

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 20, 2018

New Issue

This Official Statement provides information about the 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.

\$286,835,000*

**STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2018, SERIES A**

Dated: Date of Delivery

Due: May 1, as shown below

Ratings Fitch Ratings
Kroll Bond Rating Agency, Inc.
Moody's Investors Service, Inc.
S&P Global Ratings

Tax Exemption 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—*See pages 8-9.*

Redemption* Interest on the Bonds is not exempt from current State of Wisconsin income or franchise taxes—*See page 8.*

The Bonds maturing May 1, 2024 to and including 2032 are callable at par on May 1, 2023 or any date thereafter. The Bonds maturing on or after May 1, 2033 are callable at par on May 1, 2026 or any date thereafter—*See page 2.*

The Bonds maturing on May 1, are subject to mandatory sinking fund redemption at par—*See page 2-3.*

Security Purpose General obligations of the State of Wisconsin—*See page 2.*

Bond proceeds are being used for various general governmental purposes—*See page 3-4.*

Interest Payment Dates May 1 and November 1

First Interest Payment Date November 1, 2018

Denominations Multiples of \$5,000

Closing/Settlement On or about , 2018

Bond Counsel Foley & Lardner LLP

Registrar/Paying Agent Secretary of Administration

Issuer Contact Wisconsin Capital Finance Office

(608) 267-0374; DOACapitalFinanceOffice@wisconsin.gov

Book-Entry System The Depository Trust Company—*See pages 4-5.*

2017 Annual Report

This Official Statement incorporates by reference, and makes updates and additions to, **Parts I, II, and III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2017.

The Bonds were sold at competitive sale on , 2018. The interest rates payable by the State, which are shown below, resulted from the award of the Bonds.

<u>CUSIP</u>	<u>Due (May 1)*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>First Optional Call Date (May 1)*</u>	<u>Call Price*</u>
	2019	\$ 15,640,000		Not Callable	-
	2020	16,110,000		Not Callable	-
	2021	16,170,000		Not Callable	-
	2022	16,630,000		Not Callable	-
	2023	17,130,000		Not Callable	-
	2024	18,045,000		2023	100%
	2025	19,025,000		2023	100
	2026	20,070,000		2023	100
	2027	12,475,000		2023	100
	2028	13,145,000		2023	100
	2029	12,785,000		2023	100
	2030	13,460,000		2023	100
	2031	14,170,000		2023	100
	2032	14,920,000		2023	100
	2033	16,005,000		2026	100
	2034	16,850,000		2026	100
	2035	16,670,000		2026	100
	2036	17,535,000		2026	100

Purchase Price: \$

, 2018

* Preliminary; subject to change. The Capital Finance Director will most likely, after selection of the winning bid, adjust the principal amounts of some or all maturities, or mandatory sinking fund payments, which could change the aggregate par amount of the Bonds. See "Adjustment of Principal Amounts and Purchase Price" in the Official Notice of Sale. In addition, each bid must specify whether the principal amount of Bonds payable on a particular date will be a payment at maturity of a serial bond or a mandatory sinking fund payment of a term bond.

**ELECTRONIC BIDS FOR THE BONDS WILL BE RECEIVED AT 9:45 AM (CENTRAL TIME)
ON FEBRUARY 28, 2018**

THIS PRELIMINARY OFFICIAL STATEMENT, which is in a form "deemed final" by the State as of this date except for the omission of information described in Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934, IS SUBJECT TO REVISION, AMENDMENT, AND COMPLETION IN A FINAL OFFICIAL STATEMENT. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

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This document is called an official statement because it is the only document the State has authorized for providing information about the Bonds. This document is not an offer or solicitation for the Bonds, and no unlawful offer, solicitation, or sale may occur through the use of this document or otherwise. Prospective investors should consult their advisors and legal counsel with questions about this document, the 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 the authors of this document. 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 the information in this document had specific functions that covered some of its aspects but not others. For example, financial staff may have been asked to assist with quantitative financial information, and legal counsel, with specific documents or legal issues.

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

The Bonds will not be registered under the Securities Act of 1933, as amended, or the securities laws of any state of the United States, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement.

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STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF BONDS

BUILDING COMMISSION MEMBERS*

Voting Members

	Term of Office Expires
Governor Scott Walker, Chairperson	January 7, 2019
Senator Terry Moulton, Vice Chairperson	January 7, 2019
Senator Jerry Petrowski	January 7, 2019
Senator Janis Ringhand	January 7, 2019
Representative Terry Katsma	January 7, 2019
Representative Rob Swearingen	January 7, 2019
Representative Jill Billings	January 7, 2019
Mr. Robert Brandherm, Citizen Member	At the pleasure of the Governor

Nonvoting, Advisory Member

Mr. Kevin Trinastic, State Ranking Architect Department of Administration	—
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Building Commission Secretary

Mr. John L. Klenke, Administrator Division of Facilities Development & Management Department of Administration	At the pleasure of the Building Commission and the Secretary of Administration
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OTHER PARTICIPANTS

Mr. Brad D. Schimel State Attorney General	January 7, 2019
Mr. Scott A. Neitzel, Secretary ^(a) Department of Administration	At the pleasure of the Governor

DEBT MANAGEMENT AND DISCLOSURE

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

Mr. David Erdman
Capital Finance Director
(608) 267-0374

Mr. Joseph S. Adomakoh III
Capital Finance Officer
(608) 267-7399

Ms. Katherine C. Miller
Capital Finance Officer
(608) 266-2305

* The Building Commission is composed of eight voting members. The Governor serves as the chairperson. Each house of the Wisconsin State Legislature appoints three members. State law provides for the two major political parties to be represented in the membership from each house. One citizen member is appointed by the Governor and serves at the Governor's pleasure.

^(a) Secretary Neitzel has announced his resignation, effective March 2, 2018, and Governor Walker has announced that Ellen Nowak will become Secretary of Administration on that date.

SUMMARY DESCRIPTION OF BONDS

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

Description:	State of Wisconsin General Obligation Bonds of 2018, Series A
Principal Amount:	\$286,835,000*
Denominations:	Multiples of \$5,000
Date of Issue:	Date of delivery (on or about , 2018)
Record Date:	April 15 and October 15
Interest Payments:	May 1 and November 1, beginning November 1, 2018
Maturities:	May 1, 2019-2036*— <i>See front cover.</i>
Redemption*:	<i>Optional</i> — The Bonds maturing May 1, 2024 to and including 2032 are callable at par on May 1, 2023 or any date thereafter. The Bonds maturing on or after May 1, 2033 are callable at par on May 1, 2026 or any date thereafter.— <i>See page 2.</i> <i>Sinking Fund</i> —The Bonds maturing on May 1, are subject to mandatory sinking fund redemption at par— <i>See pages 2-3.</i>
Form:	Book-entry-only— <i>See pages 4-5.</i>
Paying Agent:	All payments of principal of, and interest on, the Bonds will be paid by the Secretary of Administration. All payments will be made to The Depository Trust Company, which will distribute payments to DTC Participants as described herein.
Security:	The Bonds are general obligations of the State of Wisconsin. As of February 15, 2018, general obligations of the State were outstanding in the principal amount of \$7,830,112,888.
Additional General Obligation Debt:	The State may issue additional general obligation debt — <i>See page 5.</i>
Authority for Issuance:	The Bonds are authorized by Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes.
Purpose:	Acquisition, construction, development, extension, enlargement, or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes.
Legality of Investment:	State law provides that the Bonds are legal investments for all 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; for all personal representatives, guardians, trustees, and other fiduciaries; and for the State and all public officers, municipal corporations, political subdivisions, and public bodies.
Tax Exemption:	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— <i>See pages 8-9.</i> Interest on the Bonds is not exempt from current State of Wisconsin income or franchise taxes— <i>See page 8.</i>
Legal Opinion:	Validity and tax opinion to be provided by Foley & Lardner LLP— <i>See page C-1.</i>
2017 Annual Report	This Official Statement incorporates by reference, and makes updates and additions to, Parts I, II, and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2017.
Bidding Requirements*:	A bid must be for all of the Bonds. A good-faith deposit must be provided for the winning bid in the amount of \$5,737,000. The award will be made at the lowest true-interest-cost rate for the Bonds calculated to the expected dated date— <i>See Official Notice of Sale.</i>

* Preliminary; subject to change. In addition, each bid must specify whether the principal amount of Bonds payable on a particular date will be a payment at maturity of a serial bond or a mandatory sinking fund payment of a term bond.

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OFFICIAL STATEMENT
\$286,835,000*
STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2018, SERIES A
INTRODUCTION

This Official Statement provides information about the \$286,835,000* General Obligation Bonds of 2018, Series A (**Bonds**), which are being issued by the State of Wisconsin (**State**). This Official Statement incorporates by reference, and makes updates and additions to, **Parts I, II, and III** of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2017 (**2017 Annual Report**).

The Bonds are authorized under the Wisconsin Constitution and the Wisconsin Statutes, and are being issued pursuant to authorizing resolutions that the State of Wisconsin Building Commission (**Commission**) adopted on August 9, 2017 and February 14, 2018.

The Commission, an agency of the State, is empowered by law to authorize, issue, and sell all the State's general obligations. The Commission is assisted and staffed by the State of Wisconsin Department of Administration (**Department of Administration**).

The Commission has authorized the Department of Administration to prepare this Official Statement. This Official Statement contains information furnished by the State or obtained from the sources indicated.

THE STATE

The State is located in the Midwest among the northernmost tier of states. The State ranks 20th among the states in population and 25th in land area. Wisconsin attained statehood in 1848, its capital is Madison, and its largest city is Milwaukee.

Information concerning the State, its financial condition, and its general obligation debt is included as **APPENDIX A**, which incorporates by reference Parts II and III of the 2017 Annual Report. **APPENDIX A** also makes updates and additions to Parts II and III of the 2017 Annual Report, including but not limited to:

- Estimated General Fund condition statement for the 2017-19 biennium and General Fund tax collections for the 2017-18 and 2018-19 fiscal years, as included in a report provided by the Legislative Fiscal Bureau (**LFB**) on January 17, 2018 (**January 2018 LFB Report**).
- General Fund information for the 2017-18 fiscal year through December 31, 2017, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the remainder of the 2017-18 fiscal year, which is presented on a cash basis.

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

Contact: State of Wisconsin Capital Finance Office
Attn: Capital Finance Director
Mail: 101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
Phone: (608) 267-0374
E-mail: DOACapitalFinanceOffice@wisconsin.gov
Web site: doa.wi.gov/capitalfinance

* Preliminary; subject to change.

THE BONDS

General

The front cover of this Official Statement sets forth the maturity dates, principal amounts, interest rates, and redemption provisions for the Bonds. The Bonds are being issued in book-entry-only form, so the registered owner will be a securities depository or its nominee. The Commission has appointed, as the securities depository for the Bonds, The Depository Trust Company, New York, New York (DTC). See “THE BONDS; Book-Entry-Only Form”.

The Bonds will be dated their date of delivery (expected to be _____, 2018) and will bear interest from that date, payable on May 1 and November 1 of each year, beginning on November 1, 2018.

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

The Bonds are being issued as fully-registered bonds in principal denominations of \$5,000 or multiples of \$5,000.

Security

The Bonds are direct and general obligations of the State. The Wisconsin Constitution pledges the full faith, credit, and taxing power of the State to make principal and interest payments on general obligations, and requires the Legislature to provide for their payment by appropriation. The Wisconsin Statutes establish, as security for the payment of all debt service on general obligations, a first charge upon all revenues of the State. Further, a sufficient amount of those revenues is irrevocably appropriated for the payment of the principal of, and interest on, general obligations, so that no subsequent legislative action is required to release such revenues. The Bonds are secured equally with all other outstanding general obligations issued by the State.

