad valorem property taxes sufficient to pay debt service on its Pledged Loans when due.

Information concerning MMSD is included in Part VI of the 2011 Annual Report. See **APPENDIX A**. In addition, MMSD's Comprehensive Annual Financial Report for the period ending December 31, 2011 is incorporated by reference into this Official Statement.

Copies of the MMSD Comprehensive Annual Financial Reports can be obtained from the world wide web at [www.mmsd.com/AssetsClient/Documents/finances/2011\\_MMSD\\_CAFR.pdf](http://www.mmsd.com/AssetsClient/Documents/finances/2011_MMSD_CAFR.pdf) or from:

Milwaukee Metropolitan Sewerage District  
Attention: Mark T. Kaminski, Controller/Treasurer  
260 West Seeboth Street  
Milwaukee, Wisconsin 53204-1446  
Telephone: (414) 225-2050

E-Mail: [bgraffin@mmsd.com](mailto:bgraffin@mmsd.com)

Website: <http://mmsd.com/financialreportsl.aspx>

### **Build America Bonds**

The State has issued one series of Bonds treated as taxable “build America bonds” (within the meaning of Section 54AA(d) of the Internal Revenue Code of 1986, as amended (**Code**)) that are “qualified bonds” (within the meaning of Section 54AA(g)(2) of the Code), which were outstanding in the amount of \$50 million as of April 30, 2012. The direct payment the State expects to receive from the United States Treasury on each interest payment date in the amount of 35% of the interest payable by the State on such date for those Bonds is not a revenue, receipt, fund, or money pledged under the General Resolution, and is not pledged to the payment of debt service on the Bonds.

## **OTHER MATTERS**

### **Borrowing Plans for 2012**

The 2012 Bonds are the first bonds issued in 2012 to make Pledged Loans in the Clean Water Fund Program or to refund Outstanding Bonds. The amount and timing of the issuance of any additional Bonds to make Pledged Loans in the Clean Water Fund Program depend on loan activity in the Clean Water Fund Program, and the amount and timing of the issuance of any additional Bonds to refund previously issued Outstanding Bonds depend on market conditions.

### **Underwriting**

The 2012 Bonds are being purchased by the **Underwriters**, for which J.P. Morgan Securities LLC is acting as the representative.

The Underwriters have agreed, subject to certain conditions, to purchase from the State the 2012 Series 1 Bonds at an aggregate purchase price, with no accrued interest, of \$63,916,142.77 (reflecting an aggregate original issue premium of \$9,195,497.05 and underwriters’ discount of \$279,354.28) and the 2012 Series 2 Bonds at an aggregate purchase price, with no accrued interest, of \$112,164,151.41 (reflecting an aggregate original issue premium of \$20,160,489.45 and underwriters’ discount of \$446,338.04).

The Underwriters have agreed to reoffer the 2012 Bonds at the public offering prices or yields set forth on the **inside front cover** of this Official Statement. The 2012 Bonds may be offered and sold to certain dealers (including dealers depositing the 2012 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’ obligations are subject to certain conditions, and they will be obligated to purchase all the 2012 Bonds if any 2012 Bonds are purchased.

Certain legal matters will be passed upon for the Underwriters by their counsel, Gonzalez Saggio & Harlan LLP.

### **Reference Information About 2012 Bonds**

The following tables and **the tables on the inside front cover** include information about the 2012 Bonds and are provided for reference. The CUSIP number for each maturity has been obtained from sources the State believes are reliable, but the State is not responsible for the correctness of the CUSIP numbers. The Underwriters have provided the initial reoffering yields and prices. For each of the 2012 Series 1 Bonds subject to optional redemption, the yield shown is the lower of the lower of the yield to the first optional redemption date or the yield to the nominal maturity date.



**\$ 55,000,000**  
**State of Wisconsin**  
**Clean Water Revenue Bonds, 2012 Series 1**

**Dated Date: Delivery Date**  
**First Interest Date: December 1, 2012**  
**Delivery Date: On or About July 26, 2012**

<b>CUSIP</b>	<b>Year (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield at Issuance</b>	<b>Price at Issuance</b>	<b>First Optional Redemption Date</b>	<b>Call Price</b>
977092 UP8	2014	\$ 1,945,000	2.00%	0.42%	102.904%	Not Callable	-
977092 UQ6	2015	1,980,000	3.00	0.57	106.852	Not Callable	-
977092 UR4	2016	2,040,000	3.00	0.73	108.595	Not Callable	-
977092 US2	2017	2,105,000	3.00	0.97	109.588	Not Callable	-
977092 UT0	2018	2,165,000	4.00	1.23	115.580	Not Callable	-
977092 UU7	2019	2,250,000	4.00	1.48	116.350	Not Callable	-
977092 UV5	2020	2,340,000	4.00	1.71	116.748	Not Callable	-
977092 UW3	2021	2,435,000	4.00	1.94	116.670	Not Callable	-
977092 UX1	2022	2,535,000	4.00	2.06	117.208	Not Callable	-
977092 UY9	2023	2,635,000	5.00	2.26	124.065	2022	100%
977092 UZ6	2024	2,765,000	5.00	2.42	122.482	2022	100
977092 VA0	2025	2,905,000	5.00	2.54	121.310	2022	100
977092 VB8	2026	3,050,000	5.00	2.63	120.439	2022	100
977092 VC6	2027	3,205,000	5.00	2.72	119.576	2022	100
977092 VD4	2028	3,365,000	5.00	2.80	118.816	2022	100
977092 VE2	2029	3,530,000	5.00	2.87	118.155	2022	100
977092 VF9	2030	3,705,000	5.00	2.94	117.498	2022	100
977092 VG7	2031	3,895,000	5.00	3.01	116.846	2022	100
977092 VH5	2032	4,085,000	5.00	3.08	116.198	2022	100
977092 VJ1	2033	2,065,000	5.00	3.15	115.554	2022	100

<sup>(a)</sup> These 2012 Series 1 Bonds are priced to the June 1, 2022 first optional redemption date.

**\$ 92,450,000**  
**State of Wisconsin**  
**Clean Water Revenue Refunding Bonds, 2012 Series 2**

**Dated Date: Delivery Date**  
**First Interest Date: December 1, 2012**  
**Delivery Date: On or About July 26, 2012**

<b>CUSIP</b>	<b>Year (June 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield at Issuance</b>	<b>Price at Issuance</b>	<b>First Optional Redemption Date</b>	<b>Call Price</b>
977092 VK8	2015	\$ 4,500,000	5.000%	0.57%	112.492%	Not Callable	-
977092 VL6	2016	4,730,000	5.000	0.73	116.169	Not Callable	-
977092 VM4	2017	9,305,000	5.000	0.97	119.035	Not Callable	-
977092 VN2	2018	9,825,000	5.000	1.23	121.205	Not Callable	-
977092 VP7	2019	10,335,000	5.000	1.48	122.839	Not Callable	-
977092 VQ5	2020	10,860,000	5.000	1.71	124.061	Not Callable	-
977092 VR3	2021	5,000,000	2.625	1.94	105.542	Not Callable	-
977092 VV4	2021	6,420,000	5.000	1.94	124.764	Not Callable	-
977092 VS1	2022	11,890,000	5.000	2.06	126.079	Not Callable	-
977092 VT9	2023	12,495,000	5.000	2.30	125.786	Not Callable	-
977092 VU6	2024	7,090,000	5.000	2.49	125.611	Not Callable	-



## **Financial Advisor**

Public Financial Management, Inc. has been employed by the State to perform professional services in the capacity of financial advisor (**Financial Advisor**). The Financial Advisor has provided advice on the structure of the 2012 Bonds and has also reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. Public Financial Management, Inc. is an independent financial advisory and consulting organization and is not engaged in the underwriting, marketing, or trading of municipal securities or other negotiable instruments.

## **Verification of Mathematical Computations**

The arithmetical accuracy of certain computations was independently verified by the Verification Agent. These computations, which were provided by the Underwriters, indicate that (1) the receipts from the Government Obligations held in the Escrow Fund, together with an initial cash deposit, are sufficient to pay to and at maturity or early redemption the principal of, and premium (if any) and interest on, the Refunded Bonds, and (2) the yield of the Escrow Fund is less than the yield on the 2012 Bonds. The Verification Agent relied upon assumptions and information supplied by the Underwriters on behalf of the State and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

## **Legal Investment**

State law provides that the 2012 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.

## **Certain Legal Matters**

Legal matters relating to the authorization, issuance, and sale of the 2012 Bonds are subject to the approval of **Bond Counsel**, which is Foley & Lardner LLP. Bond Counsel will deliver an approving opinion when the 2012 Bonds are delivered, in substantially the form shown in **APPENDIX D**. If certificated 2012 Bonds are issued, then the opinion will be printed on the reverse side of each 2012 Bond.

As a condition to making a loan from the Clean Water Fund Program or Safe Drinking Water Loan Program, the State will require an opinion of counsel (which counsel need not be a nationally recognized bond counsel) to the effect that (subject to certain exceptions for bankruptcy, insolvency, and similar laws affecting creditors' rights or remedies and equitable principles), among other things, the related Financial Assistance Agreement and Municipal Obligation constitute legal, valid, and binding obligations of the Municipality enforceable against the Municipality in accordance with their respective terms.

## **Absence of Litigation**

As required by law, the office of the Attorney General will examine a certified copy of all proceedings preliminary to issuance of the 2012 Bonds. Upon delivery of the 2012 Bonds, the State will furnish an opinion of the Attorney General of the State, dated the date of delivery of the 2012 Bonds, to the effect that there is no action, suit, or proceeding, either pending or threatened in writing, known to the Attorney General, restraining or enjoining the issuance, sale, execution, or delivery of the 2012 Bonds, or in any way contesting or affecting (1) the titles to their respective offices of any of the State officers involved in the issuance of the 2012 Bonds, (2) the validity of the 2012 Bonds or any of the proceedings taken with

respect to the issuance and sale of the 2012 Bonds, or (3) the pledge or application of any moneys or security to the payment of the 2012 Bonds. In addition, the opinion will state that there is no controversy or litigation of any nature then pending or threatened by or against the State in which an adverse judgment or ruling could have a material adverse impact on the power of the State to collect and enforce the collection of the Pledged Receipts or other revenues, receipts, funds, or moneys pledged for the payment of the 2012 Bonds.

Each Municipality entering into a Financial Assistance Agreement is required, as a condition of the loan, to deliver a certificate to the effect that there is no controversy or litigation of any nature pending or, to its knowledge, threatened against the Municipality contesting or affecting the validity or enforceability of the related Financial Assistance Agreement or Municipal Obligation or the use of the proceeds of the Municipal Obligation. In addition, the certificate must state that there is no controversy or litigation of any nature then pending or, to the Municipality's knowledge, threatened by or against the Municipality in which an adverse ruling could have a material adverse impact on the financial condition of the Municipality or adversely affect the power of the Municipality to levy, collect, and enforce the levying or collection of taxes (if the Municipal Obligation is a general obligation) or the imposition of rates or charges (if the Municipal Obligation is a revenue obligation) or the collection of any of the foregoing for the payment of its Municipal Obligation.

### **Tax Exemption**

#### *Federal Income Tax*

In the opinion of Bond Counsel, under existing law, interest on the 2012 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the 2012 Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. As to questions of fact material to Bond Counsel's opinion, Bond Counsel has relied upon certified proceedings and certifications of public officials and others 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 2012 Bonds are issued for interest on the 2012 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 2012 Bonds to be included in gross income for federal income tax purposes, perhaps even starting from the date the 2012 Bonds were issued. The proceedings authorizing the 2012 Bonds do not provide for an increase in interest rates or a redemption of the 2012 Bonds in the event interest on the 2012 Bonds ceases to be excluded from gross income.

In addition, with respect to each Pledged Loan, the Municipality has promised to limit private business use of the financed project. The State has adopted program procedures concerning loans made under the Clean Water Fund Program, including investigation as to use of the proceeds of each loan. In addition, for each Pledged Loan exceeding the amount of \$1 million, the State requires an opinion from a bond counsel that the related Municipal Obligation is not a "private activity bond" within the meaning of the Code and that interest on the Municipal Obligation is excluded from gross income for federal income tax purposes. Bond Counsel is of the opinion that the program procedures adopted by the State, together with the State's covenant to take remedial action, if necessary, provide assurance that the application of proceeds of the 2012 Bonds to Pledged Loans will not cause the 2012 Bonds to fail to meet the requirements in the Code for tax-exempt obligations. Failure of one or more Municipalities to limit private business use of a financed project may cause interest on the 2012 Bonds to be included in gross income for federal income tax purposes, perhaps even starting from the date the 2012 Bonds were issued, depending upon the aggregate amount of private business use associated with Pledged Loans and if the State were not to take a timely remedial action.

Certain requirements and procedures contained or referred to in the authorizing resolutions 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 2012 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.

Current and future legislative proposals, if enacted into law, may cause the interest on the 2012 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the 2012 Bonds from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration previously announced a legislative proposal that, for tax years beginning on or after January 1, 2013, would to some extent limit the exclusion from gross income of interest on obligations like the 2012 Bonds (regardless of when they were issued) for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other legislative proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2012 Bonds. The introduction or enactment of any such legislative proposals may also affect, perhaps significantly, the market price for, or marketability of, the 2012 Bonds. Prospective purchasers of the 2012 Bonds should consult their own tax advisors regarding any current or future federal legislative proposals.

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 2012 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (**IRS**) or the courts, and it is not a guaranty of result.

The IRS has an active tax-exempt 2012 bond enforcement program. Bond Counsel is not obligated to defend the State regarding the tax-exempt status of the 2012 Bonds in the event of an examination by the IRS. Under current IRS procedures, parties other than the State, including owners of the 2012 Bonds, would have little, if any, right to participate in an IRS examination of the 2012 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 2012 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 2012 Bonds and may cause the State or the owners of the 2012 Bonds to incur significant expense.

Bond Counsel expresses no opinion about other federal tax consequences arising regarding the 2012 Bonds. There may be other federal tax law provisions that could adversely affect the value of an investment in the 2012 Bonds for particular owners of 2012 Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a 2012 Bond.

#### *State of Wisconsin Income and Franchise Taxes*

Interest on the 2012 Bonds is not exempt from current State of Wisconsin income or franchise taxes. Prospective investors should consult their own tax advisors about the state and local tax consequences of owning a 2012 Bond.

#### *Premium Bonds*

Each 2012 Bond has an Issue Price that is greater than the amount payable at the maturity of the 2012 Bond (**Premium 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 2012 Bond premium. During each taxable year, such an owner must reduce his or her tax basis in the Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the owner owned the Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of the Premium Bond.

Owners of Premium Bonds that 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 has made an undertaking, for the benefit of the beneficial owners of the 2012 Bonds, to provide an annual report presenting certain financial information and operating data about the Bonds and the Clean Water Fund Program (**Annual Reports**). By December 27 of each year, the State will send the report to the Municipal Securities Rulemaking Board (**MSRB**). The State will also provide to the MSRB notices of the occurrence of certain events specified in the undertaking. [Part I of the 2011 Annual Report](#), which contains information on the undertaking, is incorporated by reference as part of this Official Statement.

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

State of Wisconsin Capital Finance Office  
Department of Administration  
101 East Wilson Street, FLR 10  
P.O. Box 7864  
Madison, WI 53707-7864  
(608) 266-2305  
[DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.gov)  
[www.doa.wi.gov/capitalfinance](http://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 MSRB. In the last five years, the State has not failed to comply in any material respect with this or any similar undertaking.

## FURTHER INFORMATION

The State has covenanted to file with the Trustee, and to make available from DOA upon request, a copy of the audited financial statements for the Clean Water Revenue Bond Program. **APPENDIX A** incorporates by reference Part VI of the 2011 Annual Report, which includes the independent auditors' report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2011 and 2010, along with supplemental information as of June 30, 2011 and independent auditors' report and financial statements for the Leveraged Loan Portfolio for the year ended June 1, 2011.

Dated: July 11, 2012

## STATE OF WISCONSIN

/s/ SCOTT WALKER

Governor Scott Walker, Chairperson  
State of Wisconsin Building Commission

/s/ MIKE HUEBSCH

Mike Huebsch, Secretary  
State of Wisconsin Department of Administration

/s/ SUMMER R. SHANNON-BRADLEY

Summer R. Shannon-Bradley, Secretary  
State of Wisconsin Building Commission

## APPENDIX A

### INFORMATION ABOUT THE CLEAN WATER FUND PROGRAM

This Appendix includes by reference information concerning the State of Wisconsin (**State**) Clean Water Fund Program, contained in [Part VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2011 \(2011 Annual Report\)](#), which can be obtained as described below. This Appendix also includes updates, or makes changes or additions, to the information presented in Part VI of the 2011 Annual Report

[Part VI of the 2011 Annual Report](#) contains general information about the Environmental Improvement Fund, the Clean Water Fund Program, and the security and source of payment for the Bonds. More specifically, that part presents information about the following matters:

- Financial assistance
- Plan of finance
- Capitalization grants
- Funding levels
- Interest subsidy
- Management
- Security and source of payment
- Pledge of revenues
- Pledged Loans
- Subsidy Fund
- Loan Credit Reserve Fund
- Statutory powers
- State financial participation
- Additional Bonds
- General Resolution

This Official Statement and the 2011 Annual Report use the term “Pledged Loans” to refer to the same loans that are called “Leveraged Loans” and “Loans” in the General Resolution.

The 2011 Annual Report has been filed with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system, 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](http://www.doa.wi.gov/capitalfinance)

Copies of the 2011 Annual Report may also be obtained from:

State of Wisconsin Capital Finance Office  
Department of Administration  
101 East Wilson Street, FLR 10  
P.O. Box 7864  
Madison, WI 53707-7864  
(608) 266-2305  
[DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.gov)

After publication and filing of the 2011 Annual Report, certain changes or events have occurred that affect items discussed in the 2011 Annual Report. Listed below, by reference to particular sections of Part VI of the 2011 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 MSRB. However, the State has filed, and expects to continue to file, informational notices with the MSRB, some of which may be notices that are not required to be filed under the State’s undertakings.

This Official Statement includes changes or additions that were released after the date of the Preliminary Official Statement (June 21, 2012). Changes or additions to this Appendix are identified accordingly.

**Security and Source of Payment for Bonds; Pledged Loans; Table VI-2 (Part VI; Pages 197-202).**  
Update with the following information and table.

The following table identifies all Municipalities that have entered into Financial Assistance Agreements and received any type of loan from the Environmental Improvement Fund (which includes loans from the

Leveraged, Direct, and Proprietary Portfolios along with loans from the Safe Drinking Water Loan Program). The table first presents the Municipalities with outstanding Pledged Loans as of April 30, 2012. These Municipalities are listed in the order of the percentage of the debt service payments from each Municipality on its Pledged Loan (or Pledged Loans) to the total debt service payments on the Outstanding Bonds. This percentage will change when changes occur in either the repayment schedules for the Pledged Loans or the debt service payments remaining on the Outstanding Bonds. If a Municipality receives a Financial Assistance Agreement that is funded with both Pledged Loans and Direct Loans or Proprietary Loans, or if it receives multiple Financial Assistance Agreements that are funded with both Pledged Loans and Direct Loans or Proprietary Loans, then the entire amount of all Financial Assistance Agreements is included within the group of Pledged Loans. In these circumstances, there are separate columns that identify the “Pledged Loan Balance” and the “Non-Pledged Loan Balance”.

If a Municipality receives a Financial Assistance Agreement that is funded with both Pledged Loans and Direct Loans or Proprietary Loans, or if it receives multiple Financial Assistance Agreements that are funded with both Pledged Loans and Director Loans or Proprietary Loans, then the entire amount of all Financial Assistance Agreements is included within the group of Pledged Loans. In these circumstances, there are separate columns that identify the “Pledged Loan Balance” and the “Non-Pledged Loan Balance”.

The table next presents municipalities that do not have Pledged Loans. The municipalities are listed alphabetically. This grouping may change as the proceeds of Pledged Loans are disbursed and new Pledged Loans are originated, as loans are purchased and transferred into the Leveraged Portfolio, or as Pledged Loans are sold and transferred from the Leveraged Portfolio.

