State of Wisconsin
Event Filing #2017-16
Dated October 19, 2017

This Event Filing concerns an event described in Securities and Exchange Act Rule 15c2-12, as amended. The State of Wisconsin provides this information as it may be material to financial evaluation of one or more obligations of the State of Wisconsin.

Issuer:	State of Wisconsin General Obligation Bonds	
CUSIP Numbers:	977055 Prefix (All) 97705L Prefix (All)	977056 Prefix (All) 97705M Prefix (All)
Type of Information:	Event Filing; Rating Change	

Fitch Rating Agency has upgraded the State's General Obligation bonds from AA to AA+, with a "stable" outlook. Attached is a release issued by Fitch Rating Agency.

The State of Wisconsin is providing this Listed Event Filing with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. This Listed Event Filing is also available on the State of Wisconsin Capital Finance Office web site at:

doa.wi.gov/capitalfinance

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing additional/voluntary filings, annual reports, and Event Filings pursuant to the State's Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010), and is authorized to distribute this information publicly.

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FITCH UPGRADES WISCONSIN'S GOS TO 'AA+'; OUTLOOK STABLE

Fitch Ratings-New York-19 October 2017: Fitch Ratings has upgraded Wisconsin's Issuer Default Rating (IDR) and general obligation (GO) rating to 'AA+' from 'AA'. In addition, Fitch has assigned a 'AA+' rating to the following GO bonds:

--$272.595 million GO refunding bonds of 2017, series 2.

The bonds will be offered by negotiated sale the week of Oct. 23, 2017.

In addition, Fitch upgrades following outstanding state ratings:

--IDR to 'AA+' from 'AA';
--$8.1 billion GO bonds to 'AA+' from 'AA';
--$116 million master lease certificates of participation (COPs) to 'AA' from 'AA-';
--$3.1 billion general fund annual appropriation bonds to 'AA' from 'AA-'.

Fitch affirms the following rating:

--$218.7 million GO extendible commercial paper notes at 'F1+'.

The Rating Outlook is Stable.

SECURITY
The state's full faith, credit, and taxing powers, as well as the statutory irrevocable appropriation of a first lien on all state revenues for debt service, secure the GO bonds.

ANALYTICAL CONCLUSION

The upgrade to 'AA+' from 'AA' of Wisconsin's IDR and GO rating recognizes the state's considerable financial flexibility derived from its broad and diverse resource base and legal authority to control its budget, as well as a unique pension structure that contributes both to a low liability burden and lower risk of a significant increase in spending requirements in the future. Fiscal performance has improved in in recent biennia with reduced reliance on one-time resources and a stronger liquidity position. These leave the state well-positioned to address a moderate cyclical downturn.

Economic Resource Base
Wisconsin benefits from a generally diverse economy, although there is some concentration in manufacturing. A key feature of the state's manufacturing sector is its diversity, with relatively little exposure to automotive versus most Midwestern states. The state's economic growth during much of the current expansion has been slow and uneven, although gains have accelerated more recently. Personal income is average, with the state in the middle of the pack relative to the U.S.

KEY RATING DRIVERS

Revenue Framework: 'aa'
Wisconsin's sound revenue framework relies on broad based taxes that have generally reflected economic performance and have demonstrated growth in line with inflation. Future revenue growth

is expected to be consistent with historical performance. Wisconsin has an unlimited ability to independently raise revenues, providing significant legal flexibility to raise operating revenues as needed.

Expenditure Framework: 'aaa'
The pace of spending growth is expected to be in line with to slightly above annual revenue growth, reflecting the primary drivers of Medicaid and education, and requiring ongoing spending control. The state benefits from low fixed carrying costs for debt and retiree benefits and has ample ability to cut spending if needed.

Long-Term Liability Burden: 'aaa'
Long-term liabilities are low and approximate the U.S. state median. The state benefits from strong pension funding and a benefit structure that shares the risk of investment underperformance with beneficiaries. Other post-employment obligations (OPEB) are limited.

Operating Performance: 'aa'
State fiscal performance in recent biennia has improved, with less reliance on one-time resources and stronger liquidity. Reserves are modest as compared to the state's operating budget although the state maintains considerable flexibility through careful spending management.

RATING SENSITIVITIES
MAINTENANCE OF FINANCIAL RESILIENCE: Wisconsin's rating is sensitive to shifts in its fundamental credit characteristics and to continued successful maintenance of financial resilience in light of ongoing efforts to reduce the tax burden and a policy of maintaining low reserves.

CREDIT PROFILE

Revenue Framework
Wisconsin's revenue structure is based on broad based taxes, including a personal income tax (approximately half of general fund revenues) and sales and use taxes (about 30% of general fund revenues). The state has taken extensive tax reduction actions in previous fiscal biennia, although more recent budgets have included only limited policy actions.

Historical revenue growth, adjusted for the estimated impact of policy changes, slightly exceeded the inflation rate over the 10 years ending 2015. Year-over-year changes have been relatively modest, even during the recession. Fitch expects future organic revenue growth to be in line with historical performance and reflective of a slowly growing economy.

Wisconsin has no legal limitations on its ability to raise revenues through base broadenings, rate increases, or the assessment of new taxes or fees.