Redemption Provisions

Optional Redemption

The Bonds maturing on May 1, 2024 to and including 2032 may be redeemed on May 1, 2023 or any date thereafter, and the Bonds maturing on or after May 1, 2033 may be redeemed on May 1, 2026 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 Bonds, and the Capital Finance Director of the State may direct the amounts and maturities of any Bonds to be redeemed.

Mandatory Sinking Fund Redemption

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

* Preliminary; subject to change. In addition, each bid must specify whether the principal amount of Bonds payable on a particular date will be a payment at maturity of a serial bond or a mandatory sinking fund payment of a term bond.

Redemption Date
(May 1)

Principal
Amount

^(a) Stated maturity

Optional redemption (or any purchase by the Commission in lieu of redemption) of the Term Bonds will be applied to reduce the mandatory sinking fund payments established for the Term Bonds so redeemed or purchased in such order and manner as the Capital Finance Director will direct.

Selection of Bonds

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

Notice of Redemption

So long as the Bonds are in book-entry-only form, any redemption notice will be sent to the securities depository between 30 and 60 days before the redemption date. A redemption notice may be revoked by sending notice to the securities depository at least 15 days before the proposed redemption date.

Interest on any Bond called for redemption will cease to accrue on the redemption date so long as the Bond is paid or money is provided for its payment.

Registration and Payment of Bonds

So long as the Bonds are in book-entry-only form, payment of the principal of, and interest on, the Bonds on the payment date will be made by wire transfer to the securities depository or its nominee by the **Paying Agent**—which is the Secretary of Administration.

Ratings

The following ratings have been assigned to the Bonds:

<u>Rating</u>	<u>Rating Organization</u>
	Fitch Ratings ^(a)
	Kroll Bond Rating Agency, Inc. ^(b)
	Moody's Investors Service, Inc. ^(c)
	S&P Global Ratings

^(a) On October 19, 2017, Fitch Ratings upgraded its rating on the State's general obligations from "AA" to "AA+".

^(b) On October 18, 2017, Kroll Bond Rating Agency, Inc. upgraded its rating on the State's general obligations from "AA" to "AA+".

^(c) On August 4, 2017, Moody's Investors Service, Inc. upgraded its rating on the State's general obligations from "Aa2" to "Aa1".

Any explanation of what a rating means may only be obtained from the rating organization giving the rating. A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time. Any downgrade or withdrawal of a rating may adversely affect the market price of the Bonds. The State may elect not to continue requesting ratings on the Bonds from any particular rating organization or may elect to request ratings on the Bonds from a different rating organization.

Application of Bond Proceeds

The Wisconsin Legislature has established the borrowing purposes and amounts for which public debt may be issued. **APPENDIX B** presents a summary of the borrowing purposes and the amounts both authorized for, and previously attributed to, each borrowing purpose from the proceeds of general

obligations (including in some cases purchase premium and interest earnings). **APPENDIX B** also presents the borrowing purposes and amounts for which the Bond proceeds have been authorized and are being used.

Bond proceeds will be deposited in the State's Capital Improvement Fund and will be spent as the State incurs costs for the various borrowing or issuance purposes; until spent, the money will be invested by the State of Wisconsin Investment Board.

Book-Entry-Only Form

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

Bond certificates are to be issued and registered in the name of a nominee of DTC, which acts as a securities depository for the Bonds. Ownership of the 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 Bonds must be made, directly or indirectly, through DTC Participants.

Payment

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

Notices and Voting Rights

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

Redemption

If less than all the Bonds of a given maturity are being redeemed, DTC's practice is to determine by lottery the amount of the 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 without a successor securities depository being appointed, bond certificates would be executed and delivered to DTC Participants.

Further Information

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

The State is not responsible for any failure by DTC or any DTC Participant to transfer payments or notices to the owners of the Bonds or to follow the procedures established by DTC for its book-entry system.

Redemption and Payment if Bonds Are Not in Book-Entry-Only Form

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

Bonds would be selected for redemption by lot. Any redemption notice would be published between 30 and 60 days before the date of redemption in a financial newspaper published or circulated in New York, New York. The notice would also be mailed, postage prepaid, between 30 and 60 days before the redemption date, to the registered owners of any Bonds to be redeemed. The mailing, however, would not be a condition to the redemption; any proceedings to redeem the Bonds would still be effective even if the notice were not mailed. A redemption notice could be revoked by publication of a notice at least 15 days before the proposed redemption date in a financial newspaper published or circulated in New York, New York. Any revocation notice would also be mailed, postage prepaid, at least 15 days before the proposed redemption date to the registered owners of any Bonds to have been redeemed. The mailing, however,

would not be a condition to the revocation; the revocation would still be effective even if the notice were not mailed. Interest on any Bond called for redemption would cease to accrue on the redemption date so long as the Bond was paid or money was provided for its payment.

Payment of principal would be made by check or draft issued upon the presentation and surrender of the Bonds at the principal office of the Paying Agent, as designated by the Commission. Payment of interest due on the Bonds would be made by check or draft mailed to the registered owner shown in the registration book at the close of business on the record date—which is the 15th day (whether or not a business day) of the calendar month before the interest payment date.

OTHER INFORMATION

Limitations on Issuance of General Obligations

General obligations issued by the State are subject to debt limits set forth in the Wisconsin Constitution and the Wisconsin Statutes. There is an annual debt limit of three-quarters of one percent, and a cumulative debt limit of five percent, of the aggregate value of all taxable property in the State. Currently, the annual debt limit is \$3,944,884,094, and the cumulative debt limit is \$26,299,227,293. Funding or refunding obligations are not subject to the annual limit but are accounted for in applying the cumulative debt limit. Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the debt limitations.

As of February 15, 2018, general obligations of the State were outstanding in the principal amount of \$7,830,112,888. The issuance of the Bonds will not cause the State to exceed its annual debt limit or its cumulative debt limit.

Borrowing Plans for Calendar Year 2018

General Obligations

The Bonds will be the first series of general obligations to be issued in this calendar year. In addition, the Commission has authorized the issuance of the following general obligations:

- Up to \$59* million of additional general obligations for general governmental purposes. The State anticipates issuing a portion these general obligations in the form of fixed rate bonds or variable rate notes in the second quarter of calendar year 2018.
- Up to \$510 million of general obligations for the refunding of general obligation bonds previously issued for general governmental purposes. The amount and timing of any sale and issuance of general obligations for refunding purposes depend, among other factors, on market conditions.
- General obligations for the funding of the State's outstanding general obligation commercial paper notes and extendible municipal commercial paper notes, which were outstanding in the amount of \$507 million as of February 15, 2018. The amount and timing of any issuance of general obligations for this purpose depend on a decision to fund outstanding obligations bearing variable interest rates either with a different form of variable-rate obligations or with bonds bearing fixed interest rates.

Other Obligations

The Commission has authorized up to \$300 million of transportation revenue obligations to refund outstanding transportation revenue bonds. The amount and timing of any issuance of transportation revenue refunding bonds depend, among other factors, on market conditions.

* Preliminary; subject to change.

The Commission may authorize, and the State may issue, environmental improvement fund revenue bonds in calendar year 2018 for new money purposes. The amount and timing of any issuance of environmental improvement fund revenue bonds depend on many factors, including loan activity in the State's Clean Water Fund Program and market conditions.

The State may issue general fund annual appropriation refunding bonds in calendar year 2018 for the refunding of outstanding general fund annual appropriation bonds. The amount and timing of any issuances of general fund annual appropriation refunding bonds depend, among other factors, on market conditions.

The State may issue master lease certificates of participation in calendar year 2018. The amount and timing of any issuance of master lease certificates of participation depend, among other factors, on market conditions and originations in the State's Master Lease Program.

The State does not currently intend to issue operating notes for the 2017-18 fiscal year.

Underwriting

The Bonds were purchased through competitive bidding on _____, 2018 by the following account
(Underwriters):

The Underwriters paid \$ _____, and their bid resulted in a true-interest-cost rate to the State of _____ %.

Reference Information About the Bonds

Information about the Bonds is provided for reference in both the following table and the **table on the front cover** of this Official Statement. The CUSIP number for each maturity 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. The Underwriters have provided the reoffering yields and prices for the Bonds. For each of the Bonds subject to optional redemption, the yield at issuance shown is the lower of the yield to the first optional call date or the yield to the nominal maturity date.

Legal Investment

State law provides that the 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.

\$286,835,000*
State of Wisconsin
General Obligation Bonds of 2018, Series A

Dated Date: Date of Delivery

First Interest Date: November 1, 2018

Delivery/Settlement Date: On or about , 2018

CUSIP	Due	Principal Amount*	Interest Rate	Yield at Issuance	Price at Issuance	First Optional	
	(May 1)*					Call Date (May 1)*	Call Price*
	2019	\$ 15,640,000				Not Callable	-
	2020	16,110,000				Not Callable	-
	2021	16,170,000				Not Callable	-
	2022	16,630,000				Not Callable	-
	2023	17,130,000				Not Callable	-
	2024	18,045,000				2023	100%
	2025	19,025,000				2023	100
	2026	20,070,000				2023	100
	2027	12,475,000				2023	100
	2028	13,145,000				2023	100
	2029	12,785,000				2023	100
	2030	13,460,000				2023	100
	2031	14,170,000				2023	100
	2032	14,920,000				2023	100
	2033	16,005,000				2026	100
	2034	16,850,000				2026	100
	2035	16,670,000				2026	100
	2036	17,535,000				2026	100

* Preliminary; subject to change. The Capital Finance Director may, after selection of the winning bid, adjust the principal amount of any or all maturities, or mandatory sinking fund payments, which could change the aggregate par amount of the Bonds. In addition, each bid must specify whether the principal amount of Bonds payable on a particular date will be a payment at maturity of a serial bond or a mandatory sinking fund payment of a term bond.

Legal Opinions

Bond Opinion

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

Attorney General

As required by law, the office of the Attorney General will examine a certified copy of all proceedings leading to issuance of the Bonds. When the Bonds are delivered, the Attorney General will deliver an opinion on the regularity and validity of the proceedings with respect to the Bonds. The Attorney General's opinion will also state 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 Bonds, and there also is no action, suit, or proceeding, either pending or threatened in writing, known to the Attorney General, 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 Bonds, (2) the validity of the Bonds or any of the proceedings taken with respect to the issuance, sale, execution, or delivery of the Bonds, or (3) the pledge or application of any moneys or security provided for the payment of the Bonds.

If certificated Bonds were issued, then a certificate of the Attorney General would be printed on the reverse side of each Bond.

Other Legal Matters

The State and its officers and employees are defendants in numerous lawsuits. The State does not expect that any pending litigation will be finally determined so as to result individually or in the aggregate in final judgments against the State that would materially affect the State's ability to pay the principal of and interest on the Bonds.

Tax Exemption

Federal Income Tax

In the opinion of Bond Counsel, under existing law, 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 alternative minimum tax imposed on certain corporations for taxable years beginning on or before December 31, 2017. The State must comply with certain requirements of the Internal Revenue Code 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 comply with those requirements to the extent it may lawfully do so. Its failure to do so may cause interest on the Bonds to be included in gross income for federal income tax purposes, perhaps even starting from the date on which the Bonds are issued. No provision is made for an increase in interest rates or a redemption of the Bonds in the event interest on the Bonds is included in gross income.

The opinion of Bond Counsel will be based on legal authorities that are current as of its date, will cover certain matters not directly addressed by those authorities, and will represent Bond Counsel's judgment regarding the proper treatment of the Bonds for federal income tax purposes. It will not be binding on the Internal Revenue Service (**IRS**) or the courts and will not be a guaranty of result. As to questions of fact, Bond Counsel will rely upon certified proceedings and certifications of public officials and others without independently undertaking to verify them.