**State of Wisconsin Environmental Improvement Fund  
Outstanding Principal Balances  
April 30, 2012  
(Amount in Thousands)**

Municipality <sup>(a)</sup>	FAA Loan	Total FAA Loan	Pledged Loan	Non-Pledged	Total	FAA Loan	% of Bond
	Amount <sup>(b)</sup>	Disbursed	Balance <sup>(c)</sup>	Loan Balance	Outstanding Balance <sup>(d)</sup>	Remaining to Fund <sup>(e)</sup>	
<u>Pledged Loans</u>							
Milwaukee Metropolitan Sewerage District	\$ 1,109,963	\$ 912,219	\$ 288,648	\$ 406,176	\$ 694,824	\$ 169,942	27.44%
City of Fond du Lac	91,744	91,124	49,721	29,485	79,206	6	4.62%
Madison Metropolitan Sewerage District	166,922	120,106	49,296	20,585	69,881	42,490	4.54%
Green Bay Metropolitan Sewerage District	74,259	68,843	35,506	9,944	45,450	1,361	3.70%
City of Janesville	37,246	35,654	27,921	4,137	32,058	1,442	2.65%
Heart of the Valley Metropolitan Sewerage District	40,884	39,461	24,303	5,865	30,168	-	2.40%
City of Milwaukee - Comptroller's Office	111,174	106,261	15,167	72,880	88,047	1,656	1.54%
Grand Chute - Menasha West Sewerage Commission	15,941	15,290	14,269	751	15,020	608	1.42%
City of Reedsburg	16,716	16,283	12,860	357	13,217	236	1.22%
City of Manitowoc	23,018	22,512	10,172	960	11,132	-	0.90%
City of Franklin	27,563	8,424	8,424	-	8,424	19,138	0.85%
Village of East Troy	10,102	9,819	8,158	-	8,158	-	0.83%
Walworth County Metropolitan Sewerage District	27,025	26,762	7,876	14,043	21,919	-	0.81%
City of Menomonie	13,749	13,379	7,805	-	7,805	291	0.74%
Village of Sussex	18,842	18,238	6,942	-	6,942	-	0.66%
Village of New Glarus	8,160	7,865	6,733	-	6,733	-	0.64%
Delafield - Hartland Pollution Control Commission	10,000	10,000	6,411	-	6,411	-	0.64%
City of Racine	126,626	125,697	6,061	67,902	73,963	-	0.62%
City of Two Rivers	14,177	13,447	5,982	4,421	10,403	478	0.57%
Village of Belleville	9,252	9,101	5,875	-	5,875	-	0.59%
Town of Salem	17,146	16,706	5,749	4,817	10,566	-	0.59%
Village of Cottage Grove	7,188	6,558	5,553	-	5,553	-	0.57%
Village of Saukville	11,332	10,692	5,403	-	5,403	-	0.49%
Village of Cross Plains	8,287	7,782	5,369	-	5,369	-	0.53%
Village of Whitefish Bay	8,329	8,032	5,079	2,052	7,131	-	0.54%
Village of Hortonville	5,533	5,386	4,949	-	4,949	148	0.50%
Village of Cambridge	6,880	6,538	4,702	188	4,890	-	0.47%
City of Brookfield	32,065	30,706	4,545	8,548	13,093	38	0.42%
Village of Union Grove	11,460	11,286	4,200	2,011	6,211	-	0.43%
City of Waupun	6,249	6,062	4,088	-	4,088	-	0.39%
Town of Oakland Sanitary District #1	5,768	5,211	3,839	-	3,839	-	0.38%
City of Sheboygan	16,464	15,905	3,807	4,683	8,490	-	0.36%
City of Ripon	6,337	5,773	3,698	-	3,698	-	0.34%
City of Mineral Point	6,884	6,244	3,684	-	3,684	-	0.37%
City of Waupaca	13,251	12,745	3,621	662	4,283	-	0.32%
City of Stoughton	11,876	11,121	3,537	543	4,080	-	0.38%
City of South Milwaukee	15,689	15,518	3,494	7,037	10,531	-	0.32%
City of Edgerton	6,757	6,055	3,481	-	3,481	-	0.32%
City of Beloit	3,482	3,288	3,288	-	3,288	193	0.33%
Village of Hammond	4,101	3,896	2,924	-	2,924	205	0.29%
Village of Marshall	7,744	7,507	2,914	-	2,914	-	0.25%
Village of Deerfield	5,611	5,031	2,914	471	3,385	-	0.27%
City of Superior	7,047	3,058	2,867	-	2,867	3,989	0.31%
City of Stevens Point	29,061	26,911	2,866	10,672	13,538	1,707	0.29%
Village of Dousman	3,268	3,076	2,832	-	2,832	191	0.30%
City of Whitewater	4,977	4,379	2,741	308	3,049	598	0.29%
City of Baraboo	3,902	3,802	2,726	-	2,726	-	0.25%
Village of Cedar Grove	4,400	4,253	2,698	308	3,006	-	0.27%
City of Omro	3,510	3,354	2,676	-	2,676	-	0.25%
Village of Twin Lakes	8,156	7,788	2,641	1,669	4,310	348	0.27%
Village of Jackson	6,130	6,130	2,633	-	2,633	-	0.23%
Rib Mountain Metro Sewerage District	3,766	3,552	2,505	-	2,505	-	0.25%
City of Milton	4,328	4,091	2,417	-	2,417	-	0.24%
City of Oshkosh	64,698	63,385	2,396	25,952	28,348	-	0.22%
Village of Lomira	5,495	5,118	2,269	690	2,959	-	0.23%
Village of Lake Delton	22,133	21,823	2,227	13,392	15,619	-	0.20%
Village of Ellsworth	3,582	2,481	2,183	-	2,183	1,101	0.22%
Village of Bristol	6,364	6,077	2,168	-	2,168	-	0.20%
City of Bloomer	6,694	6,690	2,142	-	2,142	-	0.22%
City of Brodhead	6,549	6,284	2,088	-	2,088	-	0.21%
City of Oconomowoc	5,449	5,414	2,033	-	2,033	-	0.17%
Village of Caledonia	4,465	4,411	2,005	543	2,548	-	0.20%
Town of Menasha	3,486	3,358	1,970	-	1,970	112	0.20%
City of Dodgeville	4,995	4,995	1,946	-	1,946	-	0.19%
Norway Sanitary District #1	5,547	4,424	1,923	-	1,923	-	0.19%
Village of Black Creek	5,324	5,173	1,913	-	1,913	-	0.20%
Village of West Salem	8,049	7,510	1,515	2,517	4,032	-	0.15%
City of Hudson	6,165	5,823	1,508	-	1,508	-	0.15%
City of Chilton	6,264	6,153	1,461	2,284	3,745	-	0.14%
City of Mauston	2,905	2,759	1,397	-	1,397	-	0.15%
Village of Luxemburg	3,178	2,945	1,321	-	1,321	-	0.13%
City of Chippewa Falls	12,453	11,617	1,310	5,193	6,503	442	0.14%
Village of Somerset	2,981	2,744	1,302	-	1,302	-	0.13%
City of Antigo	3,988	3,971	1,292	-	1,292	-	0.11%
Village of Plover	12,754	12,453	1,290	7,232	8,522	301	0.13%
City of Lodi	4,050	3,907	1,268	-	1,268	-	0.11%
City of New Richmond	4,124	4,006	1,247	678	1,925	-	0.11%
City of Marshfield	24,170	22,996	1,234	8,845	10,079	-	0.11%

**State of Wisconsin Environmental Improvement Fund  
Outstanding Principal Balances  
April 30, 2012—Continued  
(Amount in Thousands)**

Municipality <sup>(a)</sup>	FAA Loan	Total FAA Loan	Pledged Loan	Non-Pledged	Total	FAA Loan	% of Bond
	Amount <sup>(b)</sup>	Disbursed	Balance <sup>(c)</sup>	Loan Balance	Outstanding Balance <sup>(d)</sup>	Remaining to Fund <sup>(e)</sup>	
City of Richland Center	\$ 8,175	\$ 7,876	\$ 1,224	\$ 1,468	\$ 2,692	-	0.14%
Village of Slinger	7,008	6,562	1,186	3,691	4,877	-	0.12%
City of Mayville	2,129	1,810	1,178	13	1,191	\$ 250	0.11%
Village of Random Lake	1,919	1,740	1,119	-	1,119	-	0.11%
Village of Silver Lake	2,318	2,318	1,118	-	1,118	-	0.11%
City of Cuba City	2,562	2,316	1,107	-	1,107	-	0.11%
Village of Howards Grove	2,102	1,905	1,086	-	1,086	-	0.11%
City of Ashland	6,001	5,531	1,078	1,839	2,917	-	0.09%
Village of North Fond du Lac	2,592	2,590	1,065	-	1,065	-	0.11%
City of Viroqua	2,728	2,727	1,012	634	1,646	-	0.10%
City of Portage	5,630	5,536	956	1,670	2,626	-	0.10%
City of Rhinelander	14,820	13,524	937	11,850	12,787	1,181	0.10%
City of Juneau	1,365	1,302	892	73	965	-	0.09%
Green Lake Sanitary District	8,674	8,388	875	-	875	-	0.11%
City of Neenah	27,506	26,663	848	19,441	20,289	-	0.09%
City of Neillsville	3,238	3,210	844	-	844	-	0.09%
City of Delafield	1,556	1,556	843	-	843	-	0.08%
City of Monroe	3,470	2,956	811	-	811	-	0.08%
Village of Allouez	3,072	3,062	802	-	802	-	0.08%
Village of Footville	2,131	2,097	787	255	1,042	-	0.08%
Village of Bangor	1,587	1,584	749	-	749	-	0.07%
Ixonia Sanitary District #1	1,340	1,308	748	-	748	-	0.07%
City of Wautoma	6,848	6,847	722	1,153	1,875	-	0.06%
Village of Reedsville	3,921	3,712	704	921	1,625	197	0.07%
Freedom Sanitary District #1	2,748	2,645	690	-	690	-	0.07%
City of Lake Mills	1,246	1,165	671	-	671	-	0.06%
City of Amery	3,060	2,909	641	220	861	-	0.05%
City of Jefferson	7,534	6,958	641	3,245	3,886	-	0.06%
Western Racine County Sewerage District	11,459	10,617	611	6,659	7,270	-	0.06%
City of Tomahawk	3,026	2,864	593	-	593	-	0.07%
Village of Coleman	717	707	592	-	592	-	0.06%
Village of Iron Ridge	1,441	1,254	583	-	583	-	0.06%
Chain O'Lakes Sanitary District #1	2,082	2,063	582	-	582	-	0.05%
City of Brillion	1,064	1,061	560	-	560	-	0.05%
City of Oconto Falls	9,615	3,237	556	2,308	2,864	6,174	0.05%
Village of Shorewood	2,512	2,298	533	-	533	-	0.05%
City of Kewaunee	1,684	1,684	500	-	500	-	0.05%
Village of Pewaukee	8,191	7,695	494	1,666	2,160	-	0.05%
Village of Fremont	1,867	1,815	480	-	480	-	0.05%
City of New Holstein	1,100	990	468	-	468	-	0.05%
Village of Wrightstown	6,226	6,112	458	4,135	4,593	-	0.05%
Village of Lake Nebagamon	1,539	1,456	454	-	454	-	0.05%
Village of Dane	1,228	1,228	444	-	444	-	0.04%
Village of Newburg	1,549	1,430	443	-	443	-	0.05%
O'Dell's Bay Sanitary District #1	475	475	434	-	434	-	0.04%
Village of Poynette	2,288	2,112	421	-	421	-	0.05%
City of Galesville	1,731	1,695	411	149	560	-	0.04%
Village of Trempealeau	2,976	2,942	396	1,289	1,685	-	0.04%
City of Darlington	4,328	4,328	386	2,123	2,509	-	0.04%
Village of Mishicot	4,106	3,966	386	2,719	3,105	-	0.04%
Village of Frederic	470	399	383	-	383	71	0.04%
City of Crandon	1,537	1,454	379	-	379	-	0.04%
Village of Fontana	4,751	4,678	379	2,676	3,055	-	0.03%
City of Tomah	20,454	19,284	377	7,636	8,013	-	0.04%
Village of Boyceville	411	391	377	-	377	19	0.04%
Village of Little Chute	427	384	369	-	369	43	0.04%
City of Colby	3,319	3,087	363	382	745	42	0.04%
City of Watertown	30,535	29,384	340	16,785	17,125	-	0.03%
Village of Muscoda	898	777	332	-	332	-	0.03%
City of Lancaster	1,688	1,601	328	-	328	-	0.03%
City of Boscobel	1,337	1,182	301	-	301	-	0.03%
City of Cumberland	2,128	1,888	299	1,028	1,327	120	0.03%
Village of Brokaw	1,051	996	297	263	560	-	0.03%
City of Manawa	1,408	1,391	283	-	283	-	0.03%
Village of Blue Mounds	1,152	1,064	279	-	279	-	0.03%
City of Altoona	846	485	279	177	456	361	0.03%
Village of Cambria	302	297	273	-	273	-	0.03%
Village of Rockland	1,311	1,210	269	270	539	-	0.03%
City of Mosinee	1,383	1,297	257	-	257	-	0.02%
City of Marinette	17,284	15,299	252	12,960	13,212	1,034	0.03%
City of Columbus	5,425	5,241	246	3,384	3,630	184	0.03%
Village of Highland	1,147	1,104	243	278	521	-	0.02%
Brazeau Sanitary District #1	793	758	233	-	233	-	0.02%
Village of Spring Green	950	920	232	-	232	-	0.02%
Village of Lena	343	284	225	-	225	-	0.02%
City of Shullsburg	687	626	223	-	223	-	0.02%
Village of Knapp	669	669	217	-	217	-	0.02%
Village of Monticello	2,345	2,319	210	-	210	-	0.02%
Village of Rosholt	662	649	209	-	209	-	0.02%



**State of Wisconsin Environmental Improvement Fund  
Outstanding Principal Balances  
April 30, 2012—Continued  
(Amount in Thousands)**

<u>Municipality</u> <sup>(a)</sup>	FAA Loan	Total FAA Loan	Pledged Loan	Non-Pledged	Total	FAA Loan	% of Bond
	Amount <sup>(b)</sup>	Disbursed	Balance <sup>(c)</sup>	Loan Balance	Outstanding <sup>(d)</sup> Balance <sup>(e)</sup>	Fund <sup>(f)</sup>	Payment <sup>(g)</sup>
City of River Falls	\$ 4,766	\$ 4,351	\$ 203	\$ 2,383	\$ 2,586	-	0.02%
City of Kenosha	33,144	29,370	198	3,104	3,302	-	0.02%
Wisconsin Dells - Lake Delton Sewerage Commission	449	416	194	-	194	-	0.02%
Village of Valders	1,538	1,538	193	17	210	-	0.02%
Village of Brownsville	1,017	917	191	236	427	-	0.02%
City of Chetek	528	512	183	-	183	-	0.02%
Sextonville Sanitary District	589	564	176	-	176	-	0.02%
City of Abbotsford	1,403	1,302	169	511	680	-	0.02%
Village of Kohler	401	367	160	-	160	-	0.02%
Village of Mount Calvary	1,430	1,430	154	-	154	-	0.02%
Village of Campbellsport	2,087	1,238	151	871	1,022	\$ 803	0.02%
Village of Montfort	779	756	151	-	151	-	0.02%
Village of Bay City	1,224	1,200	147	-	147	-	0.02%
Wrightstown Sanitary District #1	1,081	1,036	141	-	141	-	0.02%
City of Westby	417	395	141	-	141	-	0.01%
Iron River Sanitary District #1	717	710	140	-	140	-	0.02%
Village of Mattoon	628	586	129	79	208	-	0.01%
Village of Wyoceca	389	298	122	-	122	-	0.01%
City of Cudahy	886	839	114	-	114	-	0.01%
Village of Prentice	544	447	113	-	113	-	0.01%
Village of Linden	224	216	112	-	112	-	0.01%
City of Montello	260	256	108	-	108	-	0.01%
Potosi/Tennysen Sewerage Commission	1,543	1,543	107	-	107	-	0.02%
City of Prescott	5,349	4,956	99	-	99	-	0.01%
Village of Walworth	584	557	98	234	332	-	0.01%
Silver Lake Sanitary District (Waushara County)	722	722	97	-	97	-	0.01%
City of Shawano	2,361	1,937	92	1,501	1,593	-	0.01%
Village of Pepin	363	281	88	-	88	-	0.01%
Village of Hewitt	1,467	1,298	83	-	83	-	0.01%
Village of Potosi	291	260	81	-	81	-	0.01%
Village of Belmont	458	416	80	-	80	-	0.01%
Village of Almond	530	504	66	-	66	-	0.01%
Village of Hancock	151	131	62	-	62	-	0.01%
City of Plymouth	5,848	5,427	62	850	912	-	0.01%
Village of North Freedom	498	473	62	-	62	-	0.01%
Village of Osceola	6,570	6,414	60	4,344	4,404	-	0.01%
City of Beaver Dam	11,136	11,115	56	10,317	10,373	-	0.00%
Village of Prairie du Sac	1,798	419	56	236	292	1,357	0.01%
Village of Gays Mills	180	173	53	-	53	-	0.01%
Village of Bakwin	262	262	53	-	53	-	0.01%
Mercer Sanitary District #1	787	787	46	-	46	-	0.01%
City of Hillsboro	1,978	1,913	40	1,579	1,619	-	0.00%
Iowa County	486	486	34	-	34	-	0.00%
Village of Pulaski	483	483	33	-	33	-	0.01%
Village of Plum City	1,685	1,685	33	1,185	1,218	-	0.00%
Village of Combined Locks	117	31	28	-	28	85	0.00%
Village of Cassville	442	401	28	-	28	-	0.00%
Goodman Sanitary District #1	1,074	1,074	25	271	296	-	0.00%
Village of Spring Valley	120	120	24	-	24	-	0.00%
Village of Albany	1,016	496	24	200	224	456	0.00%
Village of Roberts	3,194	3,194	22	2,471	2,493	-	0.00%
<b>Subtotal</b>	<b>\$ 2,906,394</b>	<b>\$ 2,563,684</b>	<b>\$ 811,633</b>	<b>\$ 892,550</b>	<b>\$ 1,704,183</b>	<b>\$ 259,398</b>	

*Direct Loans, Proprietary Loans, and Safe Drinking Water Loans*

City of Adams	\$ 450	\$ 383	\$ -	\$ 349	\$ 349	\$ 67	
Village of Adell - Onion River	721	721	-	-	-	-	
Village of Adell	566	566	-	-	-	-	
Algoma Sanitary District #1	12,872	11,820	-	7,834	7,834	-	
Village of Amherst	578	563	-	516	516	-	
City of Appleton	16,474	13,989	-	-	-	-	
City of Arcadia	3,599	3,430	-	2,574	2,574	-	
Village of Arena	1,627	1,587	-	687	687	-	
Village of Arlington	2,132	2,060	-	1,181	1,181	-	
Ashippun Sanitary District	4,489	4,236	-	3,685	3,685	-	
Village of Athens	2,429	1,625	-	1,510	1,510	804	
City of Augusta	1,700	1,700	-	1,242	1,242	-	
Village of Avoca	359	344	-	69	69	-	
Village of Bagley	229	218	-	90	90	-	
City of Bayfield	2,364	2,300	-	1,428	1,428	-	
Village of Bayside	1,612	1,399	-	983	983	-	
Village of Bear Creek	432	387	-	97	97	-	
Village of Belgium	3,855	3,838	-	2,067	2,067	-	
Town of Beloit	956	904	-	561	561	-	
Village of Benton	1,702	1,702	-	909	909	-	
City of Berlin	1,182	1,036	-	1,036	1,036	146	
Village of Black Earth	4,278	4,125	-	1,744	1,744	-	
City of Black River Falls	2,334	2,299	-	1,725	1,725	-	
City of Blair	2,566	2,350	-	1,999	1,999	-	

**State of Wisconsin Environmental Improvement Fund  
Outstanding Principal Balances  
April 30, 2012—Continued  
(Amount in Thousands)**