Expenditure Framework
As with most states, education and health and human services are Wisconsin's largest operating expenses. State funding for local school districts and the public university and technical college system accounts for almost half of state general fund expenditures. Medicaid and other social services make up an additional one-third. Federal action to revise Medicaid's programmatic and financial structure remains a possibility given recent federal legislative and administrative efforts. Most proposals to date include a basic restructuring of federal Medicaid funding to a capped amount. Whether a change in federal Medicaid funding has consequences for Fitch's assessment of a state's credit quality would depend on the state's fiscal response to those changes. Responses that create long-term structural deficits or increase liability burdens could negatively affect both the expenditure framework assessment and the IDR.

As with most states, the natural pace of spending growth is likely to be marginally above the natural growth in the state's revenue stream, requiring regular budget management to ensure balance. The state has, over several years, brought its expenditures to within its ongoing revenues through cost cutting measures.

Wisconsin's has ample flexibility within its expenditure framework, a key credit strength. The state has reduced spending when necessary to maintain budgetary balance, even in core spending areas, such as school aid. The state's carrying costs for debt and pensions are below the U.S. state median and are expected to remain low given the state's well-funded pensions and expectations for moderate debt issuance.

Long-Term Liability Burden

Wisconsin has a low burden of long-term liabilities characterized by above-average level of bonded debt and virtually no unfunded pension liability, based on the retirement systems' actuarial assumptions. The combined burden of net tax-supported debt and unfunded pension obligations, as adjusted from the 7.2% rate assumed under the state's accounting valuation to a more conservative 6% return assumption for pensions, totals a low 6.3% of 2016 personal income.

Debt grew during the recession, including $1.5 billion in general fund annual appropriation bonds issued in early 2009 to provide budget relief by purchasing tobacco settlement revenues previously sold to the Badger Tobacco Asset Securitization Corporation. More than half of the approximately $13.4 billion in tax-supported debt is GO, with the remainder consisting of various revenue and appropriation obligations.

The state's limited retiree obligations are a key credit strength. The state benefits from a uniquely strong pension structure that shares exposure to investment risk with beneficiaries. On an accounting basis, the Wisconsin Retirement System (WRS), which covers employees of the state government and most local governments in the state, was 98% funded as of Dec. 31, 2016, based on the state's assumptions. WRS' high ratios of pension assets to obligations have kept its required contributions exceptionally low. OPEB obligations are limited.

Operating Performance

Wisconsin is better positioned to address a moderate downturn scenario than it was prior to the last recession, having brought structural balance to its budget and made contributions to its budget stabilization (rainy day) fund. Wisconsin faced sizeable budget gaps during the recession, which it closed using a variety of non-recurring and ongoing measures that affected both expenditures and revenues. Revenue measures included an increase in cigarette taxes and an income tax increase for high earners. Budget reductions were enacted across several fiscal years. The budget stabilization fund was depleted and available balances in other funds were also utilized. It is Fitch's expectation that Wisconsin would take similar action to address the impact of a future downturn.

The state's fiscal performance was historically challenged by structural imbalances and a reliance on one-time resources to cover budgetary needs. The fiscal 2011-2013 budget marked a turning point, with extensive structural budget actions and the resolution of several lingering fiscal challenges. The state used the resulting fiscal momentum to cushion the impact of extensive tax cuts it enacted in its fiscal 2013-2015 biennium. Although performance was challenged through much of the fiscal 2013-2015 biennium given the tax cuts and unexpected revenue weakness, the state responded with spending cuts and other actions.

The budget for the fiscal 2015-2017 biennium was balanced as enacted with a surplus anticipated in each fiscal year. After previously revising revenue estimates downward, the January 2017 revenue forecast, which was unchanged as of May 2017, indicated a slightly stronger revenue picture. The forecast for the three year period that included fiscal 2017 as well as the current fiscal 2017-2019 biennium was increased by $454.6 million, reflecting a slightly stronger economic outlook and improved collections. With lower than expected appropriations, particularly in Medicaid, the general fund ended fiscal 2017 with an increase to its fund balance, bringing it to $579 million. The state's solid cash balances have made it unnecessary to borrow for cash flow purposes since fiscal 2012.

The fiscal 2017-2019 biennial budget was enacted after the start of the fiscal year, although spending continued during the delay under continuing appropriations. The enacted budget assumes slightly stronger tax revenue growth of 3.6% in both fiscal years 2018 and 2019 and does not make changes in personal income tax rates as proposed by the governor other than to eliminate the state alternative minimum tax, a minor tax reduction. The budget also eliminates the state portion of the property tax, which previously funded state forestry programs. The budget provides 2% salary increases for state employees in July 2018 and January 2019, funds increases in education, including K-12, university, and technical schools and overall increases spending at a slightly faster pace than the growth in revenues. This indicates a need for ongoing budget management and likely use of general fund balance.

Building up large budgetary reserves has not historically been prioritized in the state. The budget stabilization fund (BSF) benefitted from sizable deposits in the fiscal 2011-2013 biennium but currently holds a modest $283 million, equal to about 1.8% of fiscal 2017 tax revenues. As an offset, Fitch notes that additional budgetary flexibility is considerable and has been repeatedly demonstrated; mechanisms include the secretary of administration's power to reallocate balances, reduce agency appropriations or prorate or defer certain payments.

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In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis and InvestorTools.

Applicable Criteria