Bond Counsel will express no opinion about other federal tax matters regarding the Bonds. Other federal tax law provisions may adversely affect the value of an investment in the Bonds for particular owners of those Bonds. Prospective investors should consult their own tax advisors about the tax consequences of owning a Bond.

The IRS has an active tax-exempt bond enforcement program. Under current IRS procedures, owners of the Bonds would have little or no right to participate in an IRS examination of the Bonds. Moreover, it may not be practicable to obtain judicial review of IRS positions with which the State disagrees. Any action of the IRS, including selection of the Bonds for examination, the conduct or conclusion of such an examination, or an examination of obligations presenting similar tax issues, may affect the marketability of the Bonds.

Current and future legislative proposals, if enacted into law, may cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the marketability of the Bonds. Prospective investors should consult their own tax advisors about federal legislative proposals.

State of Wisconsin Income and Franchise Taxes

Interest on the 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 Bond.

Original Issue Discount Bonds

Under existing law, any original issue discount on the Bonds is excluded from gross income for federal income tax purposes to the same extent as interest payable on such Bonds. The original issue discount is the excess of the principal amount of a Bond over the issue price of that Bond. The issue price of the Bonds having a common maturity date and interest rate generally is the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such maturity of the Bonds were first sold. Based on representations from the Underwriters, the State expects the issue price of each maturity of the Bonds to be the Price at Issuance set forth in the table under “**OTHER INFORMATION; Reference Information About the Bonds**”.

Original issue discount on tax-exempt obligations accrues on a constant-yield-to-maturity method based on regular compounding. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period and will increase the owner’s tax basis in the obligations. The adjusted tax basis 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 obligations.

Owners of Bonds with original issue discount should consult their own tax advisors with respect to the federal tax consequences of owning such Bonds, including the computation of accrued original issue discount and the accrual of original issue discount allocable to owners that do not purchase their Bonds in the initial offering at the issue price. For certain corporations, a portion of the original issue discount that accrues in each year will be included in the calculation of federal alternative minimum tax liability. As a result, ownership of Bonds with original issue discount by such a corporation may result in an alternative minimum tax liability even though there has been no corresponding cash payment.

Owners of Bonds with original issue discount should also consult their own tax advisors with respect to the state and local tax consequences of owning Bonds. Under the applicable provisions governing the determination of state and local taxes, ownership of Bonds with original issue discount may result in a tax liability in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Premium Bonds

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, such as the Bonds, the interest on which is excluded from gross income for federal income tax purposes.

During each taxable year, an owner of Bonds with amortizable bond premium must reduce his, her, or its tax basis in the Bond by the amount of the amortizable bond premium that is allocable to the portion of that taxable year during which the owner owned the Bond. The adjusted tax basis in a 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 Bond.

Owners of Bonds purchased at a premium should consult their own tax advisors with respect to the federal tax consequences of owning such Bonds, including computation of their tax basis and the effect of any purchase of Bonds that is not made in the initial offering at the issue price. Owners of such Bonds should also consult their own tax advisors with respect to the state and local tax consequences of owning those Bonds.

CONTINUING DISCLOSURE

The State has made an undertaking, for the benefit of the beneficial owners of the Bonds, to provide an annual report presenting certain financial information and operating data about the State (**Annual Reports**). By December 27 of each year, the State will file the Annual Report with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system. The State will also provide to the MSRB notices of the occurrence of certain events specified in the

undertaking. [Part I of the 2017 Annual Report](#), which contains information on the undertaking, is included by reference as part of this Official Statement.

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

State of Wisconsin Department of Administration
Attn: Capital Finance Office
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 267-0374
DOACapitalFinanceOffice@wisconsin.gov
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.

Dated: _____, 2018

STATE OF WISCONSIN

Governor Scott Walker, Chairperson
State of Wisconsin Building Commission

Scott A. Neitzel, Secretary
State of Wisconsin Department of Administration

John L. Klenke, Secretary
State of Wisconsin Building Commission

APPENDIX A

INFORMATION ABOUT THE STATE

This Appendix includes by reference information concerning the State of Wisconsin (**State**) obligations contained in [Parts II and III of the State of Wisconsin Continuing Disclosure Annual Report, dated December 22, 2017 \(2017 Annual Report\)](#). This Appendix also makes updates and additions to the information presented in Parts II and III of the 2017 Annual Report, including, but not limited to:

- Estimated General Fund condition statement for the 2017-19 biennium and General Fund tax collections for the 2017-18 and 2018-19 fiscal years, as included in a report provided by the Legislative Fiscal Bureau (LFB) on January 17, 2018 (**January 2018 LFB Report**).
- General Fund information for the 2017-18 fiscal year through December 31, 2017, which is presented on either a cash basis or an agency-recorded basis, and projected General Fund information for the remainder of the 2017-18 fiscal year, which is presented on a cash basis.

[Part II of the 2017 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 the 2016-17 fiscal year and the State budget for the 2017-19 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

The State's audited general purpose external financial statements for the fiscal year ended June 30, 2017 were not available as of the date of the 2017 Annual Report. On February 13, 2018, the Comprehensive Annual Financial Report (CAFR) and the audited General Purpose External Financial Statements section of the CAFR for the fiscal year ended June 30, 2017 were published. The State filed those documents with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system on February 14, 2018. In addition, the General Purpose External Financial Statements have been made part of **APPENDIX A** to Part II of the 2017 Annual Report. No other information in Part II of the 2017 Annual Report was updated, and the revision of Part II of the 2017 Annual Report to include the audited General Purpose External Financial Statements does not create any implication that any other information in the 2017 Annual Report remains accurate at any time after its date.

[Part III of the 2017 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.

The 2017 Annual Report was filed with the MSRB through its EMMA system. The 2017 Annual Report 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:

doa.wi.gov/capitalfinance

Copies of the 2017 Annual Report may also be obtained from:

State of Wisconsin Department of Administration
Capital Finance Office
101 E. Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 267-0374
DOACapitalFinanceOffice@wisconsin.gov

The State independently provided, from July 2001 to June 2013, monthly reports on general fund financial information. The State did not provide these monthly reports from June 2013 through March 2014, and the frequency of the reports provided since that time has been less than monthly. These reports are not required by any of the State's undertakings to provide information concerning the State's securities. These reports are available on the State's Capital Finance Office web site that is listed above, and were filed as additional voluntary information with the MSRB through its EMMA system; however, the reports are not incorporated by reference into this Official Statement or Part II of the 2017 Annual Report. The State is not obligated to provide such reports at any time in the future.

After publication and filing of the 2017 Annual Report, certain changes or events have occurred that affect items discussed in the 2017 Annual Report. Listed below, by reference to the particular sections of Parts II and III of the 2017 Annual Report, are changes or additions to the discussions contained in those particular sections. When such changes occur, the State may or may not file notices 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 may include changes or additions based on information released after the date of the Preliminary Official Statement (February 20, 2018). Any such change or addition is identified accordingly.

State Budget; Budget for 2017-19 Biennium (Part II, Pages 35-36). Update with the following information:

January 2018 LFB Report

The January 2018 LFB Report includes an updated General Fund condition statement and estimated General Fund tax revenues for each fiscal year of the 2017-19 biennium. The net General Fund balance for the end of the biennium (June 30, 2019) is projected to be \$385 million. This is \$138 million higher than the balance that was projected at the time of the enactment of the 2017-19 biennial budget.

The following table provides the estimated General Fund condition statements for each fiscal year of the 2017-19 biennium. The table also includes, for comparison, the estimated General Fund condition statement for each year of the 2017-19 biennium, as included in the 2017-19 biennial budget (2017 Wisconsin Act 59).

A complete copy of the January 2018 LFB Report, which includes a national economic forecast and its application to the State's projected tax collections at that time, is included at the end of this APPENDIX A. In addition, the State has filed the January 2018 LFB Report with the MSRB through its EMMA system, and a copy is available from the State as provided on pages [A-1](#) and [A-2](#).

**PROJECTED GENERAL FUND CONDITION STATEMENT
2017-18 AND 2018-19 FISCAL YEARS
(in Millions)**

	2017-18 Fiscal Year		2018-19 Fiscal Year	
	2017 Wisconsin Act 59	January 2018 LFB Report	2017 Wisconsin Act 59	January 2018 LFB Report
Revenues				
Opening Balance*	\$ 579.0	\$ 579.0	\$ 554.7	\$ 652.1
Taxes	16,077.5	16,125.9	16,650.9	16,678.8
Department Revenues				
Tribal Gaming	26.2	26.2	26.1	26.1
Other	<u>493.1</u>	<u>485.9</u>	<u>443.2</u>	<u>452.0</u>
Total Available	\$ 17,175.7	\$17,217.0	\$ 17,674.8	\$17,809.0
Appropriations				
Gross Appropriations	\$ 16,876.5	\$16,876.5	\$ 17,690.1	\$17,690.1
Current Session Bills	19.8	19.9	10.2	10.3
Transfers	40.2	64.4	41.6	55.6
Sum Sufficient Reestimates	0	(47.6)	0	(5.3)
Compensation Reserves	3.1	3.1	52.1	52.1
Less: Lapses	<u>(318.5)</u>	<u>(351.5)</u>	<u>(441.8)</u>	<u>(453.9)</u>
Net Appropriations	\$ 16,621.1	\$16,564.9	\$ 17,352.1	\$17,348.8
Balances				
Gross Balance	\$ 554.7	\$ 652.1	\$ 322.7	\$ 460.2
Less: Req. Statutory Balance	<u>(70.0)</u>	<u>(70.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>
Net Balance, June 30	\$ 484.7	\$ 582.1	\$ 247.7	\$ 385.2

* Differences between tables in the 2017 Annual Report and this table primarily reflect an increased opening balance for fiscal year 2017-18, resulting from ending budgetary balances of the 2016-17 fiscal year.

Subsequent to the January 2018 LFB Report, the Governor and the Legislature have initiated various legislative proposals and initiatives related to a one-time sales tax rebate for child-related expenses, a one-time, two-day sales tax holiday, manufacturing job and capital expense tax credits, worker attraction and retention, and rural development that if enacted, will each have a downward impact on the net General Fund balance included in the January 2018 LFB Report.

State Budget; Budget for 2017-19 Biennium; 2017-19 General Fund Tax Collections (Part II, Pages 36-37). Update with the following information:

January 2018 LFB Report

The estimated General Fund tax revenues for each fiscal year of the 2017-19 biennium included in the January 2018 LFB Report are \$16.126 billion in the 2017-18 fiscal year and \$16.679 billion in the 2018-19 fiscal year. These amounts are \$48 million and \$28 million respectively, greater than the estimated General Fund tax revenues as included in the 2017-19 biennial budget. The estimated General Fund tax revenues in the January 2018 LFB Report reflect limited provisions of the federal Tax Cuts and Jobs Act, signed into law on December 22, 2017, that are automatically adopted for State tax purposes.

The following table provides the estimated General Fund tax revenues for each fiscal year of the 2017-19 biennium. The table also includes, for comparison, the estimated General Fund tax revenues for each year of the 2017-19 biennium, as included in the 2017-19 biennial budget (2017 Wisconsin Act 59).

**ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS
2017-18 AND 2018-19 FISCAL YEARS
(in Millions)**

	2017-18 Fiscal Year		2018-19 Fiscal Year	
	2017 Wisconsin <u>Act 59</u>	January 2018 <u>LFB Report</u>	2017 Wisconsin <u>Act 59</u>	January 2018 <u>LFB Report</u>
Individual Income	\$ 8,379.8	\$ 8,380.0	\$ 8,720.0	\$ 8,720.0
Sales and Use	5,383.8	5,465.0	5,593.1	5,650.0
Corp. Inc. & Franch.	950.8	950.0	962.4	960.0
Public Utility	373.5	359.0	378.2	363.0
Excise				
Cigarettes	564.7	548.0	560.4	547.0
Tobacco Products	85.0	82.0	88.0	85.0
Liquor & Wine	52.0	52.0	53.0	53.0
Beer	8.9	8.9	8.8	8.8
Insurance Company	192.0	190.0	197.0	195.0
Miscellaneous Taxes	<u>87.0</u>	<u>91.0</u>	<u>90.0</u>	<u>97.0</u>
TOTAL	\$ 16,077.5	\$16,125.9	\$ 16,650.9	\$16,678.8

Subsequent to the January 2018 LFB Report, the Governor and the Legislature have initiated various legislative proposals and initiatives related to a one-time sales tax holiday and manufacturing job and capital expense tax credits that, if enacted, will each have an impact on the estimated General Fund tax revenues included in the January 2018 LFB Report, especially for the 2018-19 fiscal year.

General Fund Information; General Fund Cash Flow (Part II; Pages 43-56). The following tables provide updates and additions to various tables containing General Fund information for the 2017-18 fiscal year, which are presented on either a cash basis or an agency-recorded basis.

Table II-11; General Fund Cash Flow (Part II; Page 47). Replace with the following updated table.

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2017 TO DECEMBER 31, 2017^{(a) (b)}
PROJECTED GENERAL FUND CASH FLOW; JANUARY 1, 2018 TO JUNE 30, 2018^{(a) (b)}
(Cash Basis)
(Amounts in Thousands)

	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
BALANCES^{(a)(b)}												
Beginning Balance	\$ 1,369,479	\$ 683,578	\$ 774,773	\$ 1,131,482	\$ 2,252,934	\$ 2,079,046	\$ 1,552,921	\$ 2,930,734	\$ 2,787,656	\$ 1,259,742	\$ 1,762,459	\$ 2,160,733
Ending Balance ^(c)	683,578	774,773	1,131,482	2,252,934	2,079,046	1,552,921	2,930,734	2,787,656	1,259,742	1,762,459	2,160,733	1,756,924
Lowest Daily Balance ^(c)	366,105	(43,568)	403,680	1,131,482	1,865,333	701,565	1,171,781	2,166,603	1,259,741	764,144	1,397,159	1,384,417
RECEIPTS												
TAX RECEIPTS												
Individual Income	\$ 737,127	\$ 582,634	\$ 694,115	\$ 938,898	\$ 603,605	\$ 744,074	\$ 1,418,373	\$ 694,373	\$ 595,576	\$ 1,502,608	\$ 673,075	\$ 740,367
Sales & Use	520,841	521,403	494,469	539,293	467,970	476,280	541,551	413,058	396,685	458,769	460,771	499,312
Corporate Income	42,449	25,114	186,257	34,644	35,199	177,397	41,215	41,258	227,735	65,789	42,952	208,345
Public Utility	57	31	102	13,169	203,434	400	2	53	6	5,409	197,194	15
Excise	68,987	59,845	63,536	57,450	62,778	52,984	60,657	47,257	52,816	58,661	57,093	62,226
Insurance	100	2,810	40,427	319	1,572	43,278	344	16,447	19,040	40,063	5,495	40,759
Subtotal Tax Receipts	\$ 1,369,561	\$ 1,191,837	\$ 1,478,906	\$ 1,583,773	\$ 1,374,558	\$ 1,494,413	\$ 2,062,142	\$ 1,212,446	\$ 1,291,858	\$ 2,131,299	\$ 1,436,580	\$ 1,551,024
NON-TAX RECEIPTS												
Federal	\$ 875,292	\$ 683,556	\$ 816,059	\$ 781,061	\$ 773,440	\$ 680,691	\$ 853,315	\$ 910,928	\$ 806,697	\$ 646,633	\$ 702,080	\$ 803,872
Other & Transfers	572,745	338,112	771,078	650,972	299,853	468,593	427,407	666,564	414,337	512,788	410,149	625,426
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Tax Receipts	\$ 1,448,037	\$ 1,021,668	\$ 1,587,137	\$ 1,432,033	\$ 1,073,293	\$ 1,149,284	\$ 1,280,722	\$ 1,577,492	\$ 1,221,034	\$ 1,159,421	\$ 1,112,229	\$ 1,429,298
TOTAL RECEIPTS	\$ 2,817,598	\$ 2,213,505	\$ 3,066,043	\$ 3,015,806	\$ 2,447,851	\$ 2,643,697	\$ 3,342,864	\$ 2,789,938	\$ 2,512,892	\$ 3,290,720	\$ 2,548,809	\$ 2,980,322
DISBURSEMENTS												
Local Aids	\$ 1,382,827	\$ 181,849	\$ 768,273	\$ 87,585	\$ 917,068	\$ 1,249,872	\$ 148,454	\$ 624,152	\$ 1,602,547	\$ 133,533	\$ 106,869	\$ 1,885,797
Income Maintenance	996,906	805,222	729,256	726,034	806,061	845,157	793,073	820,944	870,536	864,301	861,264	320,790
Payroll and Related	331,436	425,567	476,684	385,741	399,169	420,233	472,549	418,787	578,167	337,490	407,029	514,329
Tax Refunds	94,736	100,074	94,295	118,786	118,384	150,153	89,412	556,584	546,800	508,481	167,954	139,417
Debt Service	192,497	-	-	139,342	-	-	-	5,664	-	541,820	97,957	256
Miscellaneous	505,097	609,598	640,826	436,866	381,057	504,407	461,564	506,885	442,756	402,377	509,462	523,542
TOTAL DISBURSEMENTS	\$ 3,503,499	\$ 2,122,310	\$ 2,709,334	\$ 1,894,354	\$ 2,621,739	\$ 3,169,822	\$ 1,965,052	\$ 2,933,016	\$ 4,040,806	\$ 2,788,002	\$ 2,150,535	\$ 3,384,131

(a) The results, projections, or estimates in this table reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) along with agency reestimates, but not the estimated General Fund tax revenues included in the January 2018 LFB Report. Temporary reallocations of cash are not included.

(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. These designated funds ranged from \$1.1 billion to \$2.4 billion during the 2015-16 fiscal year, and \$1.1 billion to \$1.8 billion during the 2016-17 fiscal year and are anticipated to range from \$1.1 billion to \$1.8 billion during the 2017-18 fiscal year. In addition, the General Fund holds deposits for several escrow accounts pursuant to court orders or federal rulings. These funds have averaged and are expected to continue to average approximately \$25 million during each fiscal year.

(c) The Wisconsin Statutes provide certain administrative remedies to deal with periods when the General Fund may be in a negative cash position. 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 amount up to 3% for a period of up to 30 days. The resulting amounts available for temporary reallocation in the 2017-18 fiscal year are approximately \$1.519 billion and \$506 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 or defer certain payments.

Source: Wisconsin Department of Administration.

Table II-12; Historical General Fund Cash Flow (Part II; Page 48). Replace with the following updated table.

**HISTORICAL GENERAL FUND CASH FLOW;
ACTUAL FISCAL YEARS 2013-14 TO 2016-17
ACTUAL AND PROJECTED GENERAL FUND CASH FLOW FISCAL YEAR 2017-18^(a) ^(b)**

	<u>Actual</u> <u>2013-14</u> <u>Fiscal Year</u>	<u>Actual</u> <u>2014-15</u> <u>Fiscal Year</u>	<u>Actual</u> <u>2015-16</u> <u>Fiscal Year</u>	<u>Actual</u> <u>2016-17</u> <u>Fiscal Year</u>	<u>Actual</u> <u>7/1/2017 - 12/31/2017</u> <u>Estimated</u> <u>1/1/2018 - 6/30/2018</u>
RECEIPTS					
Tax Receipts					
Individual Income	\$ 9,093,741	\$ 8,834,854	\$ 9,058,349	\$ 9,487,657	\$ 9,924,825
Sales	4,890,683	5,149,353	5,425,943	5,549,486	5,790,402
Corporate Income	1,075,966	1,167,126	1,173,106	1,151,868	1,128,354
Public Utility	365,105	373,082	404,820	415,784	419,872
Excise	691,507	705,796	710,742	708,762	704,290
Insurance	105,124	97,612	62,730	204,510	210,654
Total Tax Receipts	\$ 16,222,126	\$ 16,327,823	\$ 16,835,690	\$ 17,518,067	\$ 18,178,397
Non-Tax Receipts					
Federal	\$ 9,121,758	\$ 9,195,173	\$ 9,375,674	\$ 9,396,361	\$ 9,333,624
Other and Transfers	5,033,394	5,468,954	4,790,882	5,673,340	6,158,024
Total Non-Tax Receipts	\$ 14,155,152	\$ 14,664,127	\$ 14,166,556	\$ 15,069,701	\$ 15,491,648
TOTAL RECEIPTS	\$ 30,377,278	\$ 30,991,950	\$ 31,002,246	\$ 32,587,768	\$ 33,670,045
DISBURSEMENTS					
Local Aids	\$ 8,400,938	\$ 8,796,013	\$ 8,575,297	\$ 9,223,782	\$ 9,088,826
Income Maintenance	7,952,437	8,319,192	8,848,420	9,186,111	9,439,544
Payroll & Related	4,779,633	5,035,483	5,126,869	5,000,390	5,167,181
Tax Refunds	2,839,727	2,562,911	2,508,923	2,550,017	2,685,076
Debt Service	1,118,715	899,619	952,280	891,234	977,536
Miscellaneous	5,611,799	5,508,775	5,300,700	5,427,066	5,924,437
TOTAL DISBURSEMENTS	\$ 30,703,249	\$ 31,121,993	\$ 31,312,489	\$ 32,278,600	\$ 33,282,600
NET CASH FLOW	\$ (325,971)	\$ (130,043)	\$ (310,243)	\$ 309,168	\$ 387,445

(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 for the 2017-18 fiscal year reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) but do not include the estimated General Fund tax revenues included in the January 2018 LFB Report.

Source: Wisconsin Department of Administration.

Table II-13; General Fund Cash Receipts and Disbursements Year-to-Date Compared to Estimates and Previous Fiscal Year (Part II; Page 50). Replace with the following updated table.

**GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE
COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR ^(a)**

(Cash Basis)

As of December 31, 2017 (2017-18 Fiscal Year)

(Amounts in Thousands)

	<u>2016-17 Fiscal Year through December 31, 2016</u>		<u>2017-18 Fiscal Year through December 31, 2017</u>				
	<u>Actual</u>		<u>Actual</u>	<u>Estimate^(b)</u>	<u>Variance</u>	<u>Adjusted Variance^(c)</u>	Difference FY17 Actual to FY18 Actual
RECEIPTS							
Tax Receipts							
Individual Income	\$ 4,095,410	\$ 4,300,453	\$ 4,079,177	\$ 221,276	\$ 221,276	\$ 205,043	
Sales	2,858,481	3,020,256	2,945,378	74,878	74,878	161,775	
Corporate Income	516,433	501,060	575,768	(74,708)	(74,708)	(15,373)	
Public Utility	220,593	217,193	229,057	(11,864)	(11,864)	(3,400)	
Excise	372,745	365,580	374,063	(8,483)	(8,483)	(7,165)	
Insurance	85,543	88,506	87,830	676	676	2,963	
Total Tax Receipts	\$ 8,149,205	\$ 8,493,048	\$ 8,291,273	\$ 201,775	\$ 201,775	\$ 343,843	
Non-Tax Receipts							
Federal	\$ 4,587,874	\$ 4,610,099	\$ 4,580,355	\$ 29,744	\$ 29,744	\$ 22,225	
Other and Transfers	3,086,643	3,101,353	3,111,636	(10,283)	(10,283)	14,710	
Total Non-Tax Receipts	\$ 7,674,517	\$ 7,711,452	\$ 7,691,991	\$ 19,461	\$ 19,461	\$ 36,935	
TOTAL RECEIPTS	\$ 15,823,722	\$ 16,204,500	\$ 15,983,264	\$ 221,236	\$ 221,236	\$ 380,778	
DISBURSEMENTS							
Local Aids	\$ 4,805,207	\$ 4,587,474	\$ 4,761,101	\$ 173,627	\$ 173,627	\$ (217,733)	
Income Maintenance	4,792,574	4,908,636	5,187,543	278,907	278,907	116,062	
Payroll & Related	2,282,182	2,438,830	2,448,608	9,778	9,778	156,648	
Tax Refunds	682,563	676,428	709,047	32,619	32,619	(6,135)	
Debt Service	366,749	331,839	388,443	56,604	56,604	(34,910)	
Miscellaneous	2,677,837	3,077,851	2,736,107	(341,744)	(341,744)	400,014	
TOTAL DISBURSEMENTS	\$ 15,607,112	\$ 16,021,058	\$ 16,230,849	\$ 209,791	\$ 209,791	\$ 413,946	
2017-18 FISCAL YEAR VARIANCE YEAR-TO-DATE				\$ 431,026	\$ 431,026		

- (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 for the 2017-18 fiscal year reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) but do not include the estimated General Fund tax revenues included in the January 2018 LFB Report.
- (c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed and the result is a large variance. This column includes adjustments, if any, to the variances to more accurately reflect the variance between the estimated and actual amounts.