<u>Municipality</u> <sup>(a)</sup>	<u>FAA Loan</u>	<u>Total FAA Loan</u>	<u>Pledged Loan</u>	<u>Non-Pledged</u>	<u>Total</u>	<u>FAA Loan</u>	<u>% of Bond</u>
	<u>Amount</u> <sup>(b)</sup>	<u>Disbursed</u>	<u>Balance</u> <sup>(c)</sup>	<u>Loan Balance</u>	<u>Outstanding Balance</u> <sup>(d)</sup>	<u>Remaining to Fund</u> <sup>(e)</sup>	
	\$	\$	\$	\$	\$	\$	<u>Payment</u> <sup>(f)</sup>
Village of Blue River	656	647	-	347	347	-	-
Village of Boaz	106	106	-	-	-	-	-
Bohner's Lake Sanitary District #1	2,859	2,859	-	-	-	-	-
Village of Bowler	679	623	-	381	381	-	-
Brookfield Sanitary District #4	5,750	5,608	-	1,976	1,976	-	-
Village of Brooklyn	4,756	4,730	-	4,327	4,327	-	-
City of Burlington	7,533	7,117	-	6,463	6,463	353	-
Village of Butternut	733	551	-	502	502	183	-
Village of Cameron	610	600	-	431	431	-	-
Village of Camp Douglas	526	483	-	421	421	-	-
Village of Cascade	1,000	1,000	-	920	920	-	-
Village of Cazenovia	329	307	-	268	268	-	-
Christmas Mountain Sanitary District	1,659	1,614	-	768	768	-	-
Village of Cleveland	3,610	3,452	-	903	903	-	-
Village of Clinton	4,962	4,877	-	2,394	2,394	-	-
City of Clintonville	4,750	4,501	-	3,714	3,714	-	-
Village of Cochrane	454	441	-	196	196	-	-
Consolidated Koshkonong Sanitary Commission	4,018	3,876	-	3,576	3,576	-	-
Village of Crivitz	1,725	1,725	-	94	94	-	-
Village of Curtiss	353	342	-	209	209	-	-
Cushing Sanitary District #1	116	116	-	20	20	-	-
Village of Dallas	481	465	-	445	445	-	-
Village of De Soto	128	6	-	6	6	122	-
City of Delavan	3,842	3,599	-	2,962	2,962	-	-
Village of Denmark	2,069	1,961	-	1,887	1,887	109	-
Village of Dickeyville	1,078	1,017	-	577	577	-	-
Town of Dover	1,787	1,606	-	995	995	-	-
City of Eagle River	3,563	3,401	-	711	711	-	-
Village of Eagle	2,161	2,132	-	1,318	1,318	-	-
Village of Eastman	323	323	-	-	-	-	-
Village of Edgar	555	555	-	506	506	-	-
Edgewood-Shangri La Sanitary District	1,011	996	-	18	18	-	-
Village of Egg Harbor	508	504	-	208	208	-	-
Ekho Sanitary District #1	956	956	-	280	280	-	-
Village of Elk Mound	350	349	-	68	68	-	-
Village of Ephraim	1,629	1,457	-	1,023	1,023	-	-
City of Evansville	5,250	4,851	-	4,108	4,108	-	-
Village of Fairchild	740	719	-	258	258	-	-
Village of Fairwater	1,554	1,481	-	927	927	-	-
Forest Junction Sanitary District	1,255	1,180	-	893	893	-	-
Village of Forestville	585	552	-	231	231	-	-
City of Fountain City	451	451	-	286	286	-	-
Fulton Sanitary District No. 2	211	211	-	67	67	-	-
Village of Genoa City	4,227	4,015	-	2,479	2,479	-	-
Village of Genoa	38	29	-	28	28	8	-
Germantown Sanitary District	34	34	-	-	-	-	-
Village of Germantown	971	773	-	744	744	-	-
Gibbsville Sanitary District	1,518	1,383	-	945	945	-	-
City of Gillett	4,478	4,302	-	3,867	3,867	176	-
Gildden Sanitary District	88	88	-	77	77	-	-
Village of Gratiot	724	723	-	427	427	-	-
City of Green Lake	3,507	3,507	-	2,922	2,922	-	-
Green Valley Sanitary District #1	188	188	-	41	41	-	-
Greenville Sanitary District No. 1	5,952	5,732	-	4,318	4,318	-	-
City of Greenwood	847	786	-	596	596	-	-
Harmony Grove - Okee Sewerage Commission	2,327	2,155	-	1,273	1,273	-	-
City of Hartford	11,415	11,415	-	4,896	4,896	-	-
Village of Haugen	285	285	-	124	124	-	-
Village of Hilbert	2,502	2,496	-	497	497	-	-
Village of Hingham - Onion River	227	227	-	-	-	-	-
Village of Hobart	1,123	1,094	-	1,049	1,049	-	-
Holland Sanitary District #1	1,497	1,485	-	879	879	-	-
Village of Holmen	1,365	1,365	-	1,062	1,062	-	-
City of Horicon	683	34	-	31	31	649	-
Hub-Rock Sanitary District No. 1	494	494	-	131	131	-	-
Village of Hustisford	1,057	1,045	-	666	666	-	-
City of Independence	1,592	1,556	-	1,061	1,061	-	-
Island View Sanitary District	2,764	2,480	-	268	268	-	-
Ithaca Sanitary District #1	412	412	-	108	108	-	-
Kelly Lake Sanitary District #1	2,439	2,413	-	1,081	1,081	-	-
Village of Kewaskum	9,423	9,204	-	8,218	8,218	-	-
City of Kiel	2,470	2,470	-	926	926	-	-

**State of Wisconsin Environmental Improvement Fund  
Outstanding Principal Balances  
April 30, 2012—Continued  
(Amount in Thousands)**

Municipality <sup>(a)</sup>	FAA Loan	Total FAA Loan	Pledged Loan	Non-Pledged	Total	FAA Loan	% of Bond
	Amount <sup>(b)</sup>	Disbursed	Balance <sup>(c)</sup>	Loan Balance	Outstanding Balance <sup>(d)</sup>	Remaining to Fund <sup>(e)</sup>	
Krakov Sanitary District No. 1	\$ 625	\$ 625	\$ -	\$ 440	\$ 440	-	-
Lake Como Sanitary District #1	4,459	4,459	-	1,338	1,338	-	-
Lake Tomahawk Sanitary District #1	1,317	1,313	-	547	547	-	-
Village of Lannon	2,982	2,982	-	304	304	-	-
Lebanon Sanitary District #1	606	587	-	459	459	-	-
Little Elkhart Lake Rehabilitation District	217	217	-	-	-	-	-
Little Green Lake Protection & Rehabilitation District	1,898	1,734	-	922	922	-	-
Little Suamico Sanitary District #1	1,791	1,682	-	925	925	-	-
Village of Lowell	1,926	1,438	-	1,384	1,384	\$ 488	-
City of Loyal	1,138	851	-	402	402	-	-
Village of Lyndon Station	1,223	1,131	-	744	744	61	-
Lyons Sanitary District #2	2,614	2,467	-	2,361	2,361	147	-
Madeline Sanitary District	591	525	-	467	467	66	-
Village of Marathon City	1,890	1,853	-	779	779	-	-
Village of Mazomanie	4,753	4,553	-	1,924	1,924	-	-
City of Menasha <sup>(6)</sup>	18,437	17,691	-	14,714	14,714	423	-
Village of Menomonee Falls	887	869	-	306	306	-	-
Village of Milltown	337	302	-	94	94	-	-
Mindoro Sanitary District #1	1,114	1,090	-	768	768	-	-
Village of Minong	249	217	-	194	194	32	-
Morrisonville Sanitary District #1	278	278	-	78	78	-	-
Village of Mount Hope	386	386	-	248	248	-	-
Village of Mount Horeb	1,080	1,051	-	-	-	-	-
Village of Mukwonago	2,514	2,271	-	966	966	-	-
City of Muskego	454	318	-	291	291	136	-
Village of Necedah	3,911	3,906	-	2,374	2,374	-	-
City of Nekoosa	6,709	6,564	-	3,116	3,116	-	-
Village of Nelson	640	640	-	128	128	-	-
Village of New Auburn	1,144	1,130	-	814	814	-	-
City of New Lisbon	5,845	5,434	-	3,148	3,148	-	-
City of Oak Creek	6,769	6,681	-	6,378	6,378	-	-
Village of Oakfield	2,200	2,200	-	1,301	1,301	-	-
Town of Oconomowoc	6,819	6,169	-	3,259	3,259	-	-
City of Oconto	3,844	3,725	-	508	508	-	-
Ogema Sanitary District #1	190	181	-	-	-	-	-
Village of Oliver	588	588	-	158	158	-	-
Omro Sanitary District #1	992	992	-	161	161	-	-
Village of Oregon	7,217	7,073	-	1,853	1,853	-	-
Orihula Sanitary District	2,522	2,485	-	254	254	-	-
City of Osseo	1,575	1,575	-	820	820	-	-
City of Owen	418	418	-	276	276	-	-
Packwaukee Sanitary District No. 1	242	242	-	81	81	-	-
Village of Paddock Lake	9,370	3,081	-	3,081	3,081	6,290	-
City of Park Falls	4,672	4,544	-	3,500	3,500	-	-
Pell Lake Sanitary District #1	5,917	5,917	-	1,914	1,914	-	-
Pensaukee Sanitary District #1	1,279	1,279	-	269	269	-	-
City of Peshigo	5,388	5,216	-	4,072	4,072	-	-
City of Pewaukee	8,049	7,831	-	2,241	2,241	-	-
City of Phillips	2,233	2,233	-	1,167	1,167	-	-
Pikes Bay Sanitary District	1,621	666	-	462	462	-	-
City of Pittsville	3,756	3,488	-	2,403	2,403	267	-
City of Platteville	6,559	6,438	-	5,729	5,729	-	-
Pleasant Springs Sanitary District #1	1,029	934	-	190	190	-	-
Village of Port Edwards	3,368	3,291	-	2,264	2,264	-	-
City of Port Washington	3,404	3,404	-	1,946	1,946	-	-
Portland Sanitary District #1	295	287	-	181	181	-	-
Poy Sippi Sanitary District	223	223	-	115	115	-	-
City of Prairie du Chien	3,823	3,653	-	2,922	2,922	-	-
Village of Redgranite	2,303	2,303	-	689	689	-	-
Village of Rewey	124	123	-	100	100	-	-
Village of Rib Lake	636	625	-	572	572	10	-
Village of Rio	210	210	-	201	201	-	-
Village of Rockdale	877	859	-	718	718	-	-
Town of Rome	4,481	4,433	-	3,658	3,658	-	-
Roxbury Sanitary District #1	940	914	-	375	375	-	-
Village of Saint Cloud	935	875	-	684	684	-	-
City of Seymour	708	654	-	481	481	-	-
Village of Sharon	1,377	1,371	-	1,100	1,100	-	-
Village of Sheldon	292	292	-	179	179	-	-
Village of Sherwood	1,900	1,823	-	586	586	-	-
Silver Lake Sanitary District	1,063	1,063	-	-	-	-	-
Village of South Wayne	1,250	1,144	-	279	279	-	-
City of Sparta	6,230	5,714	-	3,195	3,195	-	-

**State of Wisconsin Environmental Improvement Fund  
Outstanding Principal Balances  
April 30, 2012—Continued  
(Amount in Thousands)**

<u>Municipality<sup>(a)</sup></u>	<u>FAA Loan Amount<sup>(b)</sup></u>	<u>Total FAA Loan Disbursed</u>	<u>Pledged Loan Balance<sup>(c)</sup></u>	<u>Non-Pledged Loan Balance</u>	<u>Total Outstanding Balance<sup>(d)</sup></u>	<u>FAA Loan Remaining to Fund<sup>(e)</sup></u>	<u>% of Bond Payment<sup>(f)</sup></u>
St. Joseph's Sanitary District No. 1	\$ 1,562	\$ 1,555	\$ -	\$ 1,170	\$ 1,170	-	
City of Stanley	905	905	-	831	831	-	
Village of Stetsonville	1,141	1,141	-	538	538	-	
Village of Stoddard	556	532	-	389	389	-	
Village of Stratford	1,401	1,362	-	1,123	1,123	-	
Village of Suamico	9,940	9,283	-	6,786	6,786	-	
Village of Summit	7,832	7,695	-	4,270	4,270	-	
City of Sun Prairie	16,114	15,844	-	12,349	12,349	-	
Village of Suring	1,121	977	-	732	732	\$ 43	
City of Thorp	1,198	1,177	-	780	780	-	
Three Lakes Sanitary District #1	259	257	-	245	245	-	
Village of Turtle Lake	1,739	1,612	-	1,422	1,422	-	
Village of Union Center	299	299	-	126	126	-	
Valley Ridge Clean Water Commission	749	749	-	21	21	-	
Village of Vesper	1,724	1,680	-	892	892	-	
Village of Viola	399	327	-	269	269	-	
Village of Waldo	2,748	2,552	-	2,452	2,452	196	
Village of Warrens <sup>(g)</sup>	4,769	4,769	-	3,360	3,360	-	
Village of Waterford	1,135	1,051	-	1,015	1,015	-	
Village of Wausaukee	1,662	1,662	-	93	93	-	
Village of Wauzeka	128	107	-	27	27	-	
City of West Allis	3,653	2,957	-	2,674	2,674	451	
Village of West Baraboo	711	640	-	614	614	71	
Westboro Sanitary District #1	51	51	-	11	11	-	
City of Whitehall	1,726	1,726	-	1,571	1,571	-	
Village of Whitelaw	1,494	1,491	-	774	774	-	
Village of Whiting	259	259	-	234	234	-	
Village of Williams Bay	885	836	-	301	301	-	
Winneconne Sanitary District #3	2,079	1,985	-	307	307	-	
Village of Winneconne	1,644	1,494	-	562	562	-	
City of Wisconsin Dells	2,856	2,617	-	1,954	1,954	163	
City of Wisconsin Rapids	26,966	25,618	-	23,494	23,494	1,348	
Village of Withee	1,112	1,089	-	957	957	-	
Wolf Treatment Plant Commission	11,573	11,103	-	4,770	4,770	-	
<b>Subtotal</b>	<b>\$ 513,917</b>	<b>\$ 483,302</b>	<b>\$ -</b>	<b>\$ 294,354</b>	<b>\$ 294,354</b>	<b>\$ 12,809</b>	
<b>Total</b>	<b>\$ 3,420,311</b>	<b>\$ 3,046,986</b>	<b>\$ 811,633</b>	<b>\$ 1,186,904</b>	<b>\$ 1,998,537</b>	<b>\$ 272,207</b>	

- (a) For Municipalities that have received a Financial Assistance Agreement that is funded with both Pledged Loans and Direct Loans or Proprietary Loans, or for Municipalities that received more than one Financial Assistance Agreement that is funded, in part, with Pledged Loans, the entire amount of all Financial Assistance Agreements is included within the group of Pledged Loans.
- (b) The amount of financial assistance depicts only loans. Grants and other awards pursuant to the American Recovery and Reinvestment Act of 2009 and the grants awarded pursuant to the Capitalization Grant received for federal fiscal year 2010, which have been awarded in the aggregate amount of approximately \$151 million, are not included.
- (c) The principal balance may be less than the total amount disbursed due to repayment of loans.
- (d) "FAA Loan Remaining to Fund" is the "FAA Loan Amount" less "Total FAA Loan Disbursed", except for loans that have been closed out or paid off, in which case the "FAA Loan Remaining to Fund" is zero. Since the entire amount of all Financial Assistance Agreements is shown in aggregate, specific loans that have been closed out (and for which the FAA Loan Remaining to Fund is zero) may result in deviations in the above formula.
- (e) Total remaining Pledged Loan Repayments (excluding amounts payable after the retirement of the previously issued and Outstanding Bonds) are shown as a percentage of total debt service remaining on the Outstanding Bonds, less those Bonds that are defeased. Pledged Loans with amortization periods of shorter duration than the Bonds will reflect a lower comparative percentage of the Bonds' debt service. Other revenues expected to be available for payment of the Bonds consist of Subsidy Fund transfers and repayments on Pledged Loans to be originated in the future from the remaining undisbursed Bond proceeds.
- (f) Additional information about these specific Municipalities is included on page A-9 of this Appendix.

**Security and Source of Payment for Bonds; Subsidy Fund** (Part VI; Pages 203-204). Update with information that appears in “**SECURITY; Subsidy Fund**” on pages 7-8 of this Official Statement.

**Security and Source of Payment for Bonds; Loan Credit Reserve Fund** (Part VI; Pages 204-205). Update with information that appears in “**SECURITY; Loan Credit Reserve Fund**” on page 8 of this Official Statement.

**Security and Source of Payment for Bonds; State Financial Participation** (Part VI; Pages 205-206). Update with information that appears in “**SECURITY; The State**” on pages 8-9 of this Official Statement.

**Security and Source of Payment for Bonds; Milwaukee Metropolitan Sewerage District** (Part VI; Page 206). Update with information that appears in “**SECURITY; Milwaukee Metropolitan Sewerage District**” on page 9 of this Official Statement. The Milwaukee Metropolitan Sewerage District’s Comprehensive Annual Financial Report for the year ended December 31, 2011 became available after the Preliminary Official Statement was released, and is incorporated by reference as part of this Official Statement.

**Municipalities; Municipalities Exhibiting Financial Distress** (Part VI; Pages 213-214). Update with the following information. As described in the 2011 Annual Report, the Village of Warrens and the City of Menasha are borrowers from the Environmental Improvement Fund loan programs and have made disclosures relating to financial distress they are undergoing. These municipalities have made the Environmental Improvement Fund aware of such disclosures; however, *the Environmental Improvement Fund loans made to these municipalities are not Pledged Loans and thus are not pledged to the repayment of the Bonds.*

*Village of Warrens.* The Village of Warrens continues to have a Clean Water Fund loan, dated August 24, 2005, in the current outstanding amount of \$3,619,621.00. Although the Municipal Obligation issued to the Environmental Improvement Fund to secure the loan is a revenue obligation, the Village of Warrens planned to pay debt service with expected tax increment receipts from the Village of Warrens’ Tax Incremental District No. 1, established to capture tax increments from a residential and commercial real estate development. Coincidental with the recent recession, property values for this development have fallen, resulting in a shortfall of tax increment receipts and other revenues, and a failure by the Village of Warrens to make full principal and interest payments on this loan. DOA entered into a Forbearance Agreement with the Village of Warrens on May 1, 2010, amended such agreement on November 1, 2010, May 1, 2011, November 1, 2011, and May 1, 2012, and expects to continue forbearance through a period of economic recovery and loan restructuring.

Further details of these and other matters relating to the Village of Warrens can be found in disclosure filings made by the Village of Warrens with the MSRB through its EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org). The disclosure filings from the Village of Warrens are not part of Part VI of the 2011 Annual Report or this Official Statement, nor are they incorporated by reference into Part VI of the 2011 Annual Report or this Official Statement.

## APPENDIX B

### INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin (**State**) and its general obligations, contained in [Part II](#) and [Part III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2011 \(2011 Annual Report\)](#), which can be obtained as described below. This Appendix also updates, or makes changes or additions to, the information presented in Parts II and III of the 2011 Annual Report, including, but not limited to:

- Updated projections of General Fund tax collections for the 2011-13 biennium, as provided by the State's Department of Revenue to the State's Department of Administration and referenced in a memorandum provided by the Department of Administration (**DOA**) on May 10, 2012 (**May 10, 2012 DOA Memorandum**).
- Updated General Fund tax revenue estimates for the 2011-13 biennium and projected General Fund condition statements for each fiscal year of the 2011-13 biennium, as included in a memorandum provided by the Legislative Fiscal Bureau (**LFB**) on February 9, 2012 (**February 9, 2012 LFB Memorandum**).
- General Fund information for the 2011-12 fiscal year through May 31, 2012, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the 2012-13 fiscal year, which is presented on a cash basis.

[Part II of the 2011 Annual Report](#) contains general information about the State. More specifically, that part presents information about the following matters:

- State's revenue and expenditures
- State's operations, financial procedures, accounting, and financial reporting
- Organization of, and services provided by, the State
- Budget process and fiscal controls
- State budget (including results of fiscal year 2010-11 and State budget for 2011-13 Biennium)
- Potential effects of litigation
- State obligations
- Employee pension funds and other post-employment benefits
- State Investment Board
- Statistical information about the State's population, income, and employment

[Part III of the 2011 Annual Report](#) contains information concerning general obligations issued by the State. That part discusses the security provisions for general obligations (including the flow of funds to pay debt service on general obligations) and presents data about the State's outstanding general obligations and the portion of outstanding general obligations that is revenue supported.

Included as APPENDIX A to [Part II of the 2011 Annual Report](#) are the audited general purpose external financial statements for the fiscal year ending June 30, 2011, 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 2011 Annual Report was filed with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system, and also is available from the part of the Capital Finance Office web site called "Official Disclosure for Bonds, Notes, and Other Securities Issued by the State of Wisconsin." The Capital Finance Office web site is located at the following address:

[www.doa.wi.gov/capitalfinance](http://www.doa.wi.gov/capitalfinance)

Copies of the 2011 Annual Report may also be obtained from:

State of Wisconsin Capital Finance Office  
Department of Administration  
Attn: Capital Finance Director  
P.O. Box 7864  
101 E. Wilson Street, FLR 10  
Madison, WI 53707-7864  
(608) 266-2305  
[DOACapitalFinanceOffice@wisconsin.gov](mailto:DOACapitalFinanceOffice@wisconsin.gov)

The State has independently provided, since July 2001, monthly reports on general fund financial information. These monthly reports are not required by any of the State's undertakings provided to permit compliance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. These monthly reports are available on the State's Capital Finance Office web site that is listed above and were filed as informational notices with each nationally recognized municipal securities information repository or as additional voluntary information with the MSRB; however, such reports are not incorporated by reference into this Official Statement or Part II of the 2011 Annual Report, and the State is not obligated to continue providing such monthly reports in the future.

After publication and filing of the 2011 Annual Report, certain changes or events have occurred that affect items discussed in the 2011 Annual Report. Listed below, by reference to particular sections of Part II of the 2011 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 MSRB. However, the State has filed, and expects to continue to file, informational notices with the MSRB, some of which may be notices that are not required to be filed under the State's undertakings.

This Official Statement includes changes or additions that were released after the date of the Preliminary Official Statement (June 21, 2012). Changes or additions to this Appendix are identified accordingly.

**State Budget; Budget for the 2011-13 Biennium** (Part II; Pages 31-33) and **State Budget; Revenue Projections for 2011-13 Biennium** (Part II; Page 33). Update with the following information:

*May 10, 2012 DOA Memorandum*

The May 10, 2012 DOA Memorandum includes the Wisconsin Department of Revenue's projections of General Fund tax collections for the 2011-12 and 2012-13 fiscal years, which reflect actual General Fund tax collections through April 2012, federal Bureau of Economic Analysis data revisions, and updated economic forecast as presented by IHS Global Insight. For the 2011-12 fiscal year, the estimated General Fund tax collections are \$13.388 billion, or an increase of \$194 million from the projections included in the February 9, 2012 LFB Memorandum, and an increase of \$476 million (or 3.7%) from collections in the 2010-11 fiscal year. For the 2012-13 fiscal year, the estimates are \$13.675 billion, or an increase of \$72 million from projections included in the February 9, 2012 LFB Memorandum.

The following table includes a summary of the General Fund tax revenue estimates for the 2011-13 biennium based on the May 10, 2012 DOA Memorandum and also provides, for comparison, the final GPR tax collections for the 2010-11 fiscal year, estimates provided by LFB in February 2012 and estimates included in the 2011-13 biennial budget (2011 Wisconsin Act 32).

**GENERAL FUND TAX REVENUE ESTIMATES  
2011-12 AND 2012-13 FISCAL YEARS  
(in Millions)**

	2010-11 Fiscal Year <u>Final</u>	2011-12 Fiscal Year			2012-13 Fiscal Year		
		DOR	LFB	2011-13	DOR	LFB	2011-13
		Projection <u>May 2012</u>	Projection <u>Feb. 2012</u>	Biennial <u>Budget</u>	Projection <u>May 2012</u>	Projection <u>Feb. 2012</u>	Biennial <u>Budget</u>
Individual Income	\$ 6,700.7	\$ 6,964.9	\$ 6,825.0	\$ 6,868.2	\$ 7,153.9	\$ 7,120.0	\$ 7,222.0
Sales and Use	4,109.0	4,298.9	4,250.0	4,269.8	4,420.1	4,365.0	4,387.1
Corp. Income & Franchise	852.9	875.9	860.0	880.8	852.3	855.0	877.1
Public Utility	341.3	360.1	361.0	344.6	357.7	363.0	352.6
Excise							
Cigarettes	604.8	577.8	590.0	615.0	578.6	580.0	610.0
Liquor & Wine	45.8	45.9	47.4	47.1	47.3	48.4	48.2
Tobacco Products	60.9	63.8	64.1	63.6	64.1	66.2	65.7
Beer	9.3	9.4	9.1	9.5	9.4	9.0	9.5
Insurance Company	140.0	144.3	140.0	147.0	143.1	145.0	150.0
Miscellaneous Taxes	<u>47.3</u>	<u>47.3</u>	<u>48.0</u>	<u>51.6</u>	<u>48.7</u>	<u>51.9</u>	<u>57.0</u>
TOTAL	\$12,911.9	\$13,388.0	\$13,194.6	\$13,297.2	\$13,675.2	\$13,603.5	\$13,779.2

In the May 10, 2012 DOA Memorandum, the Secretary of Administration also determined that the potential shortfall previously projected in the February 9, 2012 LFB Memorandum was no longer projected to occur. With the updated projections of General Fund Tax collections, and reduction of debt service costs resulting from completion of structural refunding authorized by the 2011-13 biennial budget (2011 Wisconsin Act 32) and other refunding transactions, the May 10, 2012 DOA Memorandum further projects a positive ending gross ending balance for the 2011-12 fiscal year of \$230 million and a positive ending net ending balance (including the statutory required reserve) for the 2012-13 fiscal year of \$89 million.

The 2011-12 fiscal year ended June 30, 2012, and the Annual Fiscal Report (budgetary basis) for the 2011-12 fiscal year will be published by October 15, 2012. This report will include the ending budgetary undesignated balance for the 2011-12 fiscal year.

A complete copy of the May 10, 2012 DOA Memorandum is available from the MSRB through its EMMA system and from the State as provided on [page B-1](#).

*February 9, 2012 LFB Memorandum*

Though not statutorily required, LFB has typically provided in January of even-numbered years (such as the year 2012) an examination of economic forecasts and tax collection and expenditure data for the first six months of the fiscal year. This typically has also included projections (of tax collections and the General Fund condition statement) for each fiscal year of that biennium.

The February 9, 2012 LFB Memorandum included updated General Fund tax revenue estimates for the 2011-13 biennium. For the 2011-12 fiscal year, these estimates were \$13.195 billion, or an increase of \$283 million (or 2.2%) from collections in the 2010-11 fiscal year but a decrease of \$100 million from the projections included in the 2011-13 biennial budget (2011 Wisconsin Act 32). For the 2012-13 fiscal year, these estimates were \$13.604 billion, or a decrease of \$173 million from the projections included in the 2011-13 biennial budget (2011 Wisconsin Act 32).

In addition, the February 9, 2012 LFB Memorandum included estimated General Fund condition statements for the 2011-12 and 2012-13 fiscal years. For the 2011-12 fiscal year, the projected gross ending balance (not including the statutory required balance) was \$12 million, which is approximately \$61 million less than the projected General Fund condition statement that was prepared in October 2011, and for the 2012-13 fiscal year, the projected net ending balance (including the statutory required reserve) was negative \$208 million, which is approximately \$216 million less than prior projections.



The following table includes the estimated General Fund condition statements for the 2011-12 and 2012-13 fiscal years and also includes, for comparison, the estimated General Fund condition statements from the 2011-13 biennial budget (2011 Wisconsin Act 32). The following table does not reflect projected ending General Fund balances as included in the May 10, 2012 DOA Memorandum.

**PROJECTED GENERAL FUND CONDITION STATEMENTS  
2011-12 AND 2012-13 FISCAL YEARS  
(in Millions)**

	<u>2011-12 Fiscal Year</u>		<u>2012-13 Fiscal Year</u>	
	LFB Memorandum	2011	LFB Memorandum	2011
	<u>Feb 2012</u>	<u>Wisconsin Act 32</u>	<u>Feb 2012</u>	<u>Wisconsin Act 32</u>
Revenues				
Opening Balance	\$ 85.6	\$ 85.6	\$ 11.8	\$ 72.8
Taxes	13,194.6	13,297.2	13,603.5	13,778.2
Department Revenues				
Tribal Gaming	27.2	26.5	28.6	28.1
Other	<u>648.1</u>	<u>647.9</u>	<u>577.0</u>	<u>584.6</u>
Total Available	\$13,955.4	\$14,057.2	\$14,220.9	14,463.6
Appropriations				
Gross Appropriations	\$13,996.2	\$13,996.2	\$14,765.5	14,765.5
Sum Sufficient Reestimates	(36.5)		( 8.0)	
Transfers to Other Funds	261.2	262.5	137.6	137.6
Compensation Reserves	28.7	28.8	61.9	81.9
Less: Lapses	<u>(306.1)</u>	<u>(303.0)</u>	<u>(593.0)</u>	<u>(594.2)</u>
Net Appropriations	\$13,943.6	\$13,984.5	\$14,364.1	14,390.9
Balances				
Gross Balance	\$ 11.8	\$ 72.8	\$ (143.2)	72.7
Less: Req. Statutory Bal.	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>	<u>(65.0)</u>
Net Balance, June 30	\$ (53.2)	\$ 7.8	\$ (208.2)	\$ 7.7

Based on the projections included in the February 9, 2012 LFB Memorandum, expenditures for the 2012-13 fiscal year were expected to exceed revenues in that fiscal year by more than one-half of one percent. However, as previously summarized in “State Budget; Budget for the 2011 Biennium/State Budget; Revenue Projections for the 2011-13 Biennium; *May 10, 2012 DOA Memorandum*”, the Secretary of Administration subsequently made a determination that budgeted expenditures will not exceed revenues. If the Secretary of Administration were to determine that budgeted expenditures would exceed revenues by more than one-half of one percent of general purpose revenues, then the Secretary of Administration would be required to notify the Governor and the Legislature.

A complete copy of the February 9, 2012 LFB Memorandum is included on pages **B-7 through B-19** of this Official Statement and is also available from the MSRB through its EMMA system and from the State as provided on **page B-1**.

**State Budget; Potential Effect of Litigation; 2011 Wisconsin Act 10** (Part II; Page 35). Update with the following information:

2011 Wisconsin Act 10 included provisions that, among others, increased State employee health and retirement contributions and modified the collective bargaining rights of certain public employees in the State. There was a delay in the effective date of 2011 Wisconsin Act 10 as the Dane County Circuit Court granted relief in a case that was filed by the Dane County District Attorney based on allegations that the State's open meeting laws were violated by a legislative committee that referred the related bill to both houses of the Legislature. However, on June 14, 2011, the Wisconsin Supreme Court vacated and declared void all orders and judgments of the Dane County Circuit Court with respect to the case.

On December 30, 2011, the Dane County District Attorney filed a motion asking the Wisconsin Supreme Court to vacate its June 14, 2011 order in this matter, to reinstate the circuit court's prior orders, and to award various other relief, including recusal or disqualification of one of the Wisconsin Supreme Court justices. The 2011-13 biennial budget does not currently assume any settlement of this matter or other means to address the impact of any negative decision.

With respect to a lawsuit filed on June 15, 2011 in the United States District Court for the Western District of Wisconsin, the district court has issued a decision rejecting most of the plaintiffs' challenges. However, the district court held that, on Equal Protection and First Amendment grounds, (1) general employee unions cannot be required to recertify with an absolute majority vote of members on an annual basis if public safety employee unions are not required to do so, and (2) members of general employee unions must be allowed to have union dues voluntarily deducted from their paychecks if members of public safety employee unions are given that option.

Statistical Information; Table II-39 – Unemployment Rate Comparison (Part II; Page 81). Replace with the following updated table.

**UNEMPLOYMENT RATE COMPARISON<sup>(a)</sup>**  
**By Month 2007 to 2012**  
**By Quarter 2003 to 2006**

	<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>	
	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>	<u>Wis.</u>	<u>U.S.</u>
January .....	7.6	8.8	8.5	9.8	10.0	10.6	7.7	8.5	5.0	5.4	5.5	5.0
February ....	7.9	8.7	8.6	9.5	10.3	10.4	8.8	8.9	5.2	5.2	5.8	4.9
March .....	7.5	8.4	8.3	9.2	10.1	10.2	9.4	9.0	5.0	5.2	5.5	4.5
April .....			7.5	8.7	8.7	9.5	8.8	8.6	4.2	4.8	5.1	4.3
May.....			7.3	8.7	8.2	9.3	8.7	9.1	4.2	5.2	4.5	4.3
June .....			8.0	9.3	8.4	9.6	9.1	9.7	4.7	5.7	5.0	4.7
July .....			7.6	9.3	8.1	9.7	8.8	9.7	4.6	6.0	4.7	4.9
August .....			7.3	9.1	7.8	9.5	8.6	9.6	4.7	6.1	4.5	4.6
September..			6.8	8.8	7.1	9.2	8.0	9.5	4.3	6.0	4.2	4.5
October.....			6.6	8.5	7.0	9.0	7.9	9.5	4.5	6.1	3.9	4.4
November..			6.5	8.2	7.2	9.3	8.0	9.4	5.2	6.5	4.1	4.5
December ..			<u>6.6</u>	<u>8.3</u>	<u>7.1</u>	<u>9.1</u>	<u>8.3</u>	<u>9.7</u>	<u>5.9</u>	<u>7.1</u>	<u>4.3</u>	<u>4.8</u>
Annual												
Average ...			7.5	8.9	8.3	9.6	9.6	9.3	9.3	5.8	5.8	4.8
	<b>2006 Quarters</b>				<b><u>Wis.</u></b>	<b><u>U.S.</u></b>	<b>2005 Quarters</b>				<b><u>Wis.</u></b>	<b><u>U.S.</u></b>
I .....					5.4	5.0	I .....				5.7	5.6
II .....					4.7	4.6	II .....				4.8	5.0
III .....					4.4	4.7	III .....				4.4	5.0
IV .....					4.2	4.2	IV .....				4.3	4.7
	<b>2004 Quarters</b>				<b><u>Wis.</u></b>	<b><u>U.S.</u></b>	<b>2003 Quarters</b>				<b><u>Wis.</u></b>	<b><u>U.S.</u></b>
I .....					6.1	6.1	I .....				6.5	6.3
II .....					5.1	5.5	II .....				5.9	6.1
III .....					4.6	5.4	III .....				5.3	6.0
IV .....					4.3	5.1	IV .....				4.8	5.5

<sup>(a)</sup> Figures show the percentage of labor force that is unemployed and are *not seasonally adjusted*.

**Source: Department of Workforce Development and U.S. Bureau of Labor Standards**

# Legislative Fiscal Bureau

Robert Wm. Lang, Director



*State of Wisconsin*

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February 9, 2012

Senator Alberta Darling, Senate Chair  
Representative Robin Vos, Assembly Chair  
Joint Committee on Finance  
State Capitol  
Madison, WI 53702

Dear Senator Darling and Representative Vos:

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

Based on our analysis, we project the closing, gross general fund balance at the end of this biennium to be -\$143.2 million. This is \$215.9 million below the \$72.7 million balance that was projected at the time of preparation of the last general fund condition statement on October 17, 2011. The \$215.9 million is the net result of: (1) a revenue decrease of \$4.5 million due to enactment of 2011 Act 49; (2) a \$272.8 million decrease in estimated tax collections; (3) a \$6.3 million decrease in departmental revenues; (4) a \$44.5 million decrease in sum sufficient appropriation expenditures; (5) a reduction of \$20.0 million in compensation reserves; (6) a reduction of \$1.3 million in the transfer to the injured patients and families compensation fund; and (7) a \$1.9 million increase in estimated lapses to the general fund.

As indicated, the gross balance is projected to be -\$143.2 million. If the required statutory balance of \$65 million is taken into account, the net balance at the end of the biennium (June 30, 2013) is projected to be -\$208.2 million.

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

**TABLE 1****2011-13 General Fund Condition Statement**

	<u>2011-12</u>	<u>2012-13</u>
<b>Revenues</b>		
Opening Balance, July 1	\$85,567,000	\$11,755,600
Taxes	13,194,600,000	13,603,500,000
Departmental Revenues		
Tribal Gaming	27,154,400	28,645,200
Other	<u>648,056,000</u>	<u>576,997,700</u>
Total Available	\$13,955,377,400	\$14,220,898,500
<b>Appropriations, Transfers, and Reserves</b>		
Gross Appropriations	\$13,996,186,500	\$14,765,544,300
Sum Sufficient Reestimates	-36,508,800	-7,982,300
Transfers to:		
Transportation Fund	22,500,000	137,627,000
Injured Patients and Families Compensation Fund	233,747,100	0
Veterans Trust Fund	5,000,000	0
Compensation Reserves	28,790,000	61,910,000
Less Lapses	<u>-306,093,000</u>	<u>-593,034,800</u>
Net Appropriations	\$13,943,621,800	\$14,364,064,200
<b>Balance</b>		
Gross Balance	\$11,755,600	-\$143,165,700
Required Statutory Balance	<u>-65,000,000</u>	<u>-65,000,000</u>
Net Balance, June 30	-\$53,244,400	-\$208,165,700

Although the biennial change in estimated departmental revenues is relatively small (-\$6.3 million), there are three items that should be noted. First, circuit court fees are projected to be \$12.6 million below the \$104.0 million estimated at the time of enactment of the budget. Second, estimated tobacco settlement revenues have been reduced by \$19.0 million in 2011-12, primarily due to litigation that will likely not be resolved in this fiscal year. Finally, the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and states' attorneys general have entered into a mortgage settlement agreement with Bank of America, Wells Fargo, JPMorgan Chase, Citigroup, and Residential Capital, LLC (formerly Ally Financial). Under the agreement, it is anticipated that Wisconsin will receive \$31.6 million. Based on discussions between the Attorney General and the administration, of the amounts received by the state, \$25.6 million will be deposited to the general fund as GPR-Earned in 2011-12, and the remaining \$6 million will be retained by the Department of Justice to be allocated at a later date.

Net expenditures are projected to decrease by \$67.7 million. A significant factor in the

reduction is due to debt service costs. Estimated GPR debt service costs are reduced by \$55 million in 2011-12 and \$8 million in 2012-13 from the amounts projected in 2011 Act 32 because of two factors. First, the state has sold its general obligation bonds at a premium and applied most of these premium proceeds to current year debt service, in lieu of using the budgeted amounts to pay those costs. A bond that sells at a premium does so because the interest rate on the bond is higher than the market rate, making the bond worth more to the buyer. Most of these up-front premium payments were used to reduce GPR debt service, with the remainder being applied to the capital improvement fund to be used in lieu of future bonding. Second, GPR debt service is estimated to be lower because current projected interest costs on the funds borrowed under the state's commercial paper program are significantly less than the amounts budgeted in Act 32 for these short-term obligations.

In addition, the administration indicates that compensation reserve amounts in 2012-13 may be reduced by \$20.0 million due to anticipated lower premium costs of the state's health insurance program.

The following additional points should be noted about the condition statement of Table 1. First, it incorporates the fiscal effects of all bills enacted to date (through 2011 Act 114). Second, it does not reflect the estimated shortfall in the private bar appropriation of the Office of the State Public Defender. It is projected that this appropriation will incur a deficit of \$5.8 million by the end of the 2011-13 biennium. Third, Table 1 does not reflect any appropriation changes to the medical assistance (MA) program. On January 26, 2012, this office distributed a memorandum to the members of the Legislature entitled "Medical Assistance Program Status." That memorandum indicated that the MA program faced a potential shortfall of \$140.9 million in the biennium. The memorandum further listed a series of savings initiatives identified by the Department of Health Services that are intended to address the shortfall.