Source: Wisconsin Department of Administration.

Table II-14; General Fund Monthly Cash Position (Part II; Page 51). Replace with the following updated table.

GENERAL FUND MONTHLY CASH POSITION ^(a)
July 1, 2015 through December 31, 2017 – Actual
January 1, 2018 through June 30, 2018 – Estimated^(b)
(Amounts in Thousands)

	<u>Starting Date</u>	<u>Starting Balance</u>	<u>Receipts^(c)</u>	<u>Disbursements^(c)</u>
2015	July.....	\$ 1,370,554	\$ 2,622,023	\$ 3,523,484
	August.....	469,093	1,965,328	1,705,255
	September.....	729,166	3,055,596	2,581,501
	October.....	1,203,261	2,296,817	1,942,430
	November.....	1,557,648	2,439,966	2,376,141
	December.....	1,621,473	2,517,748	2,939,777
2016	January.....	1,199,444	2,590,587	1,886,391
	February.....	1,903,640	3,053,750	2,926,414
	March.....	2,030,976	2,485,380	3,341,140
	April.....	1,175,216	2,816,953	2,903,535
	May.....	1,088,634	2,454,537	1,595,440
	June.....	1,947,731	2,703,561	3,590,981
	July.....	1,060,311 ^(d)	2,365,368	3,571,989
	August.....	(146,310) ^(d)	2,845,854	1,880,719
	September.....	818,825	3,071,017	2,764,312
	October.....	1,125,530	2,530,074	1,751,982
	November.....	1,903,622	2,421,948	2,592,643
	December.....	1,732,927	2,589,461	3,045,467
2017	January.....	1,276,921	2,942,209	1,808,524
	February.....	2,410,606	2,721,016	2,857,261
	March.....	2,274,361	2,688,376	3,934,216
	April.....	1,028,521	2,832,722	2,591,412
	May.....	1,269,831	2,581,512	2,004,233
	June.....	1,847,110	2,998,211	3,475,842
	July.....	1,369,479	2,817,598	3,503,499
	August.....	683,578 ^(d)	2,213,505	2,122,310
	September.....	774,773	3,066,043	2,709,334
	October.....	1,131,482	3,015,806	1,894,354
	November.....	2,252,934	2,447,851	2,621,739
	December.....	2,079,046	2,643,697	3,169,822
2018	January.....	1,552,921	3,342,864	1,965,052
	February.....	2,930,734	2,789,938	2,933,016
	March.....	2,787,656	2,512,892	4,040,806
	April.....	1,259,742	3,290,720	2,788,002
	May.....	1,762,459	2,548,809	2,150,535
	June.....	2,160,733	2,980,332	3,384,131

- (a) The General Fund balances presented in this table are not based on generally accepted accounting principles (GAAP).
- (b) The results and projections for the 2017-18 fiscal year reflect the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) but do not include the estimated General Fund tax revenues included in the January 2018 LFB Report.
- (c) Operating notes were not issued for the 2015-16 or 2016-17 fiscal years and are not anticipated for the 2017-18 fiscal year.
- (d) At some period during the 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 may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect (approximately \$1.519 billion in the 2017-18 fiscal year) and may also temporarily reallocate for a period of up to 30 days an additional amount up to 3% of the general-purpose revenue appropriations then in effect (approximately \$506 million in the 2017-18 fiscal year). If the amount of available to the General Fund is not sufficient, 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-15; Cash Balances in Funds Available for Temporary Reallocation (Part II; Page 52).
 Replace with the following updated table.

**CASH BALANCES IN FUNDS AVAILABLE FOR
 TEMPORARY REALLOCATION ^{(a) (b)}**

July 31, 2015 to December 31, 2017 — Actual ^(c)
January 31, 2018 to June 30, 2018 — Projected ^(c)

(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 \$2.18 billion during November 2013 to a high of \$3.88 billion during August 2016. The Secretary of Administration may not exercise the authority to use temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which a temporary reallocation would be made.

Available Balances; Does Not Include Balances in the LGIP

<u>Month (Last Day)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
January		\$1,613	\$1,442	\$1,442
February		1,613	1,305	1,305
March		1,612	1,356	1,356
April		1,575	1,302	1,302
May		1,517	1,361	1,361
June		1,752	1,289	1,289
July	\$1,245	1,597	1,388	
August	1,359	1,481	1,464	
September	1,674	1,622	1,524	
October	1,303	1,420	1,304	
November	1,277	1,390	1,444	
December	1,557	1,683	1,592	

Available Balances; Includes Balances in the LGIP

<u>Month (Last Day)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
January		\$4,639	\$5,115	\$5,115
February		4,871	5,050	5,050
March		5,177	5,289	5,289
April		4,969	4,901	4,901
May		4,756	4,600	4,600
June		4,905	4,461	4,461
July	\$4,642	5,803	5,461	
August	4,071	4,750	4,762	
September	4,249	4,663	4,670	
October	3,589	4,292	4,103	
November	3,621	4,120	4,256	
December	4,275	4,902	4,761	

- (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 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.
- (c) The results and projections for the 2017-18 fiscal year include the enacted budget for the 2017-19 biennium (2017 Wisconsin Act 59) but do not include the estimated General Fund tax revenues included in the January 2018 LFB Report.

Source: Wisconsin Department of Administration.

Table II-16; General Fund Recorded Revenues (Part II; Page 54). Replace with the following updated table.

GENERAL FUND RECORDED REVENUES^(a)
(Agency-Recorded Basis)
July 1, 2017 to December 31, 2017 Compared With Previous Year

	Annual Fiscal Report Revenues <u>2016-17 Fiscal Year^(b)</u>	Projected Revenues <u>2017-18 Fiscal Year^(c)</u>	Recorded Revenues July 1, 2016 to <u>December 31, 2016^(d)</u>	Recorded Revenues July 1, 2017 to <u>December 31, 2017^(e)</u>
Individual Income Tax	\$ 8,039,506,000	\$ 8,379,980,000	\$ 3,506,854,660	\$ 3,625,182,160
General Sales and Use Tax	5,223,935,000	5,383,804,900	2,163,078,480	2,274,968,418
Corporate Franchise and Income Tax	920,947,000	950,800,000	354,801,574	351,248,819
Public Utility Taxes	360,473,000	373,500,000	220,140,198	186,823,234
Excise Taxes	705,681,000	710,600,000	308,854,450	299,920,953
Inheritance Taxes	434,000	-	78,241	-3,635
Insurance Company Taxes	181,584,000	192,000,000	85,109,408	88,505,221
Miscellaneous Taxes	85,025,000	87,000,000	134,737,367	150,038,946
SUBTOTAL.....	<u>15,517,585,000</u>	<u>16,077,684,900</u>	<u>6,773,654,377</u>	<u>6,976,684,115</u>
Federal and Other Inter- Governmental Revenues ^(f)	10,431,105,000	10,624,981,400	4,644,421,162	4,740,499,496
Dedicated and Other Revenues ^(g)	<u>6,441,464,000</u>	<u>6,750,288,200</u>	<u>2,821,091,030</u>	<u>3,019,446,053</u>
TOTAL.....	<u>\$ 32,390,154,000</u>	<u>\$ 33,452,954,500</u>	<u>\$ 14,239,166,570</u>	<u>\$ 14,736,629,664</u>

- (a) The revenues in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented here has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
- (b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2016-17 fiscal year dated October 15, 2017.
- (c) The estimates and projections for the 2017-18 fiscal year (cash basis) reflect the 2017-19 biennial budget (2017 Wisconsin Act 59), but do not reflect the estimated General Fund tax revenues included in the January 2018 LFB Report.
- (d) The amounts shown are the 2016-17 fiscal year general purpose revenues and program revenues taxes as recorded by State agencies. There may be differences between the tax revenues shown in this report and those that may be reported by DOR from time to time in their monthly general purpose revenue collections report; the DOR report (i) only includes general purpose revenues or taxes that are actually collected by DOR (and not by other State agencies), and (ii) may include accruals or other adjustments that may not be recorded by State agencies until a subsequent month.
- (e) The amounts shown are the 2017-18 fiscal year general purpose revenues and program revenue taxes as recorded by State agencies. There may be differences between the tax revenues shown in this report and those that may be reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report (i) only includes general purpose revenues or taxes that are actually collected by DOR (and not by other State agencies), and (ii) may include accruals or other adjustments that may not be recorded by State agencies until a subsequent month.
- (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-17; General Fund Recorded Expenditures by Function (Part II; Page 56). Replace with the following updated table.

**GENERAL FUND RECORDED EXPENDITURES BY FUNCTION^(a)
(Agency-Recorded Basis)
July 1, 2017 to December 31, 2017 Compared With Previous Year**

	Annual Fiscal Report Expenditures 2016-17 Fiscal Year^(b)	Appropriations 2017-18 Fiscal Year^(c)	Recorded Expenditures July 1, 2016 to December 31, 2016^(d)	Recorded Expenditures July 1, 2017 to December 31, 2017^(e)
Commerce.....	\$ 209,017,000	\$ 200,578,100	\$ 88,910,358	\$ 83,758,320
Education.....	13,368,786,000	13,706,059,200	5,671,027,106	5,624,951,931
Environmental Resources.....	320,463,000	339,979,600	65,259,938	96,723,779
Human Relations & Resources	14,343,401,000	14,341,728,400	7,138,918,482	7,197,387,029
General Executive.....	1,075,321,000	1,146,065,800	634,662,026	560,997,714
Judicial.....	139,027,000	144,250,300	66,021,853	63,368,368
Legislative.....	68,575,000	76,520,900	29,072,992	30,163,760
General Appropriations.....	<u>2,367,075,000</u>	<u>2,560,816,600</u>	<u>2,102,184,310</u>	<u>2,050,589,956</u>
TOTAL.....	<u>\$ 31,891,665,000</u>	<u>\$ 32,515,998,900</u>	<u>\$ 15,796,057,065</u>	<u>\$ 15,707,940,857</u>

- (a) 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.
- (b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2016-17 fiscal year dated October 15, 2017.
- (c) The estimates for the 2017-18 fiscal year (cash basis) reflect the 2017-19 biennial budget (2017 Wisconsin Act 59), but do not reflect the January 2018 LFB Report.
- (d) The amounts shown are 2016-17 fiscal year expenditures as recorded by State agencies.
- (e) The amounts shown are 2017-18 fiscal year expenditures as recorded by State agencies.