Section 16.50(7) of the statutes establishes a process that must be followed if there is a revenue shortfall. Under this provision, if at any time after enactment of the biennial budget, the Secretary of the Department of Administration determines that previously authorized expenditures will exceed revenues in either year of the biennium by more than 0.5% of the estimated GPR appropriations for that fiscal year, the Secretary is required to immediately notify the Governor, the presiding officer of each house of the Legislature, and the Joint Committee on Finance of the revenue shortfall. Following such notification, the Governor is required to submit a bill to correct the imbalance between projected revenues and expenditures.

Under the projections of this report, expenditures in 2012-13 exceed revenues by \$143.2 million, which is \$71.4 million greater than the 0.5% threshold. The administration is currently discussing steps it might take to address the budget shortfall, including debt refinancing and restructuring.

## General Fund Taxes

The following section presents information regarding general fund taxes for the 2011-13 biennium, including a discussion of the national economic forecast and general fund tax revenue estimates for fiscal years 2011-12 and 2012-13.

**National Economic Review and Forecast.** This office first prepared revenue estimates for the 2011-13 biennium in January, 2011, based on IHS Global Insight, Inc.'s January, 2011, forecast for the U.S. economy. That forecast predicted that temporary payroll tax reductions for employees and depreciation incentives for businesses scheduled to go into effect in January, 2011, would reinforce the economic growth that was occurring in late 2010. These developments, along with a gradually improving employment outlook and strength in the business investment and export sectors, were expected to generate real (inflation-adjusted) gross domestic product (GDP) growth of 3.2% in 2011, 2.9% in 2012, and 3.1% in 2013. The primary downside risks to that forecast included another possible downturn in the housing market and Europe's sovereign debt problems.

In May, 2011, this office raised its revenue estimates for 2010-11 and for the 2011-13 biennium. The upward revisions were based mainly on stronger than expected individual income tax collections through April, 2011, which more than offset comparatively weak revenues from the sales tax and the corporate income and franchise tax. The revisions also incorporated Global Insight's May, 2011, forecast for the U.S. economy. That updated forecast noted that economic growth in the first quarter of 2011 had come in below January's expectations, and that rising commodity prices were contributing to consumer price inflation. In most respects, however, Global Insight's May, 2011, forecast did not vary significantly from the January, 2011, forecast.

According to Global Insight's latest analysis (February, 2012), 2011 saw the U.S. economy continue its recovery from the deep recession of 2008-2009, albeit at a slower pace than projected in the May, 2011, forecast. Some of that weakness can be attributed to specific events. For instance, the earthquake that struck Japan in March disrupted supply chains in the U.S. automobile sector, with the effect of temporarily suppressing vehicle sales. In addition, unrest in the Middle East and North Africa caused a spike in world oil prices in the first half of the year that led to higher gasoline prices for U.S. consumers. These events contributed to the economy's relatively poor results in the first two quarters of 2011, when real GDP grew at annual rates of 0.4% and 1.3%, respectively, well below the 1.8% and 3.3% rates Global Insight had assumed in its May, 2011, forecast.

Several more persistent issues also limited growth in 2011. Among these was the sluggish U.S. housing sector. Housing starts are estimated to have increased by 3.7% in 2011, compared to the 7.6% growth rate Global Insight had expected in May. Despite these modest gains, the number of housing starts last year (607,000 units) was less than one-third the starts (2,073,000 units) that occurred in 2005. During that same period, the annual value of residential construction (adjusted for inflation) fell from \$765.2 billion in 2005 to \$316.5 billion in 2011. This massive decline in residential construction activity and the associated multiplier effects have negatively impacted GDP growth every year since 2005. Other indicators confirm the

housing sector's continued weakness. New home sales fell an estimated 5.7% in 2011, while sales of existing homes rose 2.5%. The average price of an existing home is estimated to have fallen by 3.2%.

In Global Insight's view, the key to a sustained recovery in the housing sector is employment growth, in part because the rate of household formation (an important factor in housing demand) increases when new jobs are created. In that regard, the most recent figures from the U.S. Bureau of Labor Statistics indicate that total non-farm payrolls increased by approximately 1.8 million from December, 2010, to December, 2011. That growth occurred exclusively in the private sector, as private payroll gains of 2.1 million significantly outweighed the loss of 271,000 government jobs. The employment gains in 2011 exhibited steady progress (total non-farm payrolls grew each month of 2011), and the increases were in line with Global Insight's May, 2011, forecast. This growth notwithstanding, total non-farm payrolls in the final quarter of 2011 were still nearly 6.0 million below where they stood in early 2008.

Concern over government finances dominated much of the economic news in the second half of 2011. In early August, Standard & Poor's removed its AAA credit rating from long-term U.S. government debt. That downgrade appears to have had little immediate impact on U.S. government borrowing costs, however, as yields on ten-year and thirty-year U.S. Treasury obligations ended the year lower than they had been prior to S&P's action.

One likely explanation for that rally in U.S. Treasury securities, and the dollar's late-year appreciation against the Euro, was Europe's sovereign debt problems. Reminiscent of the financial crisis triggered by the 2008 collapse of Lehman Brothers, the "worst-case" fears in this case are not limited to the direct losses that might result from a default by one or more of the weaker Eurozone countries (a group often defined to include Portugal, Ireland, Italy, Greece, and Spain), but also include the broader "contagion" risks such defaults could pose to the entire international financial system. Through mechanisms such as the European Financial Stability Facility, the European Central Bank and the International Monetary Fund have sought to bolster the European banking and financial systems, in part by providing loans to several of the weaker Eurozone member states. Those efforts notwithstanding, the Eurozone appears to have fallen back into recession in the fourth quarter of 2011. Going forward, Global Insight cites unresolved issues in Europe as "by far the biggest uncertainty facing the global economy."

Despite the various concerns outlined above, U.S. economic activity improved in the second half of 2011. In large measure, those gains resulted from growth in personal consumption expenditures, as moderating prices enhanced consumers' real purchasing power. Driven by improved demand for durable goods, especially for new motor vehicles, real consumer spending increased at annual rates of 1.7% and 2.0% in the third and fourth quarters of 2011, respectively, markedly better than the second quarter's 0.7% increase. Other sectors contributing to the economy's growth in 2011 included exports, which in real terms grew 6.8%, bolstered by strong demand from emerging economies, and business investment in equipment and software, which registered real growth of 10.3%.

On balance, the most recent figures indicate that real GDP grew 1.7% in 2011, with much



of that increase coming in the second half of the year. Nominal GDP (not adjusted for inflation) increased 3.9%. Those results were somewhat lower than Global Insight's May, 2011, forecast, which projected real GDP to increase 2.7% and nominal GDP to increase 4.5% in 2011.

In its February forecast, Global Insight expects the U.S. economy's moderate growth to continue, with real GDP increasing 2.1% in 2012 and 2.3% in 2013, and nominal GDP growing 3.4% and 3.7%. That forecast is based on the following key assumptions. First, fiscal policy will effectively tighten as real nondefense federal spending on goods and services falls 1.7% in 2012 and 2.6% in 2013, and real defense spending falls 2.0% in 2012 and 3.9% in 2013. Second, the temporary extension of payroll tax reductions and emergency unemployment insurance benefits that occurred in late 2011 will be extended through all of 2012, and then phased out over several years. Third, the automatic federal spending cuts scheduled to begin in 2013 under the Budget Control Act of 2011 will not occur. Instead, Congress and the President will agree to a package that combines spending cuts and tax increases that mostly go into effect in 2014. In the interim, the tax cuts enacted under President Bush in 2001 and 2003 will be extended through 2013. Fourth, oil prices will rise by 7.2% in 2012 and by 3.2% in 2013. Fifth, the U.S. Federal Reserve will keep its target range for the federal funds rate at 0.0% to 0.25% until at least late 2014. Sixth, the U.S. dollar will strengthen against the Euro, but continue its long-term decline against emerging market currencies. Finally, GDP growth in the United States' major-currency trading partners will slow to 1.0% in 2012, down from 1.7% in 2011, reflecting the Eurozone recession, while GDP growth for the United States' other important trading partners will be 4.1% in 2012, down from 5.2% in 2011.

*GDP.* Real GDP is now projected to grow 2.1% in 2012 and 2.3% in 2013. Those increases are somewhat lower than Global Insight had projected in its May, 2011, forecast, when real GDP was expected to increase 2.9% and 2.8% in 2012 and 2013, respectively. The expectations for nominal GDP have been similarly reduced since May, from 4.4% and 4.5% in 2012 and 2013, respectively, to 3.4% and 3.7%. The latest projections for GDP growth reflect Global Insight's generally more cautious outlook for the U.S. and world economies, compared to its May, 2011, forecast.

*Consumer Prices.* Higher commodity prices in the first half of the year caused the consumer price index (CPI) to increase 3.1% in 2011. Core inflation, which excludes food and energy costs, rose by a more moderate 1.7%. Those results were in line with the May, 2011, forecast. Led by falling gasoline prices, consumer inflation eased in the second half of 2011, and that general trend is expected to continue with the CPI increasing 2.0% in 2012 and 1.8% in 2013.

*Monetary Policy.* The U.S. Federal Reserve kept short-term interest rates at historically low levels throughout 2011, with its target range for the federal funds rate at 0.0% to 0.25%. That policy is not expected to change soon, as on January 25, 2012, the Federal Reserve stated that economic conditions, including low rates of resource utilization and a subdued outlook for inflation over the medium run, are likely to warrant the continuation of these exceptionally low rates at least through late 2014. That statement contrasted with the Federal Reserve's earlier pronouncements, which indicated that it intended to keep the exceptionally low short-term

interest rates currently in place through at least mid-2013. Global Insight's February, 2012, forecast does, however, continue to expect a new \$600 billion round of quantitative easing in the second quarter of 2012, targeted mainly at mortgage-backed securities.

*Personal Consumption.* Nominal personal consumption expenditures increased by an estimated 4.7% in 2011, slightly less than the 5.1% increase projected in the May, 2011, forecast. The gains in 2011 were widely distributed across most expenditure categories. Spending for consumer durables, which are generally subject to state sales tax, increased 7.0%, led by a 14.7% increase on expenditures for new motor vehicles. Spending for services, which are typically not subject to sales tax, increased 3.2%. Under the latest forecast, personal consumption is expected to grow 3.6% in 2012 and 3.6% in 2013, with broad-based gains again led by durable goods, purchases of which are projected to increase by 4.3% and 4.1% in 2012 and 2013, respectively. For the most part, these latest projections are modestly lower than those in the May, 2011, forecast.

*Employment.* Building on a much better than expected gain of 243,000 jobs in January, 2012 (preliminary estimate), average monthly non-farm payrolls are expected to grow by 1.9 million to 133.3 million in 2012, and by 2.0 million to 135.3 million in 2013. While these projections have steadily increased in recent months (Global Insight's October, 2011, forecast, for instance, expected non-farm payrolls to average just 133.5 million in 2013), they are still somewhat below the May, 2011, projections, which anticipated payroll gains of 2.3 million and 2.5 million in 2012 and 2013.

As was true in 2011, all of the projected employment gains in the latest forecast should occur in the private sector, as government payrolls contract by an additional 212,000 in 2012 and 23,000 in 2013. The national unemployment rate, which is a function of both the number of jobs and the number of labor market participants, is expected to decline during this period, averaging 8.3% in 2012 and 8.1% in 2013. In December, 2011, the national unemployment rate was 8.5%.

*Housing.* In late 2011, the National Association of Realtors reduced its earlier estimates of existing home sales dating back to 2007. While the adjustments apply more to sales volumes than to year-over-year changes, the revised figures indicate that the initial stages of the housing market's decline in 2007 were more severe than previously thought. In 2012 and 2013, Global Insight expects existing home sales to increase by 8.3% and 8.1%, respectively, due to better affordability and improving economic conditions. The average price of an existing home is projected to decline 2.3% in 2012 before increasing 3.2% in 2013 in what is expected to be the start of a multi-year recovery in house prices.

Residential construction activity improved in the final quarter of 2011, when housing starts and housing permits rose to their highest levels of the year. In 2012, housing starts are projected to increase 22.1%, to 741,000 units. That momentum should continue in 2013, as an improving economy combines with pent-up demand for new housing to propel a 33.6% year-over-year increase in housing starts, to 990,000 units. The latest estimates, however, are still well below those in the May, 2011, forecast, when Global Insight expected housing starts to total 1.02 million units in 2012 and 1.42 million units in 2013. As a result, the latest projection for the real

value of residential construction activity in 2013 of \$400.9 billion is \$115.7 billion less than was projected in the May, 2011, forecast (\$516.6 billion). This downward revision in the outlook for residential construction is a principal explanation for the more cautious tone of Global Insight's February, 2012, forecast, compared to the May, 2011, forecast.

*Corporate Profits.* Driven by a combination of factors such as strong profit margins and significant contributions from overseas activities, corporate profits have rebounded substantially from the depressed levels of 2008-2009. In 2010, for example, economic profits increased 32.2% from the prior year. Those gains continued in 2011, with economic profits increasing 8.5% and before-tax book profits increasing 4.8%. Those results were significantly better than Global Insight projected in May, when it anticipated increases of 5.2% and 0.4%, respectively.

As year-over-year comparisons become more challenging, and continued profit margin expansion becomes more difficult to achieve, Global Insight expects the recent gains in corporate profitability to moderate. The February, 2012, forecast calls for economic profits to decline 0.9% in 2012 and to be flat in 2013. The May forecast had expected economic profits to increase 1.5% in 2012 and 2.4% in 2013. Similarly, before-tax book profits are now expected to increase 2.5% and 8.5% in 2012 and 2013, respectively, compared to the 8.6% and 10.0% increases projected in May.

*Business Investment.* Business investment in equipment and software continued to be one of the primary supports to the U.S. economy in 2011, with real growth of 10.3% over the prior year, as strong profits and large cash reserves enabled businesses to make purchases they deferred during the recession. This positive performance was generally in line with the May, 2011, projections. Looking forward, the latest forecast expects the gains in this sector to continue, with real increases of 7.9% in 2012 and 7.6% in 2013.

Even as businesses increased outlays for equipment and software in recent years, their investment in nonresidential structures was falling by 21.2% in 2009 and 15.8% in 2010, as a result of tight credit markets, high vacancy rates, and weak business conditions. In 2011, investment in nonresidential structures increased 4.1%, which was significantly better than the 3.0% decline Global Insight had projected in May. As a result, the nonresidential structure sector contributed to overall GDP growth in 2011, following several years in which it exerted a significant drag on the economy's performance. In the latest forecast, Global Insight expects the modest recovery in nonresidential structures to continue, with investment increasing 4.0% in 2012 and 1.3% in 2013.

The projections outlined above and summarized in Table 2 reflect Global Insight's February, 2012, "baseline" forecast for the U.S. economy. Global Insight also prepares "pessimistic" and "optimistic" scenarios. Under the pessimistic scenario, given a 25% chance of occurring, the sovereign debt crisis in Europe escalates, causing European credit markets to freeze and credit conditions in the rest of the world to tighten. At the same time, policymakers in the U.S. fail to extend the payroll tax cuts and emergency unemployment insurance benefits beyond March 1, 2012. The results include real GDP growth rates that are much lower (0.6%

and 0.2%) and unemployment rates that are higher (8.7% and 9.5%) in 2012 and 2013, respectively, than projected under the baseline forecast.

In the optimistic scenario, to which Global Insight assigns a 20% probability, the improved economic growth that occurred in the final quarter of 2011 carries into 2012, and is reinforced by the extension of the payroll tax cuts through 2012. Under this scenario, world financial markets avoid the worst-case impacts from Europe's sovereign debt problems, and a self-sustaining cycle of employment gains, investment, and personal consumption generates higher rates of real GDP growth in 2012 (3.3%) and 2013 (4.2%) than are projected under the baseline forecast.

**TABLE 2**

**Summary of National Economic Indicators  
IHS Global Insight, Inc., Baseline Forecast, February, 2012  
(\$ in Billions)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Nominal Gross Domestic Product	\$14,526.6	\$15,087.8	\$15,599.0	\$16,177.3
Percent Change	4.2%	3.9%	3.4%	3.7%
Real Gross Domestic Product	\$13,088.0	\$13,313.4	\$13,597.3	\$13,907.8
Percent Change	3.0%	1.7%	2.1%	2.3%
Consumer Prices (Percent Change)	1.6%	3.1%	2.0%	1.8%
Personal Income	\$12,373.5	\$12,961.0	\$13,410.7	\$13,941.7
Percent Change	3.7%	4.7%	3.5%	4.0%
Personal Consumption Expenditures	\$10,245.5	\$10,722.6	\$11,111.3	\$11,510.6
Percent Change	3.8%	4.7%	3.6%	3.6%
Unemployment Rate	9.6%	9.0%	8.3%	8.1%
Total Non-Farm Payrolls (Millions)	129.9	131.4	133.3	135.3
Percent Change	-0.7%	1.2%	1.5%	1.5%
Light Vehicle Sales (Millions of Units)	11.55	12.74	13.64	14.73
Percent Change	11.1%	10.3%	7.1%	8.0%
Housing Starts (Millions of Units)	0.585	0.607	0.741	0.990
Percent Change	5.6%	3.7%	22.1%	33.6%
Economic Profits	\$1,800.1	\$1,953.6	\$1,935.8	\$1,936.7
Percent Change	32.2%	8.5%	-0.9%	0.0%

**General Fund Tax Projections.** Table 3 shows our revised general fund tax revenue estimates for the 2011-13 biennium. The estimates are based on Global Insight's February, 2012, forecast of the U.S. economy and include the impact of all tax law changes enacted to date.

**TABLE 3**

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

	2010-11 <u>Actual</u>	<u>Previous Estimates</u>		<u>Revised Estimates February, 2012</u>	
		<u>2011-12</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2012-13</u>
Individual Income	\$6,700.7	\$6,865.5	\$7,220.2	\$6,825.0	\$7,120.0
General Sales and Use	4,109.0	4,269.8	4,387.1	4,250.0	4,365.0
Corporate Income and Franchise	852.9	880.8	876.1	860.0	855.0
Public Utility	341.3	344.6	352.6	361.0	363.0
Excise					
Cigarette	604.8	615.0	610.0	590.0	580.0
Liquor and Wine	45.8	47.1	48.2	47.4	48.4
Tobacco Products	60.9	63.6	65.7	64.1	66.2
Beer	9.3	9.5	9.5	9.1	9.0
Insurance Company	140.0	147.0	150.0	140.0	145.0
Miscellaneous	<u>47.2</u>	<u>51.6</u>	<u>57.0</u>	<u>48.0</u>	<u>51.9</u>
<b>Total</b>	<b>\$12,911.8</b>	<b>\$13,294.5</b>	<b>\$13,776.4</b>	<b>\$13,194.6</b>	<b>\$13,603.5</b>
Change from Prior Year					
Amount		\$382.7	\$481.9	\$282.8	\$408.9
Percent		3.0%	3.6%	2.2%	3.1%

As shown in the table, total general fund tax collections are estimated at \$13,194.6 million in 2011-12 and \$13,603.5 million in 2012-13. These amounts are lower than the previous estimates by \$99.9 million in the first year and \$172.9 million in the second year, for a biennial decrease of \$272.8 million. The biennial reduction is approximately -1.0%. The estimates for most of the tax sources have been decreased, with the largest reductions in the individual income tax, cigarette tax, sales and use tax, and corporate income and franchise tax.

The revised revenue projections reflect year-to-date collections data, the new economic forecast, and the effects of a number of law changes that will reduce revenues during the remainder of 2011-12 and in 2012-13. Through January, total tax collections are 3.3% higher than the amount collected during the same period last year, which is slightly above the 3.0% annual growth rate assumed in our previous projections. However, it is anticipated that growth will moderate over the remainder of this fiscal year as the impact of a number of law changes becomes evident. In addition, as discussed previously, the current economic forecast is less favorable than last May's forecast.

**Individual Income Tax.** State individual income tax revenues were \$6,700.7 million in 2010-11 and are currently estimated at \$6,825.0 million in 2011-12 and \$7,120.0 million in 2012-13. Relative to the previous figures, the current estimates are lower by \$40.5 million in the first year and \$100.2 million in the second year. On a year-to-year basis, the current estimates reflect an increase of 1.9% for 2011-12 and 4.3% for 2012-13. The revised estimates incorporate the effects of a number of law changes estimated to reduce revenues by approximately \$175 million in 2011-12 and \$225 million in 2012-13. The most significant law changes are increased deductions for medical insurance premiums, tax deferrals for capital gains that are reinvested in Wisconsin-based businesses, and exclusions and deductions related to health savings accounts. Income tax collections will also be reduced as a result of the additional state and local employee retirement and health insurance contributions required under 2011 Act 10.

Based on preliminary collection information through January, 2012, individual income tax revenues for the current fiscal year are 3.6% higher than such revenues through the same period in 2010-11. However, taxpayers may not have adjusted their withholding and declaration payments to reflect some of the above-referenced law changes, and this could result in higher refunds and lower tax payments in the coming months. This position is supported by January, 2012, collection totals, which were 2.1% lower than collections for the same period last year, when adjusted for timing differences. The revised estimates also reflect a weakening of the current economic forecast relative to the forecast for May, 2011, as growth in personal income, gross domestic product, and employment are estimated to be lower for 2012 and 2013 than previously estimated.

**General Sales and Use Tax.** In 2010-11, state sales and use tax collections were \$4,109.0 million, which was 4.2% higher than the prior year. Sales tax collections through January, 2011, are 3.9% higher than the same period in 2010-11. State sales and use tax revenues are currently estimated at \$4,250.0 million in 2011-12 and \$4,365.0 million in 2012-13, which represents increased revenue of 3.4% in the first year and 2.7% in the second year. These estimates are \$19.8 million lower in the first year and \$22.1 million lower in the second year than the previous estimates. The reductions in the estimates are based primarily on reduced growth in Global Insight's forecast for taxable personal consumption expenditures for the most recent forecast as compared to the May, 2011, forecast.

**Corporate Income and Franchise Tax.** Corporate income and franchise taxes were \$852.9 million in 2010-11. Collections are projected to be \$860.0 million in 2011-12 and \$855.0 million in 2012-13. These amounts represent an annual increase of approximately 1% in 2011-12, and a similar percentage decrease in 2012-13. The new estimates are lower than the previous estimates by \$20.8 million in 2011-12 and \$21.1 million in 2012-13.

The new estimates reflect year-to-date corporate income and franchise tax collections and estimated payments. Year-to-date collections are 2.1% lower than a year ago. However, 2010-11 collections included a relatively large one-time audit amount that, when accounted for, makes the change in year-to-date 2011-12 collections positive. In addition, year-to-date estimated payments are about 1.5% higher than a year ago. Corporate profits in 2012 and 2013 are forecast to plateau, after strong increases in 2010 and 2011. Economic profits increased 32.2% in 2010 and

8.5% in 2011. The forecast projects economic profits to decrease almost 1% in 2012, and to be essentially flat in 2013. Companies have been able to increase profits, despite a sluggish economy, primarily due to aggressive cost cutting measures, such as reducing spending and workforce. However, the ability of many companies to generate future profits from additional cost cutting measures is limited. In addition, under the forecast, overall business activity is projected to continue to expand, but at a slower pace than in 2010 and 2011. For example, real investment in equipment and software, which increased by 14.6% in 2010, and by an estimated 10.3% in 2011, is projected to increase by 7.9% in 2012, and 7.6% in 2013. Real durable goods purchases increased by 7.2% in 2010 and by an estimated 8.1% in 2011, but are forecast to increase by 5.6% in 2012, and 4.5% in 2013. Manufacturing output growth is projected to be 4.3% in 2012 and 3.4% in 2013, after increasing 5.4% in 2010 and by an estimated 4.5% in 2011.

The corporate income and franchise tax estimates have been adjusted to reflect the effect of certain law changes, including requiring corporations that are members of a unitary group to file combined returns, repealing the domestic production activities deduction, requiring throwback sales to be included 100% in the apportionment formula, allowing combined groups to use pre-2009 net business loss carry-forwards, and the phase-in of the state qualified production activities tax credit. In addition, the estimates have been adjusted to reflect enhanced tax law enforcement activities by the Department of Revenue. In part, the adjustments account for the estimated decrease in corporate income and franchise tax revenues in 2012-13.

**Public Utility Taxes.** Public utility tax revenues were \$341.3 million in 2010-11, and are currently projected at \$361.0 million in 2011-12 and \$363.0 million in 2012-13. These figures are higher than the previous estimates by \$16.4 million in the first year and \$10.4 million in the second year. Utility tax collections are currently expected to increase by 5.8% in 2011-12 and 0.6% in 2012-13. Private light, heat, and power companies are responsible for \$21.6 million of the \$26.8 million in additional estimated revenues over the two-year period. Private light, heat, and power companies are the largest taxpayer group among the public utilities, as they paid almost two-thirds of all public utility taxes in 2010-11. The additional estimated revenues reflect rate increases realized by private light, heat, and power companies due to new production plants being placed in service.

**Excise Taxes.** General fund excise taxes are imposed on cigarettes, other tobacco products, liquor (including wine and hard cider), and beer. Total excise tax revenues were \$720.9 million in 2010-11. Excise tax revenues are currently estimated at \$710.6 in 2011-12 and \$703.6 million in 2012-13, which represents reduced revenue of \$24.6 in the first year and \$29.8 million in the second year compared to the prior estimates. Excise tax revenues have been reduced largely due to a reduction in estimated cigarette tax collections, which represent approximately 83% of total estimated tax revenue.

Cigarette tax revenues were \$604.8 million in 2010-11, which was \$15.2 million lower than estimated. Cigarette tax revenues are now estimated at \$590.0 million for 2011-12 and \$580.0 million for 2012-13, representing growth rates of -2.4% and -1.7%, respectively. These estimates are lower than the previous estimates by \$25.0 million in 2011-12 and by \$30.0 million

in 2012-13 and are based on the lower than expected tax collections in 2010-11, as well as lower than expected year-to-date tax collections.

**Insurance Premiums Taxes.** Insurance premiums taxes were \$140.0 million in 2010-11. Premiums tax collections are projected to be \$140.0 million in 2011-12 and \$145.0 million in 2012-13. The estimate for 2011-12 reflects year-to-date collections which are marginally lower (-0.07%) than in 2010-11. Industry forecasts project modest to solid annual increases in sales and premiums in 2012 and 2013. The revised estimates are lower than the prior estimates by \$7.0 million in 2011-12 and \$5.0 million in 2012-13.

**Miscellaneous Taxes.** Miscellaneous taxes include the real estate transfer fee (RETF), municipal and circuit court-related fees, a small amount from the occupational tax on coal, and some estate tax revenue from ongoing lawsuit settlements. Miscellaneous tax revenues were \$47.2 million in 2010-11, and are estimated at \$48.0 million in 2011-12 and \$51.9 million in 2012-13. These estimates are lower than the previous estimates by \$3.6 million in the first year and \$5.1 million in the second year. The reduction in estimated revenue is due, in part, to lower than expected year-to-date RETF collections and, in part, to the revised forecast for sales of new and existing homes as compared to the prior estimates.

This office will continue to monitor state revenues and expenditures and new economic forecasts, and notify you and your colleagues of any further adjustments that may be necessary.

Sincerely,

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

Robert Wm. Lang  
Director

RWL/sas



**General Fund Information; General Fund Cash Flow** (Part II; Pages 41-50). The following tables provide updates and additions to various tables containing General Fund information for the 2011-12 fiscal year, which are presented on either a cash basis or an agency-recorded basis. Unless otherwise noted, these tables contain information through May 31, 2012; this information has been updated from that provided in the Preliminary Official Statement (dated June 21, 2012). The following tables also include General Fund information for the 2012-13 fiscal year, which are presented on a cash basis.

The results, projections, and estimates in the following tables for the 2011-12 fiscal year reflect the General Fund tax revenue collection estimates included in the February 9, 2012 LFB Memorandum and estimated General Fund tax collections included in the May 10, 2012 DOA Memorandum, the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32), and \$800 million of operating note receipts received on July 19, 2011 and the resulting impoundment payments due in February, March, April, and May 2012.

The projections in the following tables for the 2012-13 fiscal year reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32) and the projected General Fund tax collections included in the May 10, 2012 DOA Memorandum.

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-10; General Fund Cash Flow (Part II; Page 45).** Replace with the following updated tables. This information has been updated from that provided in the Preliminary Official Statement (dated June 21, 2012).

**ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2011 TO MAY 31, 2012  
PROJECTED GENERAL FUND CASH FLOW; JUNE 1, 2012 TO JUNE 30, 2012<sup>(a)</sup>**

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012
<b>BALANCES<sup>(a)(b)</sup></b>												
<b>Beginning Balance</b>	\$ 303,777	\$ 68,536	\$ 331,967	\$ 694,160	\$ 1,542,231	\$ 1,364,658	\$ 815,864	\$ 1,845,045	\$ 1,688,805	\$ 478,655	\$ 1,322,678	\$ 1,774,789
<b>Ending Balance<sup>(c)</sup></b>	68,536	331,967	694,160	1,542,231	1,364,658	815,864	1,845,045	1,688,805	478,655	1,322,678	1,774,789	915,461
<b>Lowest Daily Balance<sup>(c)</sup></b>	(106,671)	(193,350)	160,234	694,160	1,082,929	101,074	815,864	1,542,206	478,655	478,655	1,241,106	626,568
<b>RECEIPTS</b>												
<b>TAX RECEIPTS</b>												
Individual Income	\$ 493,305	\$ 681,394	\$ 712,034	\$ 687,765	\$ 500,417	\$ 555,255	\$ 1,132,633	\$ 529,728	\$ 515,755	\$ 1,447,058	\$ 514,748	\$ 653,113
Sales & Use	409,609	404,000	401,378	392,580	376,919	360,282	434,620	314,420	325,030	374,740	401,068	396,668
Corporate Income	37,126	39,496	174,950	36,185	32,452	155,644	36,997	28,926	209,967	72,167	24,629	148,869
Public Utility	28	43	42	7,675	182,177	2,834	51	1	13	5,006	167,895	537
Excise	67,793	66,226	68,097	58,065	64,017	60,090	57,010	42,922	52,700	56,593	58,879	56,048
Insurance	2	600	12,374	11	602	12,218	5,209	26,990	11,002	14,850	1,158	23,742
<b>Subtotal Tax Receipts</b>	<b>\$ 1,007,863</b>	<b>\$ 1,191,759</b>	<b>\$ 1,368,875</b>	<b>\$ 1,182,281</b>	<b>\$ 1,156,584</b>	<b>\$ 1,146,323</b>	<b>\$ 1,666,520</b>	<b>\$ 942,987</b>	<b>\$ 1,114,467</b>	<b>\$ 1,970,414</b>	<b>\$ 1,168,377</b>	<b>\$ 1,278,977</b>
<b>NON-TAX RECEIPTS</b>												
Federal <sup>(d)</sup>	\$ 492,597	\$ 698,242	\$ 928,719	\$ 658,109	\$ 721,774	\$ 660,512	\$ 961,824	\$ 854,443	\$ 665,024	\$ 702,772	\$ 691,655	\$ 714,078
Other & Transfers	590,592	263,237	583,397	677,134	547,315	497,392	304,514	629,938	489,432	467,722	406,422	462,951
Note Proceeds <sup>(e)</sup>	804,894	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal Non-Tax Receipts</b>	<b>\$ 1,888,083</b>	<b>\$ 961,479</b>	<b>\$ 1,512,116</b>	<b>\$ 1,335,243</b>	<b>\$ 1,269,089</b>	<b>\$ 1,157,904</b>	<b>\$ 1,266,338</b>	<b>\$ 1,484,381</b>	<b>\$ 1,154,456</b>	<b>\$ 1,170,494</b>	<b>\$ 1,098,077</b>	<b>\$ 1,177,029</b>
<b>TO TAL RECEIPTS</b>	<b>\$ 2,895,946</b>	<b>\$ 2,153,238</b>	<b>\$ 2,880,991</b>	<b>\$ 2,517,524</b>	<b>\$ 2,425,673</b>	<b>\$ 2,304,227</b>	<b>\$ 2,932,858</b>	<b>\$ 2,427,368</b>	<b>\$ 2,268,923</b>	<b>\$ 3,140,908</b>	<b>\$ 2,266,454</b>	<b>\$ 2,456,006</b>
<b>DISBURSEMENTS</b>												
Local Aids	\$ 1,499,562	\$ 171,288	\$ 839,981	\$ 108,662	\$ 970,286	\$ 1,125,174	\$ 194,969	\$ 242,153	\$ 1,162,195	\$ 116,408	\$ 146,132	\$ 1,807,111
Income Maintenance	494,447	641,061	666,896	638,141	683,305	695,917	700,313	669,011	668,952	657,177	539,140	406,757
Payroll and Related	347,575	350,128	402,141	303,497	345,744	461,132	439,962	394,793	476,146	312,280	428,479	451,693
Tax Refunds	119,879	71,956	60,865	104,942	80,146	138,105	118,310	631,696	504,393	433,577	133,598	77,671
Debt Service	230,057	-	-	123,914	21	-	-	-	-	166,060	-	-
Miscellaneous <sup>(f)</sup>	426,773	655,374	548,915	390,297	523,744	432,693	450,123	455,318	463,805	404,785	363,383	572,102
Note Repayment <sup>(e)</sup>	12,894	-	-	-	-	-	-	190,637	203,582	206,598	203,611	-
<b>TO TAL DISBURSEMENTS</b>	<b>\$ 3,131,187</b>	<b>\$ 1,889,807</b>	<b>\$ 2,518,798</b>	<b>\$ 1,669,453</b>	<b>\$ 2,603,246</b>	<b>\$ 2,853,021</b>	<b>\$ 1,903,677</b>	<b>\$ 2,583,608</b>	<b>\$ 3,479,073</b>	<b>\$ 2,296,885</b>	<b>\$ 1,814,343</b>	<b>\$ 3,315,334</b>

(a) The results, projections, or estimates in this table reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32), the updated General Fund tax revenue estimates for the 2011-12 fiscal year as included in the February 9, 2012 LFB Memorandum, and the estimated General Fund tax collections included in the May 10, 2012 DOA Memorandum. This table does not include any temporary reallocations of cash.

(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 \$500 million to \$1.2 billion during the 2011-12 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 \$60 million during the 2011-12 fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. For the 2011-12 fiscal year, the Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the total general-purpose revenue appropriations then in effect with an additional 3% for a period of up to 30 days. The resulting amounts available for temporary reallocation in the 2011-12 fiscal year are approximately \$1.260 billion and \$420 million, respectively. If the amount available for temporary reallocation 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.

(d) The July 2011 Federal receipts estimate was reduced by approximately \$271 million and recategorized as Other & Transfers to be received throughout the fiscal year. These revisions reflect a change in the projected timing and estimated disbursements for the Medicaid program.

(e) Includes proceeds of \$800 million of operating notes issued on July 19, 2011 and impoundment payments made in February, March, April, and May 2012. The February 2012 impoundment payment reflected the premium received on July 19, 2011 and deposited into the Operating Note Redemption Fund.

(f) Reflects \$234 million paid to the Injured Patients and Families Compensation Fund on August 2, 2011.

**PROJECTED GENERAL FUND CASH FLOW; JULY 1, 2012 TO JUNE 30, 2013<sup>(a)</sup>**

	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012	January 2013	February 2013	March 2013	April 2013	May 2013	June 2013
<b>BALANCES<sup>(a)(b)</sup></b>												
<b>Beginning Balance</b>	\$ 915,461	\$ (29,347)	\$ 231,880	\$ 629,733	\$ 1,306,444	\$ 945,305	\$ 470,245	\$ 1,352,931	\$ 1,310,133	\$ 189,671	\$ 557,910	\$ 887,415
<b>Ending Balance<sup>(c)</sup></b>	(29,347)	231,880	629,733	1,306,444	945,305	470,245	1,352,931	1,310,133	189,671	557,910	887,415	348,665
<b>Lowest Daily Balance<sup>(c)</sup></b>	(205,895)	(426,453)	(96,651)	629,733	944,584	(351,165)	470,245	873,572	137,124	74,076	132,085	(220,265)
<b>RECEIPTS</b>												
<b>TAX RECEIPTS</b>												
Individual Income	\$ 796,192	\$ 540,580	\$ 602,134	\$ 837,586	\$ 539,858	\$ 693,815	\$ 1,025,413	\$ 561,626	\$ 481,224	\$ 1,419,161	\$ 564,401	\$ 641,597
Sales & Use	422,027	421,379	413,517	405,859	394,090	366,505	439,639	336,322	327,008	369,246	366,723	407,674
Corporate Income	35,354	25,546	162,219	40,868	37,474	159,580	38,279	25,605	199,674	48,952	29,379	156,238
Public Utility	28	42	41	7,607	180,566	2,809	50	1	-	4,924	173,336	537
Excise	63,641	60,938	60,036	63,919	58,650	59,342	59,759	47,349	47,488	61,006	52,203	58,928
Insurance	1,162	897	24,248	285	1,037	25,287	711	24,567	15,020	14,784	861	11,357
<b>Subtotal Tax Receipts</b>	<b>\$ 1,318,404</b>	<b>\$ 1,049,382</b>	<b>\$ 1,262,195</b>	<b>\$ 1,356,124</b>	<b>\$ 1,211,675</b>	<b>\$ 1,307,338</b>	<b>\$ 1,563,851</b>	<b>\$ 995,470</b>	<b>\$ 1,070,414</b>	<b>\$ 1,918,073</b>	<b>\$ 1,186,903</b>	<b>\$ 1,276,331</b>
<b>NON-TAX RECEIPTS</b>												
Federal	\$ 677,259	\$ 745,583	\$ 744,888	\$ 682,029	\$ 707,725	\$ 675,770	\$ 874,754	\$ 759,071	\$ 724,647	\$ 692,566	\$ 820,526	\$ 840,114
Other & Transfers	503,575	287,280	615,803	562,117	372,567	341,630	514,003	649,618	396,418	402,233	329,505	500,168
Note Proceeds	0	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal Non-Tax Receipts</b>	<b>\$ 1,180,834</b>	<b>\$ 1,032,863</b>	<b>\$ 1,360,691</b>	<b>\$ 1,244,146</b>	<b>\$ 1,080,292</b>	<b>\$ 1,017,400</b>	<b>\$ 1,388,757</b>	<b>\$ 1,408,689</b>	<b>\$ 1,121,065</b>	<b>\$ 1,094,799</b>	<b>\$ 1,150,031</b>	<b>\$ 1,340,282</b>
<b>TOTAL RECEIPTS</b>	<b>\$ 2,499,238</b>	<b>\$ 2,082,245</b>	<b>\$ 2,622,886</b>	<b>\$ 2,600,270</b>	<b>\$ 2,291,967</b>	<b>\$ 2,324,738</b>	<b>\$ 2,952,608</b>	<b>\$ 2,404,159</b>	<b>\$ 2,191,479</b>	<b>\$ 3,012,872</b>	<b>\$ 2,336,934</b>	<b>\$ 2,616,613</b>
<b>DISBURSEMENTS</b>												
Local Aids	\$ 1,450,145	\$ 147,799	\$ 759,846	\$ 138,134	\$ 884,926	\$ 1,279,495	\$ 220,521	\$ 234,388	\$ 1,201,384	\$ 133,860	\$ 153,579	\$ 1,830,167
Income Maintenance	867,182	657,245	622,618	624,421	690,344	670,725	724,285	634,740	626,703	645,580	548,033	285,764
Payroll and Related	321,146	409,952	267,941	421,143	544,199	285,668	424,716	384,191	378,386	412,348	542,285	349,966
Tax Refunds	97,757	70,254	62,630	106,743	95,851	141,053	129,344	643,453	620,579	497,498	153,307	104,564
Debt Service	230,536	8,178	-	180,479	8,178	258	-	8,178	-	516,306	132,531	-
Miscellaneous	477,280	527,590	511,998	452,639	429,608	422,599	571,056	542,007	484,889	439,041	477,693	584,902
Note Repayment	0	-	-	-	-	-	-	0	0	0	0	-
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 3,444,046</b>	<b>\$ 1,821,018</b>	<b>\$ 2,225,033</b>	<b>\$ 1,923,559</b>	<b>\$ 2,653,106</b>	<b>\$ 2,799,798</b>	<b>\$ 2,069,922</b>	<b>\$ 2,446,957</b>	<b>\$ 3,311,941</b>	<b>\$ 2,644,633</b>	<b>\$ 2,007,428</b>	<b>\$ 3,155,363</b>

(a) The results, projections, or estimates in this table reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32) and the projected General Fund tax collections for the 2012-13 fiscal year as included in the May 10, 2012 DOA Memorandum. This table does not include any temporary reallocations of cash.