Source: Wisconsin Department of Administration.

Table II-40; Unemployment Rate Comparison (Part II; Page 89). Replace with the following updated table.

UNEMPLOYMENT RATE COMPARISON ^{(a)(b)}												
By Month 2012 To 2017												
By Quarter 2008 To 2011												
	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</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	4.2	5.1	4.7	5.3	5.4	6.1	6.4	7.0	7.9	8.5	7.9	8.8
February	4.5	4.9	4.9	5.2	5.5	5.8	6.8	7.0	7.9	8.1	8.2	8.7
March	3.7	4.6	4.7	5.1	5.3	5.6	6.6	6.8	7.6	7.6	7.9	8.4
April	3.0	4.1	4.1	4.7	4.5	5.1	5.6	5.9	7.1	7.1	7.0	7.7
May	2.8	4.1	3.8	4.5	4.6	5.3	5.3	6.1	6.5	7.3	6.9	7.9
June	3.5	4.5	4.5	5.1	4.8	5.5	5.6	6.3	7.1	7.8	7.5	8.4
July	3.4	4.6	4.2	5.1	4.6	5.6	5.5	6.5	6.7	7.7	7.3	8.6
August	3.4	4.5	4.0	5.0	4.2	5.2	5.1	6.3	6.3	7.3	6.9	8.2
September..	3.0	4.1	3.8	4.8	3.9	4.9	4.6	5.7	5.9	7.0	6.1	7.6
October.....	2.8	3.9	3.7	4.7	3.9	4.8	4.4	5.5	5.9	7.0	6.0	7.5
November..	2.7	3.9	3.7	4.4	4.1	4.8	4.5	5.5	6.0	6.6	6.2	7.4
December ..	<u>2.7</u>	<u>3.9</u>	<u>3.7</u>	<u>4.5</u>	<u>4.1</u>	<u>4.8</u>	<u>4.6</u>	<u>5.4</u>	<u>6.0</u>	<u>6.5</u>	<u>6.6</u>	<u>7.6</u>
Annual Average.....	3.3	4.4	4.1	4.9	4.6	5.3	5.4	6.2	6.7	7.4	7.0	8.1
2011 Quarters			<u>WI</u>		<u>U.S.</u>		2010 Quarters			<u>WI</u>		<u>U.S.</u>
I			8.9		9.5		I			10.3		10.4
II			7.9		8.9		II			8.7		9.5
III			7.4		9.1		III			8.1		9.5
IV			6.8		8.3		IV			7.6		9.1
2009 Quarters			<u>WI</u>		<u>U.S.</u>		2008 Quarters			<u>WI</u>		<u>U.S.</u>
I			8.6		8.8		I			5.3		5.3
II			8.7		9.1		II			4.5		5.2
III			8.5		9.6		III			4.6		6.0
IV			8.5		9.5		IV			5.2		6.6

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

^(b) Historical information has been adjusted due to benchmarking through the Local Area Unemployment Statistics (LAUS).

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

Debt Information (Part III, Page 105). Update with the following information:

On January 16, 2014, the State entered into a Term Loan Agreement with JPMorgan Chase Bank, National Association. The Term Loan Agreement included loans with May 1 maturities in the years 2017 to and including 2021. Pursuant to provisions of the Term Loan Agreement, any decrease in the maximum federal corporate tax rate, as defined in the Term Loan Agreement, may result in increases to the fixed interest rates under the Term Loan Agreement. Provisions of the Federal Tax Cuts and Jobs Act, enacted on December 22, 2017, decreased the federal corporate tax rate, as defined in the Term Loan Agreement, and as a result, interest rates on outstanding maturities under the Term Loan Agreement are expected to increase.

Legislative Fiscal Bureau

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January 17, 2018

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

Dear Senator Darling and Representative Nygren:

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

Based upon our analysis, we project the closing, net general fund balance at the end of this biennium (June 30, 2019) to be \$385.2 million. This is \$137.5 million above the balance that was projected at the time of enactment of the 2017-19 biennial budget (2017 Act 59).

The \$137.5 million is the net result of: (1) an increase of \$76.3 million in estimated tax collections; (2) an increase of \$1.7 million in departmental revenues (non-tax receipts deposited into the general fund); (3) a decrease of \$97.7 million in net appropriations, and (4) a transfer of \$38.2 million to the budget stabilization fund.

The majority (\$77.8 million) of the \$97.7 million net appropriation reduction is due to reestimates of the amounts necessary to fund general fund debt service. General fund debt service savings are primarily attributable to three 2017 general obligation bond refinancing transactions and partly the result of a slower pace of bond issuance compared to earlier issuance assumptions. Recent changes to federal tax law have an effect on municipal bond refunding transactions. Effective in 2018, interest on a bond issued to advance refund another bond is no longer tax-exempt. This change prompted the state to advance refund bonds before the end of 2017, that were originally scheduled for advance refundings in 2018.

Under s. 16.518(3) the statutes, if actual tax collections exceed the amounts estimated in the state's biennial budget act, one-half of such excess is deposited into the budget stabilization

fund. Under the estimates of this analysis, tax collections are projected to exceed the Act 59 estimate by \$48.4 million in 2017-18 and \$27.9 million in 2018-19. Thus, one-half of that amount, \$24.2 million in 2017-18 and \$14.0 million in 2018-19 would transfer to the budget stabilization fund.

The following table reflects the 2017-19 general fund condition statement, which incorporates our revenue and expenditure projections.

TABLE 1
2017-19 General Fund Condition Statement

	<u>2017-18</u>	<u>2018-19</u>
Revenues		
Opening Balance, July 1	\$579,015,000	\$652,082,900
Taxes	16,125,900,000	16,678,800,000
Departmental Revenues		
Tribal Gaming Revenues	26,157,000	26,085,900
Other	<u>485,877,700</u>	<u>452,009,000</u>
Total Available	\$17,216,949,700	\$17,808,977,800
Appropriations and Reserves		
Gross Appropriations		
2017 Act 59	\$16,876,502,200	\$17,690,079,800
Other 2017 Acts	19,922,500	10,281,300
Sum Sufficient Reestimates	-47,581,300	-5,288,800
Transfers to		
Transportation Fund	40,194,700	41,597,100
Budget Stabilization Fund	24,207,600	13,961,600
Compensation Reserves	3,080,500	52,081,600
Less Lapses	<u>-351,459,400</u>	<u>-453,889,700</u>
Net Appropriations	\$16,564,866,800	\$17,348,822,900
Balances		
Gross Balance	\$652,082,900	\$460,154,900
Less Required Statutory Balance	<u>-70,000,000</u>	<u>-75,000,000</u>
Net Balance, June 30	\$582,082,900	\$385,154,900

Table 1 incorporates the fiscal effects of all bills enacted to date in the current legislative session (through 2017 Act 135). It does not reflect the impact of any bills that are pending before the Legislature.

General Fund Tax Revenues

The following sections present information related to general fund tax revenues for the

2017-19 biennium, including a discussion of the national economic forecast and general fund tax revenue estimates for fiscal years 2017-18 and 2018-19.

National Economic Review. This office prepared revenue estimates for the 2017-19 biennium in January, 2017, based on the January, 2017, IHS Markit forecast for the U.S. economy. The forecast predicted real (inflation-adjusted) gross domestic product (GDP) growth of 2.3% in 2017, 2.6% in 2018, and 2.3% in 2019. The main drivers of growth were expected to be consumer spending, business fixed investment, and residential investment. On the other hand, IHS Markit expected the trade deficit to be a drag on economic growth, due to an appreciating U.S. dollar that was projected to increase domestic demand for imports.

The January, 2017, forecast was based on the following assumptions. First, Congress would lower the average personal income tax rate from 21.0% to 19.5% and lower the statutory corporate tax rate from 35% to 20% (partially offset by reducing tax deductions and credits). Second, federal infrastructure spending would increase by \$250 billion over the next ten years. Third, the Federal Reserve would increase the federal funds rate by 75 basis points in each of the next three years to 1.50% by the end of 2017, 2.25% by the end of 2018, and 3.00% by the end of 2019. Fourth, the Brent spot crude oil price would average \$54 per barrel in 2017 and \$57 per barrel in 2018. Fifth, the inflation-adjusted, trade-weighted value of the dollar for the broad index of U.S. trading partners would increase 3.3% between fourth quarter 2016 and fourth quarter 2017, where it would reach its peak value at 5.5% above the 2016 average, followed by a steady decline. Finally, the real GDP growth of major and other important U.S. trading partners would average 1.7% annually and 3.5% annually, respectively, over the next ten years.

In May, our office reviewed additional tax collection data and IHS Markit's May economic forecast and did not revise revenue estimates for 2016-17, 2017-18, or 2018-19. We noted that the May forecast was very similar to the January forecast and that tax sources were closely tracking the January revenue estimates and anticipated collection patterns. In September, 2017, it was reported that actual 2016-17 general fund tax collections deviated from the January, 2017, projections by only 0.1%.

The economy grew slowly in the first quarter of 2017, but strong momentum in the remainder of the year brought overall growth in line with the forecast. Real growth in GDP is now estimated at 2.2% in 2017, which is 0.1% less than estimated last January. As forecast, economic growth was bolstered by consumer spending and strong business investment.

Growth in employment, income, and household assets supported a 4.4% increase in personal consumption expenditures (PCE). Employers added more than 2.1 million jobs to lower the unemployment rate to 4.1% in the fourth quarter. Overall, there have been 86 consecutive months of jobs gains. Although personal income grew more slowly than forecast (3.1% compared to 4.6%), household net worth grew by more than forecast (7.5% compared to 4.5%). Household net worth increased by \$6.9 trillion in 2017, led by growth in financial assets (7.8%) such as stocks (15.4%). Wages also grew, albeit more slowly, at 2.6%. The personal saving rate fell to a 10-year low of 3.1% in the fourth quarter of 2017 as consumption growth (4.4%) outstripped gains in disposable income (3.0%).

Residential investment, on the other hand, grew by less than anticipated in 2017. IHS Markit reports that national housing starts rose 2.9% in 2017, well short of the 5.2% increase that had been forecast. Single family housing starts grew by 8.9% whereas multi-family units shrank by 9.0%. One possible explanation for the drop in multi-family starts is that the household formation rate amongst those aged 25 to 29 (who are more likely to utilize multi-family units) reached an all-time low in mid-2017. Other possible causes of the shortfall in housing starts include disruptions by damages and delays caused by the active hurricane season, tight credit for developers, and supply shortages of skilled labor.

The assumptions used in the IHS Markit January, 2017, forecast were mostly accurate. As predicted, the Federal Reserve increased the federal funds rate by 75 basis points to 1.5% in 2017. Further, Congress enacted the Tax Cuts and Jobs Act of 2017, which reduces the corporate tax rate from 35% to 21% and lowers the average effective personal income tax rate by about two percentage points (until the provisions expire in 2026). Similar to the forecast, actual oil prices increased to an average Brent spot price of \$54.8 per barrel in 2017, and \$61 by the end of the fourth quarter. The accuracy of other assumptions was mixed, however. For instance, Congress did not enact an infrastructure bill and it is unclear that it will do so in 2018. Further, the value of the dollar declined by 7.0%, in the broad-based dollar index rather than grow as forecasted by 5.3%. This was due in part to economic growth of trading partners and possibly due to a market correction after the surge in the dollar directly following the 2016 November election.

National Economic Forecast. Under the January, 2018, forecast, IHS Markit predicts real GDP growth of 2.7% in 2018 and 2.6% in 2019. Consumer spending and business investment are expected to contribute to growth throughout 2018 and into 2019. The trade deficit is again expected to be a drag on economic growth.

The new forecast is based on the following key assumptions. First, the recently enacted Tax Reform and Jobs Act of 2017 is projected to generate a modest boost to real GDP growth of approximately 0.1% percentage point in 2018 and 0.2% percentage point in 2019. Second, the Federal Reserve will increase the federal funds rate by 75 basis points to 2.25% by the end of 2018 and by 50 basis points to 2.75% by the end of 2019. Third, the Brent oil price is projected to decrease from \$61 per barrel in the fourth quarter of 2017 to \$55 per barrel by the fourth quarter of 2018. Fourth, the inflation-adjusted, trade-weighted value of the dollar for the broad index of U.S. trading partners will increase 1.5% throughout 2018 and reach a peak value in the first quarter of 2019 (which would be 1.3% below the 2016 average value). Finally, the real GDP growth of major-currency and other important U.S. trading partners will average 2.0% and 3.2%, respectively, in 2018.

The forecast is summarized in Table 2, which reflects IHS Markit's January, 2018, baseline outlook. Selected baseline projections are presented in more detail below, with alternative optimistic and pessimistic scenarios discussed thereafter.

TABLE 2

**Summary of National Economic Indicators
IHS Markit Baseline Forecast January, 2018
(\$ in Billions)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Nominal Gross Domestic Product	\$18,624.5	\$19,382.4	\$20,301.2	\$21,288.5
Percent Change	2.8%	4.1%	4.7%	4.9%
Real Gross Domestic Product	\$16,716.2	\$17,091.6	\$17,546.7	\$17,995.1
Percent Change	1.5%	2.2%	2.7%	2.6%
Consumer Prices (Percent Change)	1.3%	2.1%	1.7%	1.9%
Personal Income	\$15,928.7	\$16,415.9	\$17,132.9	\$18,031.3
Percent Change	2.4%	3.1%	4.4%	5.2%
Nominal Personal Consumption Expenditures	\$12,820.7	\$13,385.6	\$13,946.3	\$14,535.7
Percent Change	4.0%	4.4%	4.2%	4.2%
Economic Profits	\$2,073.5	\$2,169.2	\$2,300.8	\$2,383.7
Percent Change	-2.1%	4.6%	6.1%	3.6%
Unemployment Rate	4.9%	4.4%	3.9%	3.7%
Total Nonfarm Payrolls (Millions)	144.3	146.5	148.8	151.0
Percent Change	1.8%	1.5%	1.6%	1.5%
Light Vehicle Sales (Millions of Units)	17.47	17.15	16.93	16.85
Percent Change	0.4%	-1.8%	-1.3%	-0.5%
Sales of New and Existing Homes (Millions)	6.001	6.169	6.408	6.601
Percent Change	4.6%	2.8%	3.9%	3.0%
Housing Starts (Millions of Units)	1.177	1.211	1.289	1.402
Percent Change	6.3%	2.9%	6.4%	8.7%

Employment. Total nonfarm payrolls increased for the seventh consecutive year in 2017 by 1.5% to a total of 146.45 million. The unemployment rate averaged 4.4% in 2017, ending the year at 4.1% in the fourth quarter. The biggest employment increases were in natural resources and mining (4.6%), professional and business services (2.9%), and construction (2.8%). Manufacturing employment growth was modest (0.7%).

IHS Markit forecasts that the employment market will remain strong, with total nonfarm payrolls expanding by 1.6% in 2018 to 148.76 million and by 1.5% in 2019 to 151.01 million. The unemployment rate is expected to decrease to 3.9% in 2018 and 3.7% in 2019. Employment in manufacturing is expected to grow by 2.1% in 2018 and 1.6% in 2019, bolstered by

employment in manufacturing wood products (3.2% in 2018 and 6.0% in 2019) and machinery (5.0% in 2018 and 3.5% in 2019).

Personal Income. Personal income is forecast to grow robustly by 4.4% in 2018 and 5.2% in 2019, due to a strong employment market and increases in wages and salaries (4.4% in 2018 and 5.5% in 2019). As a result, IHS Markit estimates that real disposable income will grow by 3.8% in 2018 and 3.7% in 2019. On the other hand, IHS Markit expects growth in household financial assets to moderate in 2018 (3.5%) and 2019 (2.3%), with growth in household holdings of corporate equities decreasing from 15.4% in 2017 to 3.0% in 2018 and -0.4% in 2019. Partly as a result, growth in real household net worth is expected to decrease from 5.8% in 2017 to 2.8% in 2018 and 1.0% in 2019.

IHS Markit estimates that the Tax Reform and Jobs Act of 2017 will lower effective personal income tax rates by approximately 2%. As a result, the personal savings rate is expected to increase from 3.5% in 2017 to 4.3% in 2018 and 5.3% in 2019. In particular, growth in real disposable income (6.4%) is expected to exceed growth in real consumer spending (2.7%) in the first quarter of 2018.

Personal Consumption. IHS Markit estimates that nominal PCE will grow by 4.2% in both 2018 and 2019, supported by strong employment and income growth. IHS Markit estimates that the Tax Reform and Jobs Act of 2017 will increase real consumption growth by 0.2% in each of the next two years.

Sales of consumer items generally subject to the state sales tax (such as most durable goods, clothing, restaurant meals and accommodations, and certain services) grew by an estimated 3.6% in 2017 and are forecast to grow by 4.0% in both 2018 and 2019. Spending on gasoline and other energy goods is expected to decline 1.6% in 2018 and 0.1% in 2019 after growing by 10.7% in 2016. Purchases of light vehicles declined 1.8% in 2017, down from a record number of sales in 2016. Due in part to lower oil prices in 2016 and at the start of 2017, purchases of light trucks increased 4.3%; however, car purchases declined 11.1%. A somewhat similar pattern is predicted to hold in the next two years, with cars sales decreasing 4.9% in 2018 and 1.3% in 2019 and truck sales increasing 0.7% in 2018 and decreasing by only 0.1% in 2019.

Corporate Profits. After a 4.0% decline in 2015 and no growth in 2016, before-tax corporate profits grew 7.0% in 2017. IHS Markit forecasts continued growth of 4.1% in 2018 and 3.8% in 2019. Economic profits, which are adjusted for inventory valuation and capital consumption at current cost (and thus are not affected by federal tax laws), increased by 4.6% in 2017 and are forecast to increase by 6.1% in 2018 and by 3.6% in 2019.

The forecast reflects that the Tax Reform and Jobs Act of 2017 reduced the federal corporate tax rate from 35% to 21%, extended bonus depreciation by five years (followed by a three-year phase-out period), and provided additional tax deductions for certain pass-through business income. The 2018 forecast assumes that the effective tax rate for all industries will drop from 21.2% in 2017 to 9.2% in 2018, a 12.0-percentage-point difference that is expected to narrow in the future to 4.6% by 2027 as the depreciation provisions expire.

Housing. Low overall residential construction in 2017 led to tight supply, which supported growth in housing prices. According to the Wisconsin Realtors Association, the median value Wisconsin home price rose 5.6% year-over-year in November. For comparison, the volume of sales through November grew by only 1.7% over the same period last year.

In 2018, IHS Markit forecasts that the housing market will continue its recovery, supported by growth in incomes and employment. The household formation rate is expected to stabilize at its current levels and growth in overall housing starts is expected to accelerate in 2018 (6.4%). In particular, multi-family starts are expected to rebound, growing by 8.0% in 2018 and 14.0% in 2019. Housing prices for existing homes are expected to continue their rally into 2018, growing by 4.9%, in part due to growing demand and tight supply. However, growth in the sales of existing homes is not expected to be sufficient to increase sales to their 2005 pre-recessionary peak during the forecast period (through 2027).

It should be noted that the Tax Reform and Jobs Act of 2017 places a deductibility cap of \$10,000 on state and local taxes (which includes property taxes), caps the maximum mortgage amount for which interest payments may be deducted to \$750,000, and doubles the standard deduction (which erodes the value of itemizing deductions based on home ownership). Thus, the new law is expected to place downward pressure on housing prices, especially on the higher end, by an unknown amount going forward.

Business Investment. Nonresidential fixed investment grew 5.8% in 2017, led by investment in equipment (5.5%), intellectual property products (4.8%), and nonresidential structures (8.1%). Strong investment into mining and petroleum structures in the first half of the year (which grew 272% in the first quarter and 116% in the second quarter) supported investment into nonresidential structures.

IHS Markit anticipates that nonresidential fixed investment will continue to grow strongly by 6.7% in 2018 and 6.0% in 2019, supported by expanding global markets, low capital costs, and an improving regulatory climate. Investment in equipment is anticipated to expand by 8.4% in 2018 and 6.2% in 2019, supported by gains in industrial equipment (13.3% in 2018 and 7.3% in 2019) and aircraft (17.4% in 2018 and 18.6% in 2019). Investment in intellectual property products is forecast to remain strong, growing 4.8% in 2018 and 7.7% in 2019.

Investment in nonresidential structures and equipment in Wisconsin is expected to increase significantly in the short term due to the planned investment by Hon Hai Precision Industry, Co., Ltd (Foxconn) to construct a flat-screen manufacturing facility. It is anticipated that construction will begin in early 2018 and may require four or more years. Construction will also likely require significant additional improvements to local road and utility infrastructure, estimated at potentially more than \$1 billion. Foxconn has indicated that it plans to begin hiring employees to start assembly operations in 2018 and will expand operations over the next several years as the facilities are constructed.

Consumer Prices. The consumer price index (CPI) increased by 2.1% in 2017. Despite expected wage inflation from a tight labor market, IHS Markit forecasts that the CPI will continue to increase moderately by 1.7% in 2018 and by 1.9% in 2019. Core inflation, which

excludes energy and food prices, is expected to grow by 1.9% in 2018 and by 2.2% in 2019. Energy prices surged by 7.9% in 2017, but are expected to moderate to 0.4% growth in 2018 and 0.7% growth in 2019 as oil prices stabilize lower. Food prices, which grew only by 0.9% in 2017, are expected to grow modestly by 1.1% in 2018 and by 1.8% in 2019.

Monetary Policy. Although core inflation growth is below the Federal Reserve's 2.0% target, the Federal Reserve raised its target range for the federal funds rate three times in 2017, raising the target range to 1.25-1.50% in December. The rate hikes were due in part to the strong employment outlook. In its most recent meeting, the Federal Reserve continued to forecast 2.0% inflation over the medium term and for the unemployment rate to fall below 4.0% for a short time. IHS Markit assumes that the Federal Reserve will raise the federal funds rate by 25 basis points three times to 2.25% by the end of 2018 and two more times in 2019 to 2.75%.

IHS Markit projects that interest rates will increase throughout 2018. The average annual interest rate on a 30-year conventional fixed-mortgage is estimated to increase from 3.99% in 2017 to 4.54% in 2018 and 5.05% in 2019. The average annual yield on the 10-year U.S. treasury note is expected to increase from an estimated 2.33% in 2017 to 3.01% in 2018 and 3.54% in 2019.

International Trade. IHS Markit forecasts that net exports will continue to detract from GDP, as import growth outpaces export growth. Real exports grew by an estimated 3.4% in 2017, supported by a surge in exports of petroleum and petroleum products (10.1%). Overall, exports are anticipated to increase by 5.3% in 2018 and 4.3% in 2019, supported by strong growth in world real GDP. However, imports are expected to grow by even more than exports during this period (6.2% in 2018 and 4.8% in 2019), due in part to an appreciating U.S. dollar and increasing incomes in the U.S. boosting demand for foreign goods.