(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 \$600 million to \$1.2 billion during the 2012-13 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 \$30 million during the 2012-13 fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. For the 2012-13 fiscal year, the Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the total general-purpose revenue appropriations then in effect with an additional 3% for a period of up to 30 days. The resulting amounts available for temporary reallocation in the 2012-13 fiscal year are approximately \$1.329 billion and \$443 million, respectively. If the amount available for temporary reallocation 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-11; General Fund Cash Receipts and Disbursements Year-to-Date; Compared to Estimates and Previous Fiscal Year** (Part II; Page 46). Replace with the following updated table. This information has been updated from that provided in the Preliminary Official Statement (dated June 21, 2012).

**2011-12 FISCAL YEAR  
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE  
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR<sup>(a)</sup>  
(Cash Basis)  
As of May 31, 2012  
(Amounts in Thousands)**

	FY11 through May 2011		FY12 through May 2012			Adjusted Variance <sup>(c)</sup>	Difference FY11 Actual to FY12 Actual
	Actual		Actual <sup>(b)</sup>	Estimate <sup>(b)</sup>	Variance		
<b>RECEIPTS</b>							
<b>Tax Receipts</b>							
Individual Income	\$ 7,389,626		\$ 7,770,092	\$ 7,817,589	\$ (47,497)	\$ (47,497)	\$ 380,466
Sales	3,959,175		4,194,646	3,936,810	257,836	257,836	235,471
Corporate Income	867,298		848,539	733,096	115,443	115,443	(18,759)
Public Utility	346,402		365,765	350,934	14,831	14,831	19,363
Excise	669,108		652,392	661,718	(9,326)	(9,326)	(16,716)
Insurance	143,502		85,016	119,384	(34,368)	(34,368)	(58,486)
<b>Total Tax Receipts</b>	<b>\$ 13,375,111</b>		<b>\$ 13,916,450</b>	<b>\$ 13,619,531</b>	<b>\$ 296,919</b>	<b>\$ 296,919</b>	<b>\$ 541,339</b>
<b>Non-Tax Receipts</b>							
Federal	\$ 8,580,237		\$ 8,035,671	\$ 7,673,180	\$ 362,491	\$ 362,491	\$ (544,566)
Other and Transfers	4,862,977		5,457,095	4,970,796	486,299	486,299	594,118
Note Proceeds	803,408		804,894	804,894	-	-	1,486
<b>Total Non-Tax Receipts</b>	<b>\$ 14,246,622</b>		<b>\$ 14,297,660</b>	<b>\$ 13,448,870</b>	<b>\$ 848,790</b>	<b>\$ 848,790</b>	<b>\$ 51,038</b>
<b>TOTAL RECEIPTS</b>	<b>\$ 27,621,733</b>		<b>\$ 28,214,110</b>	<b>\$ 27,068,401</b>	<b>\$ 1,145,709</b>	<b>\$ 1,145,709</b>	<b>\$ 592,377</b>
<b>DISBURSEMENTS</b>							
Local Aids	\$ 7,035,944		\$ 6,576,810	\$ 6,700,186	\$ 123,376	\$ 123,376	\$ (459,134)
Income Maintenance	6,887,002		7,051,360	6,366,694	(684,666)	(684,666)	164,358
Payroll & Related	4,630,349		4,261,877	4,323,929	62,052	62,052	(368,472)
Tax Refunds	2,289,878		2,397,467	2,553,948	156,481	156,481	107,589
Debt Service	546,455		520,052	613,511	93,459	93,459	(26,403)
Miscellaneous	4,350,368		5,115,210	5,135,796	20,586	20,586	764,842
Note Repayment	811,909		817,322	814,488	(2,834)	(2,834)	5,413
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 26,551,905</b>		<b>\$ 26,740,098</b>	<b>\$ 26,508,552</b>	<b>\$ (231,546)</b>	<b>\$ (231,546)</b>	<b>\$ 188,193</b>
<b>2011-12 FISCAL YEAR VARIANCE YEAR-TO-DATE</b>					<b>\$ 914,163</b>	<b>\$ 914,163</b>	

- (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 results, projections, and estimates in this table for the 2011-12 fiscal year reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32), the General Fund tax revenue collection estimates included in the February 9, 2012 LFB Memorandum and the estimated General Fund tax collections included in the May 10, 2012 DOA Memorandum, and \$800 million of operating note receipts received on July 19, 2011 and the resulting impoundment payments due in February, March, April, and May 2012.
- (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, if any, to more accurately reflect the variance between the estimated and actual amounts.

**Source: Wisconsin Department of Administration**

**Table II-12; General Fund Monthly Cash Position** (Part II; Page 47). Replace with the following updated table. This information has been updated from that provided in the Preliminary Official Statement (dated June 21, 2012).

**GENERAL FUND MONTHLY CASH POSITION<sup>(a)</sup>**  
**July 1, 2010 through May 31, 2012 – Actual**  
**June 1, 2012 through June 30, 2013 – Estimated<sup>(b)</sup>**  
**(Amounts in Thousands)**

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts<sup>(c)</sup></u>	<u>Disbursements<sup>(c)</sup></u>	
2010	July.....	\$ 383,306 <sup>(d)</sup>	\$ 3,033,669	\$ 3,501,423	
	August.....	(84,448) <sup>(d)</sup>	2,220,600	1,638,533	
	September.....	497,619	2,862,024	2,439,651	
	October.....	919,992	2,127,540	1,607,624	
	November.....	1,439,908	2,475,495	2,489,150	
	December.....	1,426,253 <sup>(d)</sup>	2,113,524	3,648,753	
	2011	January.....	(108,976) <sup>(d)</sup>	3,455,330	1,595,375
		February.....	1,750,979	2,259,769	2,283,655
		March.....	1,727,093	2,339,013	3,451,895
		April.....	614,211	2,518,414	2,161,460
		May.....	971,165	2,216,355	1,734,386
		June.....	1,453,134	2,749,732	3,899,089
July.....		303,777 <sup>(d)</sup>	2,895,946	3,131,187	
August.....		68,536 <sup>(d)</sup>	2,153,238	1,889,807	
September.....		331,967	2,880,991	2,518,798	
October.....		694,160	2,517,524	1,669,453	
November.....		1,542,231	2,425,673	2,603,246	
December.....		1,364,658	2,304,227	2,853,021	
2012	January.....	815,864	2,932,858	1,903,677	
	February.....	1,845,045	2,427,368	2,583,608	
	March.....	1,688,805	2,268,923	3,479,073	
	April.....	478,655	3,140,908	2,296,885	
	May.....	1,322,678	2,266,454	1,814,343	
	June.....	1,774,789	2,456,006	3,315,334	
	July.....	915,461 <sup>(d)</sup>	2,499,238	3,444,046	
	August.....	(29,347) <sup>(d)</sup>	2,082,245	1,821,018	
	September.....	231,880 <sup>(d)</sup>	2,622,886	2,225,033	
	October.....	629,733	2,600,270	1,923,559	
	November.....	1,306,444	2,291,967	2,653,106	
	December.....	945,305 <sup>(d)</sup>	2,324,738	2,799,798	
2013	January.....	470,245	2,952,608	2,069,922	
	February.....	1,352,931	2,404,159	2,446,957	
	March.....	1,310,133	2,191,479	3,311,941	
	April.....	189,671	3,012,872	2,644,633	
	May.....	557,910	2,336,934	2,007,428	
	June.....	887,415 <sup>(d)</sup>	2,616,613	3,155,363	

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

<sup>(b)</sup> The results, projections, or estimates in this table for the 2011-12 fiscal year reflect the budget bill for the 2011-13 biennium (2011 Wisconsin Act 32), the General Fund tax revenue collection estimates included in the February 9, 2012 LFB Memorandum, and the \$800 million of operating note receipts received on July 19, 2011 and the resulting impoundment payments due in February, March, April, and May 2012. The projections for the 2012-13 fiscal year reflect the budget bill for the 2011-13 biennium and the estimated General Fund tax collections included in the May 10, 2012 DOA Memorandum.

<sup>(c)</sup> Operating notes were issued for the 2010-11 and 2011-12 fiscal years, but it is expected that no operating notes will be issued for the 2012-13 fiscal year.

<sup>(d)</sup> At some period during this month, the General Fund was in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund is in a negative cash position. The Secretary of Administration can temporarily reallocate cash in other funds to the General Fund up to 9% of the general purpose revenue appropriations then in effect. For the 2011-12 fiscal year, this amount is \$1.260 billion and for the 2012-13 fiscal year, this amount is \$1.329 billion. In addition, the Secretary of Administration can also temporarily reallocate an additional amount of up to 3% of general purpose revenue appropriations for period of up to 30 days. For the 2011-12 fiscal year, this amount is \$420 million and for the 2012-13 fiscal year, this amount is \$443 million. If the amount available for temporary reallocation to the General Fund is insufficient, 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-13; Cash Balances in Funds Available for Temporary Reallocation** (Part II; Page 48).  
 Replace with the following updated table. This information has been updated from that provided in the Preliminary Official Statement (dated June 21, 2012).

**CASH BALANCES IN FUNDS AVAILABLE FOR TEMPORARY REALLOCATION<sup>(a)</sup>**  
**July 31, 2010 to May 31, 2012 – Actual**  
**June 30, 2012 to June 30, 2013 – 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 \$2.113 billion during November 2011 to a high of \$4.347 billion in February 2009. The Secretary of Administration may not exercise the authority to make temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which the temporary reallocation would be made.

**Available Balances; Does Not Include Balances in the LGIP**

<u>Month (Last Day)</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
January .....		\$ 1,197	\$ 1,428	\$ 1,428
February .....		1,416	1,478	1,578
March .....		1,548	1,520	1,520
April .....		1,654	1,529	1,529
May .....		1,657	1,500	1,289
June .....		1,625	1,427	1,427
July .....	\$ 1,188	1,402	1,402	
August .....	1,246	1,586	1,586	
September .....	1,335	1,542	1,542	
October .....	1,283	1,321	1,321	
November .....	1,242	1,349	1,349	
December .....	1,185	1,438	1,438	

**Available Balances; Includes Balances in the LGIP**

<u>Month (Last Day)</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
January .....		\$ 4,389	\$ 4,645	\$ 4,645
February .....		4,482	4,658	4,658
March .....		4,745	4,925	4,925
April .....		4,511	4,542	4,542
May .....		4,243	4,086	3,842
June .....		4,091	4,035	4,035
July .....	\$ 4,469	4,648	4,648	
August .....	3,883	4,229	4,229	
September .....	3,833	3,905	3,905	
October .....	3,495	3,421	3,420	
November .....	3,585	3,484	3,484	
December .....	3,974	4,122	4,122	

<sup>(a)</sup> 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-14; General Fund Recorded Revenues** (Part II; Page 49). Replace with the following updated table. This information has been updated from that provided in the Preliminary Official Statement (dated June 21, 2012).

**GENERAL FUND RECORDED REVENUES<sup>(a)</sup>**  
**(Agency-Recorded Basis)**  
**July 1, 2011 to May 31, 2012 Compared With Previous Year**

	Annual Fiscal Report Revenues <u>2010-11 Fiscal Year<sup>(b)</sup></u>	Projected Revenues <u>2011-12 Fiscal Year<sup>(c)</sup></u>	Recorded Revenues July 1, 2010 to <u>May 31, 2011<sup>(d)</sup></u>	Recorded Revenues July 1, 2011 to <u>May 31, 2012<sup>(e)</sup></u>
Individual Income Tax .....	\$ 6,700,647,000	\$ 6,868,230,000	\$ 5,622,527,574	\$ 5,944,667,493
General Sales and Use Tax .....	4,109,019,000	4,269,805,000	3,345,866,362	3,506,441,372
Corporate Franchise and Income Tax .....	852,863,000	880,800,000	658,881,011	684,494,911
Public Utility Taxes .....	341,344,000	344,600,000	341,248,439	365,208,941
Excise Taxes .....	720,846,000	735,200,000	594,462,935	582,561,194
Inheritance Taxes .....	(128,000)	-	172,698	306,843
Insurance Company Taxes .....	139,951,000	147,000,000	74,035,249	87,069,997
Miscellaneous Taxes .....	47,323,000	51,600,000	78,571,792	85,641,903
SUBTOTAL.....	<u>12,911,865,000</u>	<u>13,297,235,000</u>	<u>10,715,766,061</u>	<u>11,256,392,655</u>
Federal and Other Inter- Governmental Revenues <sup>(f)</sup> .....	11,170,454,000	8,635,594,800	9,792,687,759	9,105,292,471
Dedicated and Other Revenues <sup>(g)</sup> .....	<u>4,844,199,000</u>	<u>5,187,165,700</u>	<u>4,464,458,195</u>	<u>4,747,353,768</u>
TOTAL.....	<u>\$ 28,926,518,000</u>	<u>\$ 27,119,995,500</u>	<u>\$ 24,972,912,014</u>	<u>\$ 25,109,038,894</u>

- (a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table 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 2010-11 fiscal year, dated October 15, 2011.
- (c) The results, projections, or estimates included in this table on an agency-recorded basis reflect the 2011-13 biennial budget (2011 Wisconsin Act 32) and the General Fund tax revenue estimates released by LFB on May 11, 2011. The projections and estimates in this table do not reflect the updated General Fund tax revenue estimates included in the February 9, 2012 LFB Memorandum or the May 10, 2012 DOA Memorandum.
- (d) The amounts shown are 2010-11 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 2011-12 fiscal year 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-15; General Fund Recorded Expenditures by Function** (Part II; Page 50). Replace with the following updated table. This information has been updated from that provided in the Preliminary Official Statement (dated June 21, 2012).

**GENERAL FUND RECORDED EXPENDITURES BY FUNCTION<sup>(a)</sup>**  
**(Agency-Recorded Basis)**  
**July 1, 2011 to May 31, 2012 Compared With Previous Year**

	<b>Annual Fiscal Report Expenditures 2010-11 Fiscal Year<sup>(b)</sup></b>	<b>Appropriations 2011-12 Fiscal Year<sup>(c)</sup></b>	<b>Recorded Expenditures July 1, 2010 to May 31, 2011<sup>(d)</sup></b>	<b>Recorded Expenditures July 1, 2011 to May 31, 2012<sup>(e)</sup></b>
Commerce.....	\$ 375,405,000	\$ 256,405,500	\$ 316,076,706	\$ 179,050,468
Education.....	12,227,699,000	11,618,349,000	9,952,947,213	9,566,264,585
Environmental Resources.....	207,892,000	246,148,500	181,410,083	158,948,201
Human Relations & Resources .....	12,462,717,000	11,177,683,100	10,812,121,896	10,819,189,647
General Executive.....	1,190,324,000	1,150,243,700	1,112,212,048	1,070,102,826
Judicial.....	134,965,000	138,688,000	121,896,308	117,695,308
Legislative.....	66,263,000	75,226,800	56,081,880	50,117,468
General Appropriations.....	2,286,559,000	2,470,053,300	2,232,489,619	2,338,526,643
TOTAL.....	<u>\$ 28,951,824,000</u>	<u>\$ 27,132,797,900</u>	<u>\$ 24,785,235,752</u>	<u>\$ 24,299,895,146</u>

<sup>(a)</sup> The expenditures 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.

<sup>(b)</sup> The amounts are from the Annual Fiscal Report (budgetary basis) for the 2010-11 fiscal year, dated October 15, 2011.

<sup>(c)</sup> The results and estimates in this table reflect the 2011-13 biennial budget (2011 Wisconsin Act 32). The estimates in this table do not reflect the updated General Fund tax revenue estimates included in the February 9, 2012 LFB Memorandum or the May 10, 2012 DOA Memorandum.

<sup>(d)</sup> The amounts shown are 2010-11 fiscal year expenditures as recorded by all State agencies.

<sup>(e)</sup> The amounts shown are 2011-12 fiscal year expenditures as recorded by all State agencies.

**Source: Wisconsin Department of Administration**



## APPENDIX C

### DEFINITIONS OF CERTAIN TERMS

The following definitions apply to capitalized terms used in this Official Statement. All defined terms from the General Resolution are available in the “GLOSSARY” in Part VI of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2011. See [APPENDIX A](#).

**2012 Bonds** means, collectively, the 2012 Series 1 Bonds and the 2012 Series 2 Bonds.

**2012 Series 1 Bonds** means the State of Wisconsin Clean Water Revenue Bonds, 2012 Series 1, expected to be issued on July 26, 2012.

**2012 Series 2 Bonds** means State of Wisconsin Clean Water Revenue Refunding Bonds, 2012 Series 2, expected to be issued on July 26, 2012.

**Accreted Value** means, with respect to any Capital Appreciation Bond, the initial principal amount at which such Capital Appreciation Bond is sold to the initial purchaser by the State without reduction to reflect underwriter’s discount, compounded from the date of delivery of such Bonds semiannually on each interest payment date prior to the date of calculation (and including such date of calculation if such date of calculation shall be an interest payment date) at the original issue yield to maturity less, with respect to Bonds with interest payable on a current basis, interest paid and payable during such period plus, if such date of calculation shall not be an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date and the Accreted Value as of the immediately succeeding interest payment date calculated based upon an assumption that Accreted Value accrues during any semiannual period in equal daily amounts (based on a 360-day year of twelve 30-day months); provided, however, that the calculation of Accreted Value for purposes of determining whether Bond owners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution shall be based upon the Accreted Value calculated as of the interest payment date immediately preceding such date of calculation (unless such date of calculation shall be an interest payment date, in which case shall be calculated as of the date of calculation).

**Act** means Sections 281.58 and 281.59 of the Wisconsin Statutes, as amended.

**Aggregate Debt Service** for any period means, with respect to Bonds, as of any date of calculation, the sum of the amounts of Debt Service for such period.

**Authorized Officer** means the Capital Finance Director of the State and any other person designated in writing to the Trustee by the Capital Finance Director or by the Commission as an Authorized Officer.

**Bond** or **Bonds** means any bond or bonds, as the case may be, authenticated and delivered under the General Resolution pursuant to a Series Resolution.

**Bondowners** or **Owner of Bonds** or **Owner** (when used with reference to Bonds) or any term of similar import means the person or party in whose name the Bond is registered.

**Business Day** means any day other than a Saturday or Sunday or other day on which commercial banks in the city in which the principal office of the Trustee is located are not open for business, except as may be provided in a Series or Supplemental Resolution.

**Capital Appreciation Bond** means Bonds that provide for the addition of all or any part of accrued and unpaid interest thereon to the principal due thereon upon such terms and for such periods of time as may be determined by the applicable Series Resolution.

**Capitalized Interest Account** means the account of that name established within the Debt Service Fund by the General Resolution.

**Clean Water Fund Program** means the program established pursuant to the Act and operated and administered as part of the Environmental Improvement Fund.

**Code** means the Internal Revenue Code of 1986, as amended from time to time, and all regulations promulgated pursuant to it to the extent applicable to any Bonds, Loans or Municipal Obligations, as the case may be.

**Commission** means the State of Wisconsin Building Commission or any successor body having the power under the Subchapter II of Chapter 18, as amended, of the Wisconsin Statutes to authorize and direct the issuance of Bonds.

**Contribution Amount** has the meaning set forth in the definition of “Loan Credit Reserve Fund Requirement.”

**Costs of Issuance** means, except as limited in any Series Resolution, any items of expense directly or indirectly payable by or reimbursable to the State and related to the authorization, sale and issuance of Bonds or Notes and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, legal fees and charges, professional consultants’ fees, costs of credit ratings, premiums for insurance of the payment of Bonds or Notes, or any fees and expenses payable in connection with any entity insuring the State, the Trustee or the owners of the Bonds or Notes against loss on Loans or Municipal Obligations, fees and charges for execution, transportation and safekeeping of Bonds or Notes, costs and expenses of refunding of Bonds or Notes, fees and expenses payable in connection with any Credit Facility, remarketing agreements, tender agent agreements or interest rate indexing agreements, and other costs, charges and fees in connection with the original issuance of Bonds or Notes.

**Credit Facility** means a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy, guaranty or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution or the federal government or an agency thereof which:

- (1) provides for payment of all or a portion of the principal of, Redemption Price of, or interest on any Series of Bonds,
- (2) provides funds for the purchase of such Bonds or portions thereof,
- (3) provides deposits for a fund or account under the General Resolution, or
- (4) provides for or further secures payment of Loans or Municipal Obligations, provided that with respect to (3) above, the issuer of which Credit Facility is rated, or the effect of which Credit Facility would cause bonds insured or secured thereby to be rated, in a rating category by each Rating Agency no lower than the then current rating on the Bonds (without such Credit Facility).

**Debt Service** for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of:

- (1) interest payable during such period on Bonds of such Series,
- (2) that portion of the Principal Installments for such Series which are payable during such period, and
- (3) any “Reimbursement Obligation” or “Parity Reimbursement Obligation” as defined in the General Resolution.

Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

**Debt Service Fund** means the fund of that name established by the General Resolution.

**Depository** means any bank, trust company, or national banking association, which may be the Trustee, selected by the Commission and approved by the Trustee as a depository of moneys and securities held under the provisions of the General Resolution and its successor or successors.

**Direct Loan** means loans made primarily from the proceeds of federal capitalization grants, the State match, or repayments of Direct Loans, and excludes any Pledged Loan or Proprietary Loan. This type of loan is not funded with Bond proceeds.

**DNR** means the State of Wisconsin Department of Natural Resources.

**DOA** means the State of Wisconsin Department of Administration.

**DTC** means The Depository Trust Company, New York, New York.

**Environmental Improvement Fund** means the nonlapsible trust fund of that name created by Section 25.43 of the Wisconsin Statutes.

**Fees and Charges** means all fees and charges, if any, charged by the State to Municipalities pursuant to the terms and provisions of Loans or Municipal Obligations but do not include principal of and interest on such Municipal Obligations.

**Fiduciary** or **Fiduciaries** means the Trustee, any Paying Agent, any Depository or any or all of them, as may be appropriate.

**Financial Assistance Agreement** means any agreement entered into between DNR, DOA, and a Municipality for financial assistance.

**Fiscal Year** means any 12 consecutive calendar months commencing with the second day of June and ending on the first day of the following June.

**Fitch** means Fitch Ratings.

**General Resolution** means the Clean Water Revenue Bond General Resolution adopted by the Commission on March 7, 1991, as amended by resolutions adopted by the Commission on July 30, 2003 and June 28, 2006, as the same may be amended and supplemented from time to time.

**Information Services** means an institution or other service providing information with respect to called bonds, which shall include but not be limited to those identified in the General Resolution and others designated by an Authorized Officer.

**Interest Account** means the account of that name established within the Debt Service Fund by the General Resolution.

**Leveraged Loan** or **Pledged Loan** means a loan heretofore or hereafter made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act. This type of loan is funded from the Loan Fund, including from Bond proceeds.

**Loan Credit Reserve Fund** means the fund of that name established by the General Resolution.

**Loan Credit Reserve Fund Requirement** means and is calculated as follows:

(1) Upon the issuance of the initial Series of Bonds, an Authorized Officer delivered to the Trustee, with respect to each Rating Agency, a schedule of credit quality categories and loan credit reserve fund requirements (**Loan Credit Reserve Fund Schedule** or **Schedule**) approved by such Rating Agency. Each Schedule sets forth the percentage of the annual debt service attributable to each Loan disbursement from the Loan Fund to be deposited in the Loan Credit Reserve Fund with respect to each Loan disbursement. A Schedule may be amended from time to time upon the presentation to the Trustee of a certificate of an Authorized Officer, supported by a certificate from the Rating Agency to which such Schedule applies, confirming that such amendment to the Schedule will not adversely affect the then-outstanding rating assigned to the Bonds by such Rating Agency.

(2) The amount required in the Schedules for each Loan disbursement from the Loan Fund (and if the Schedules provide for different amounts, then the higher amount) is the “**Contribution Amount**”.

(3) The Loan Credit Reserve Fund Requirement shall be, as of any date of calculation, the total Contribution Amount derived from each Schedule (and if the Schedules provide for different total Contribution Amounts, then the higher total Contribution Amount) that would be required were all disbursements from the Loan Fund outstanding to be disbursed on that date, based on the then-current Schedules.

**Loan Fund** means the fund of that name established by the General Resolution.

**Moody’s** means Moody’s Investors Service, Inc.

**Municipal Obligations** means the bonds, notes, or other evidences of debt issued by any Municipality and authorized by law and which have heretofore been or will hereafter be acquired by the State as evidence of indebtedness of a Pledged Loan (also referred to as a Leveraged Loan), Direct Loan, or Proprietary Loan to the Municipality pursuant to the Act. Municipal Obligations may constitute any of a combination of the following: a revenue obligation secured by a covenant to assess user fees and a pledge of the utility’s revenues, a revenue obligation secured by special assessments and other utility revenue and a pledge of the utility’s revenues, or a general obligation secured by a tax levy and a pledge of all available financial resources of the Municipality.

**Municipality** means a political subdivision of the State constituting a “municipality” within the meaning of the Act, duly organized and existing under the laws of the State and any successor entity or a federally recognized American Indian tribe or band in the State.

**Notes** mean any bond anticipation notes issued by the State pursuant to the Act.

**Outstanding**, when used with reference to Bonds, other than Bonds referred to in Section 10.05 of the General Resolution (addressing Bonds owned or held by or for the account of the State), means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Resolution, except:

(1) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date,

(2) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in Trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice,

(3) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Resolution, and

(4) Bonds deemed to have been paid as provided in Article 12 of the General Resolution (concerning defeasance).

In determining whether Bondowners of the requisite amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver under the General Resolution, the principal amount of a Capital Appreciation Bond that shall be deemed Outstanding for such purposes shall be the Accreted Value thereof.

**Paying Agent** for the Bonds of any Series means the bank, trust company, or national banking association, which may be the Trustee, and its successor or successors, appointed pursuant to the provisions of the General Resolution and a Series Resolution or any other resolution of the Commission adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

**Pledged Loan or Leveraged Loan** means a loan heretofore or hereafter made by the State to a Municipality from the Loan Fund pursuant to a Financial Assistance Agreement and the Act. This type of loan is funded from the Loan Fund and with Bond proceeds.

**Pledged Loan Repayments or Leveraged Loan Repayments** means any payment on a Pledged Loan pursuant to a Financial Assistance Agreement, or on the Municipal Obligations evidencing and securing the same, on account of the principal, interest, and premium, if any, due on such Pledged Loan, including without limitation scheduled payments of principal and interest on such Loan or Municipal Obligation, any payment made to cure a default, prepayments of principal or interest, and any additional amounts payable upon prepayment of such Pledged Loan or Municipal Obligations, and any amounts paid with respect to such Pledged Loan or Municipal Obligation on account of (1) acceleration of the due date of such Pledged Loan or such Municipal Obligation, (2) the sale or other disposition of such Pledged Loan or the Municipal Obligations and other collateral securing such Pledged Loan, (3) the receipt of proceeds of any insurance or guaranty of such Pledged Loan or Municipal Obligations or any Credit Facility applicable to such Pledged Loan or Municipal Obligations, and (4) the exercise of any right or remedy granted to the State and available under law or the applicable Financial Assistance Agreement upon default on such Pledged Loan or Municipal Obligations, but specifically excluding Fees and Charges.

**Pledged Receipts** means:

- (1) all Pledged Loan Repayments, including both timely and delinquent payments,
- (2) Fees and Charges held or collected by the State,
- (3) any moneys received by the State under Section 281.59 (11)(b) of the Wisconsin Statutes (that is, State payments intercepted by DOA and taxes collected by county treasurers) upon a default under a Municipal Obligation,
- (4) any moneys made available to the Clean Water Fund Program pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, as a result of the designation of an individual Loan as one to which the State's "moral obligation" applies),
- (5) any moneys collected by recourse to collateral and security devices under the Municipal Obligations, and
- (6) any other moneys held or received by the State or the Trustee relating to the Municipal Obligations.

**Principal Account** means the account of that name established within the Debt Service Fund by the General Resolution.

**Principal Installment** means, as of any date of calculation and with respect to any Series of Bonds Outstanding, (1) the principal amount or Accreted Value of Bonds of such Series due on any payment date for which no Sinking Fund Installments have been established, or (2) the Sinking Fund Installment due on a date for Bonds of such Series, or (3) if such dates coincide, the sum of such principal amount or Accreted Value of Bonds and of such Sinking Fund Installment(s) due on such date; in each case in the amounts and on the dates as provided in the Series Resolution authorizing such Series of Bonds; provided, however, that Principal Installments shall not include the principal of Notes.

**Proprietary Loan** means financial assistance made primarily from the proceeds of State general obligation bonds or repayment of Proprietary Loans, and excludes any Direct Loan or Pledged Loan. This financial assistance or type of loan is not funded with Bond proceeds.

**Rating Agency** means a credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and which has assigned and currently maintains a rating on any Outstanding Bonds at the request of the State (which request may be withdrawn by the State so long as following such withdrawal of request, the Bonds are rated by at least two Rating Agencies), and any successor to any such agency by merger, consolidation or otherwise.

**Rebate Fund** means the fund of that name established by the General Resolution.

**Record Date** means, unless otherwise determined by a Series Resolution for a Series of Bonds, the close of business on the 15th day preceding a payment date or, if such day shall not be a Business Day, the immediately preceding Business Day. The Series Resolutions for the 2012 Bonds provide that, for the 2012 Bonds, **Record Date** means the close of business on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date.

**Redemption Account** means the account of that name established within the Debt Service Fund by the General Resolution.

**Redemption Price**, when used with respect to a Bond other than a Capital Appreciation Bond, or a portion thereof to be redeemed, means the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, plus interest to the redemption date, pursuant to the General Resolution and the applicable Series Resolution, but, when used with respect to a Capital Appreciation Bond, "Redemption Price" means the Accreted Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any.

**Refunding Bonds** means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance to refund other Bonds.

**Revenue Fund** means the fund of that name established by the General Resolution.

**S&P** means Standard & Poor's Ratings Services.

**Series of Bonds** or **Bonds of a Series** or words of similar meaning mean the series of Bonds authorized by a Series Resolution.

**Series Resolution** means a resolution of the Commission authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Resolution, adopted by the Commission from time to time. The Series Resolutions for the 2012 Bonds were adopted on February 15, 2012.

**Sinking Fund Installment** means, as of any particular date of calculation, (1) the amount required by the General Resolution and a Series Resolution to be deposited by the State for the retirement of Bonds which are stated to mature subsequent to such date or (2) the amount required by the General Resolution and a Series Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

**State** means the State of Wisconsin.

**State Equity Fund** means the fund of that name established by the General Resolution.

**Subsidy Fund** means the fund of that name established by the General Resolution.

**Subsidy Fund Requirement** means that amount which, when invested as permitted in the General Resolution, is projected by an Authorized Officer to result in an amount being available during each period commencing on an interest payment date and ending on the next interest payment date (**Period**) which is at least equal to the amount by which Aggregate Debt Service payable during the Period exceeds the sum of (1) scheduled disbursements from the Capitalized Interest Account and (2) Loan Repayments scheduled to be received during the Period from sources other than transfers of Loan capitalized interest from the Loan Fund. In making the projections set forth above, the State may treat undisbursed amounts in the Loan Fund as if (a) such undisbursed amounts are invested at an appropriate rate of interest to the final maturity of Bonds and (b) such undisbursed amounts and the earnings thereon are transferred from time to time to the Revenue Fund to pay debt service, and for purposes of calculating the Subsidy Fund Requirement, such amounts may be treated as if they were Loan Repayments made pursuant to clause (2) above; provided that prior to each Loan disbursement the State recalculates the Subsidy Fund Requirement assuming for purposes of calculation that the disbursement has been made (and the amount is repayable in accordance with the applicable Municipal Obligations), and if such calculation fails to

confirm that following the disbursement the Subsidy Fund Requirement is met, the State refrains from making a requisition for the disbursement.

**Subsidy Fund Transfer Amount** means, with respect to any Interest Payment Date, the amount by which Aggregate Debt Service payable during the Period (as such term is used in the definition of Subsidy Fund Requirement) ending on such Interest Payment Date exceeds the sum of:

(1) Loan Repayments scheduled to be received and delinquent Loan Repayments actually received during the Period,

(2) earnings on the Loan Credit Reserve Fund deposited in the Revenue Fund during the Period,

(3) any moneys on deposit in the Revenue Fund, the Interest Account of the Debt Service Fund, or the Principal Account of the Debt Service Fund at the beginning of the Period,

(4) any amounts in the Loan Fund transferred to the Revenue Fund during the Period as directed in a certificate of an Authorized Officer, and

(5) amounts scheduled to be transferred from the Capitalized Interest Account to the Interest Account during the Period.

**Supplemental Resolution** means a resolution supplemental to or amendatory of the General Resolution, adopted by the Commission in accordance with the General Resolution.

**Trustee** means U.S. Bank National Association, as successor to Firststar Trust Company, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the General Resolution.

## APPENDIX D

### EXPECTED FORM OF BOND COUNSEL OPINION

*Upon delivery of the 2012 Bonds, it is expected that Foley & Lardner LLP will deliver a legal opinion in substantially the following form:*

(Letterhead of Foley & Lardner LLP)

State of Wisconsin Building Commission  
101 East Wilson Street, 7<sup>th</sup> Floor  
Madison, Wisconsin 53703

**\$147,450,000**  
**State of Wisconsin**  
**\$55,000,000 Clean Water Revenue Bonds, 2012 Series 1**  
**\$92,450,000 Clean Water Revenue Refunding Bonds, 2012 Series 2**

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$55,000,000 Clean Water Revenue Bonds, 2012 Series 1, dated the date hereof and its \$92,450,000 Clean Water Revenue Refunding Bonds, 2012 Series 2, dated the date hereof (Collectively, **Bonds**). The Bonds are authorized by Sections 281.58 and 281.59, Wisconsin Statutes (**Act**) (and in particular, Section 281.59 (4), Wisconsin Statutes) and Subchapter II of Chapter 18, Wisconsin Statutes, and are being issued pursuant to a resolution (**General Resolution**) adopted by the State of Wisconsin Building Commission (**Commission**) on March 7, 1991, as amended by resolutions adopted by the Commission on July 30, 2003 and June 28, 2006, and as supplemented by two resolutions (collectively, **Series Resolutions**) adopted by the Commission on February 15, 2012.

Under the General Resolution, the Commission has also established various funds and accounts and designated U.S. Bank National Association, as trustee (**Trustee**), to be the custodian of the funds and accounts. The Commission has pledged certain revenues received pursuant to the Act to secure the payment of the principal of, and premium, if any, and interest on, the Bonds, any other bonds heretofore or hereafter issued under the General Resolution, and certain other parity obligations. The Commission has directed the Trustee to deposit the amounts into the funds and accounts in the order and amounts provided in the General Resolution. The Bonds are payable solely from cash and securities held by the Trustee from time to time in the redemption fund created under the General Resolution.

We examined the law, a certified copy of the proceedings relating to the issuance of the Bonds, and certifications of public officials and others. As to questions of fact material to our opinion, we relied upon those certified proceedings and certifications without independently undertaking to verify them.

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

1. The General Resolution and the Series Resolutions have been duly and lawfully adopted by the Commission, are in full force and effect, and are valid and binding upon the State and enforceable in accordance with their respective terms. The Series Resolutions have been adopted in accordance with the provisions of the General Resolution and are authorized or permitted by the General Resolution.



2. The General Resolution creates the valid pledge that it purports to create of the “Pledged Receipts,” as defined in the General Resolution, and of the moneys and securities held in the funds and accounts pledged under the General Resolution.
3. The Bonds are legal, valid, and binding special obligations of the State as provided in the General Resolution, payable and enforceable in accordance with their terms and the terms of the General Resolution and entitled to the benefits of the General Resolution and of the Act. The Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the General Resolution.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. The State must comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied after the Bonds are issued for interest on the Bonds to be, or continue to be, excluded from gross income for federal income tax purposes. The State has agreed to do so. A failure to comply may cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases retroactively to the date the Bonds were issued. This letter expresses no opinion as to other federal tax law consequences concerning the Bonds.

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

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement dated July 11, 2012 or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only the matters set forth as our opinion in the Official Statement).

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

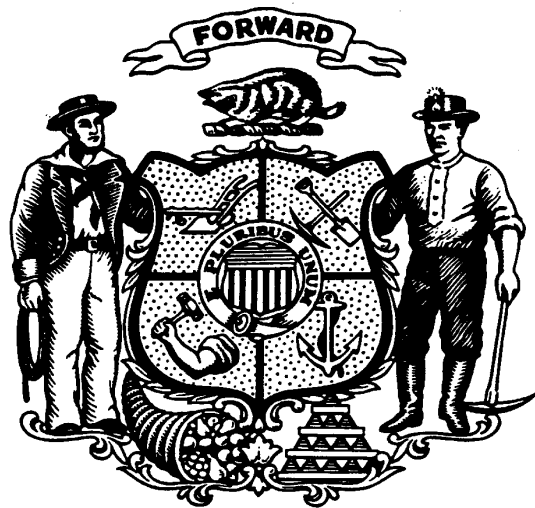
Very truly yours,

FOLEY & LARDNER LLP

**APPENDIX E**  
**OUTSTANDING BONDS**  
**REFUNDED BY 2012 SERIES 2 BONDS**

<b>Series</b>	<b>Dated Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>CUSIP<sup>(a)</sup></b>	<b>Redemption Date</b>	<b>Redemption Price</b>
2004 Series 1	3/3/2004	\$ 5,010,000	5.00%	6/1/2015	977092 MG7	6/1/2014	100%
		5,265,000	4.00	6/1/2016	977092 MH5	6/1/2014	100
		5,525,000	4.00	6/1/2017	977092 MJ1	6/1/2014	100
		5,805,000	4.75	6/1/2018	977092 MK8	6/1/2014	100
		6,095,000	4.75	6/1/2019	977092 ML6	6/1/2014	100
		6,395,000	4.75	6/1/2020	977092 MM4	6/1/2014	100
		6,715,000	4.75	6/1/2021	977092 MN2	6/1/2014	100
		7,055,000	4.75	6/1/2022	977092 MP7	6/1/2014	100
		7,405,000	4.75	6/1/2023	977092 MQ5	6/1/2014	100
		7,775,000	4.50	6/1/2024	977092 MR3	6/1/2014	100
2006 Series 2	11/7/2006	\$ 4,690,000	5.00%	6/1/2017	977092 PY5	6/1/2015	100%
		4,925,000	5.00	6/1/2018	977092 PZ2	6/1/2015	100
		5,175,000	5.00	6/1/2019	977092 QA6	6/1/2015	100
		5,430,000	5.00	6/1/2020	977092 QB4	6/1/2015	100
		5,705,000	5.00	6/1/2021	977092 QC2	6/1/2015	100
		5,990,000	5.00	6/1/2022	977092 QD0	6/1/2015	100
		6,285,000	5.00	6/1/2023	977092 QE8	6/1/2015	100
		<u>\$ 101,245,000</u>					

(a) The CUSIP number for each refunded bond has been obtained from a source the State believes to be reliable, but the State is not responsible for the correctness of the CUSIP numbers



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