Alternative Scenarios. IHS Markit's 2018 forecast also includes an optimistic scenario and a pessimistic scenario. Under the optimistic scenario, IHS Markit assigns a 15% probability that the housing market recovery intensifies due to increased household formation amongst young adults. This drives increased housing starts, consumer spending, and business investment, increasing real GDP growth in 2018 to 3.7% and 4.0% in 2019. Low oil prices and inflation buoy consumer and business confidence while the stock market continues its rally through 2019. Exports jump in 2018 as economic conditions across the world improve. The Federal Reserve refrains from raising interest rates before 2020.

Under the pessimistic scenario, to which IHS Markit assigns a 20% probability, a drop in consumer confidence of 19% and a setback in the commercial real estate market shock the economy into recession in the second half of 2018. The drop in confidence drives up long-term interest rates and dampens the strength of the dollar after the first quarter of 2018. The higher interest rates and lower confidence end the housing recovery as housing starts never surpass 1.5 million. The stock market falls 17.6% between its fourth-quarter 2017 peak and its trough in the first quarter of 2019. Higher interest rates reduce growth in consumer spending and business fixed expenditures. As a result, the pessimistic scenario estimates that the US economy contracts at annual rates of 0.8% in the third quarter of 2018 and then 1.8% in the fourth quarter. The unemployment rate climbs through most of 2019, reaching an eventual peak of 5.2%.

General Fund Taxes

Table 3 shows general fund tax revenue estimates for 2017-18 and 2018-19. In total, these amounts are \$76.3 million higher than the Act 59 estimates. The percentage difference is 0.2%. The excess revenue is almost entirely due to increased projections for the general sales and use tax. Sales tax collections are estimated to be higher than last January's estimates by \$81.2 million in 2017-18 and \$56.9 million in 2018-19. Estimated collections for the real estate transfer fee have also been increased slightly. Small downward adjustments have been made to most of the other taxes.

TABLE 3

**Projected General Fund Tax Revenues
(Millions)**

	2016-17 <u>Actual</u>	Previous Estimates		Revised Estimates January, 2018	
		<u>2017-18</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2018-19</u>
Individual Income	\$8,039.5	\$8,379.8	\$8,720.0	\$8,380.0	\$8,720.0
General Sales and Use	5,223.9	5,383.8	5,593.1	5,465.0	5,650.0
Corporate Income and Franchise	921.0	950.8	962.4	950.0	960.0
Public Utility	360.5	373.5	378.2	359.0	363.0
Excise					
Cigarette	564.2	564.7	560.4	548.0	547.0
Tobacco Products	80.3	85.0	88.0	82.0	85.0
Liquor and Wine	52.1	52.0	53.0	52.0	53.0
Beer	9.1	8.9	8.8	8.9	8.8
Insurance Company	181.6	192.0	197.0	190.0	195.0
Miscellaneous Taxes	<u>85.5</u>	<u>87.0</u>	<u>90.0</u>	<u>91.0</u>	<u>97.0</u>
Total	\$15,517.6	\$16,077.5	\$16,650.9	\$16,125.9	\$16,678.8
Change from Prior Year		\$559.88	\$573.40	\$608.30	\$552.88
Percent Change		3.6%	3.6%	3.9%	3.4%

The new estimates are based on the most recent national economic forecast and tax collections data. They reflect all state tax law changes enacted to-date, and also four provisions of the federal Tax Cut and Jobs Act that will automatically be adopted for state income and franchise tax purposes. These include provisions expanding immediate expensing of business equipment purchases under section 179 of the Internal Revenue Code (IRC), increasing the exemption amounts for the alternative minimum tax (AMT), repealing statutes regarding technical termination of partnerships, and modifying the procedure for claiming the historic rehabilitation credit. It is estimated that the aggregate fiscal effect of these provisions will be a reduction in state tax revenues of \$16.6 million in 2017-18 and \$32.3 million in 2018-19.

In order to adopt other relevant provisions of the new law, legislation to update references to the federal IRC is necessary. This office is reviewing the federal law and preparing an analysis

of those provisions that are relevant for state tax purposes.

Individual Income Tax. State individual income tax revenues were \$8,039.5 million in 2016-17 and are estimated at \$8,380.0 million in 2017-18 and \$8,720.0 million in 2018-19. These amounts are unchanged from the amounts estimated in January, 2017, except for the effects of state law changes enacted since then. On a year-to-year basis, the current estimates represent increases of 4.2% for 2017-18 and 4.1% for 2018-19.

Based on preliminary collection information through December, 2017, individual income tax revenues for the current fiscal year are 5.3% higher than such revenues through the same period in 2016-17. These amounts include adjustments for pass-through withholding and for collections that occurred in January, but can be attributed to December because the month ended on a weekend. A lower rate of increase (3.3%) is anticipated over the next six months because refunds and final payments for tax year 2017 are expected to be affected by higher estimated payments at the end of 2017 by individuals anticipating the effects of the federal Tax Cuts and Jobs Act. It is believed that the \$10,000 limit on itemized deductions for state and local taxes under the Act, which will take effect in tax year 2018, has induced some taxpayers to accelerate federal deductions for state income taxes into tax year 2017.

Several provisions of the Act related to Section 179 expensing, AMT exemption levels, and the historic rehabilitation tax credit will automatically take effect for state tax purposes in tax year 2018 and reduce future state individual income tax collections, estimated at about -\$10.0 million in 2017-18 and -\$20.0 million in 2018-19. However, recent growth in collections has created a stronger base than previously estimated that should allow growth in collections that offset these reductions.

General Sales and Use Tax. State sales and use tax revenues totaled \$5,223.9 million in 2016-17 which was an increase of 3.1% over the prior year. Sales tax collections through December, 2017 are 5.2% higher than the same period in 2016. Accounting for law changes since the January, 2017, estimate, sales tax revenues are estimated to be \$5,465.0 million in 2017-18 and \$5,650.0 million in 2018-19, reflecting growth of 4.6% and 3.4% respectively.

Corporate Income and Franchise Tax. Corporate income/franchise taxes were \$921.0 million in 2016-17, which was \$21.0 million above the estimate. Corporate tax revenues are projected to be \$950.0 million in 2017-18 and \$960.0 million in 2018-19. These estimates reflect growth of 3.2% in 2017-18 and 1.1% in 2018-19.

The revised estimates are virtually unchanged from the Act 59 projections, reflecting several offsetting factors. While the January, 2018, forecast for growth in corporate economic profits for 2017 was reduced from the January, 2017, forecast, actual 2016-17 collections exceeded the prior estimate. Year-to-date corporate collections (including pass-through withholding) are 2.4% higher than the same period in 2016. However, there are two factors that we believe cause the year-to-date growth rate to be understated. First, 2017 Wisconsin Act 2 delayed the due date for the first estimated payment most corporations make by one month, shifting estimated payments for certain taxpayers that would have occurred in December, 2017, to January, 2018. Second, it is expected that some corporations incurred additional expenses

during the latter part of tax year 2017 in order to shift taxable income, and federal and state estimated payments associated with that taxable income, from tax year 2017 to 2018, in response to the lower federal corporate tax rates beginning in tax year 2018. Collections are expected to grow 3.7% over the remainder of 2017-18 to reach the revised estimate.

Federal law changes related to Section 179 expensing and the historic rehabilitation tax credit will automatically take effect for state tax purposes in tax year 2018 and reduce corporate income/franchise taxes by an estimated \$6.4 million in 2017-18 and \$12.1 million in 2018-19. These provisions offset the improved January, 2018, forecast for growth in economic profits in 2018 and 2019.

Public Utility Taxes. Public utility tax revenues were \$360.5 million in 2016-17, and are projected at \$359.0 million in 2017-18 and \$363.0 million in 2018-19. Compared to the previous estimates, these amounts are lower by \$14.5 million in 2017-18 and \$15.2 million in 2018-19. Utility tax collections are expected to decrease by 0.4% in 2017-18 and increase by 1.1% in 2018-19. Private light, heat, and power companies are the largest taxpayer group, comprising 64% of estimated public utility taxes for the 2017-19 biennium. Collections from these companies totaled \$229.6 million in 2016-17, and are estimated to decrease to \$227.7 million in 2017-18 (-0.8%) and increase to \$236.5 million (3.9%) in 2018-19. The decrease in 2017-18 reflects, in part, less electricity and natural gas consumed in 2017 than in 2016. These companies' 2017 sales form the basis for their 2018 license fee.

Excise Taxes. General fund excise taxes are imposed on cigarettes, liquor (including wine and hard cider), other tobacco products, and beer. In 2016-17, excise tax collections totaled \$705.7 million, a decrease of 0.4% from the previous fiscal year. Of this amount, \$564.2 million (approximately 80%) was from the excise tax on cigarettes. Excise tax revenues are estimated at \$690.9 million in 2017-18, which represents reduced revenues of 2.1%. Excise tax revenues in 2018-19 are estimated at \$693.8 million in 2018-19, which represents an increase of 0.4%.

The estimated 2017-18 reduction in excise tax revenues is primarily from: (a) a decline through December, 2017, in year-to-year cigarette tax collections, which are currently 3.5% lower than collections over the same period in 2016-17; and (b) slower growth in tobacco products tax collections than previously estimated (0.7% through December, 2017, compared to the estimated 5.9% annual growth).

Insurance Premiums Taxes. Insurance premiums taxes totaled \$181.6 million in 2016-17, which was \$5.4 million less than had been estimated in January, 2017. Premiums tax collections are projected to be \$190.0 million in 2017-18 and \$195.0 million in 2018-19. The estimates are lower than prior estimates by \$2.0 million in each year. The reduced estimate in the first year is primarily caused by a lower base for tax collections following the actual collection total in 2016-17, offset partly by higher than expected year-to-date collections of 4.0% and an improved forecast for consumer spending on financial services and insurance. The estimate for 2018-19 reflects historic tax collection growth trends.

Miscellaneous Taxes. Miscellaneous taxes include the real estate transfer fee, municipal and circuit court-related fees, and a small amount from the occupational tax on coal.

Miscellaneous tax revenues were \$85.5 million in 2016-17, of which 83.0% was generated through the real estate transfer fee. Based on the economic forecast for the housing sector, as well as collections through December, 2017, miscellaneous taxes are projected to increase to \$91.0 million in 2017-18, which represents a 6.5% increase from 2016-17 collections. Miscellaneous taxes are estimated to increase 6.6% to \$97.0 million in 2018-19, primarily due to an anticipated continuation of the housing recovery.

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, appearing to read "R. Lang", written in a cursive style.

Robert Wm. Lang
Director

RWL/lb

cc: Members, Wisconsin Legislature

APPENDIX B

GENERAL OBLIGATION ISSUANCE STATUS REPORT FEBRUARY 15, 2018

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Bonds of 2018, Series A^(b)</u>	<u>Total Authorized Unissued Debt</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
University of Wisconsin; academic facilities.....	\$ 2,552,521,100	\$ 2,033,675,884	\$ 13,072,507	\$ 57,510,391	\$ 68,377,545	\$ 379,884,773
University of Wisconsin; self-amortizing facilities.....	2,740,855,400	2,158,969,724	2,911,822	47,989,836	58,258,624	472,725,394
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program.....	1,046,250,000	828,128,723	405,319	22,625,245	23,531,367	171,559,346
Natural resources; municipal clean drinking water grants.....	9,800,000	9,518,744	141,818			139,438
Clean water fund program.....	646,283,200	636,296,843		3,967,798		6,018,559
Safe drinking water loan program.....	71,400,000	62,756,134		1,578,011	4,755,950	2,309,905
Natural resources; nonpoint source grants.....	94,310,400	93,954,036	190,043	165,649		672
Natural resources; nonpoint source	44,050,000	29,099,339	1,454	2,509,913		12,439,294
Natural resources; environmental repair.....	57,000,000	49,097,663	203,594	272,644		7,426,099
Natural resources; urban nonpoint source cost-sharing.....	53,600,000	41,295,076	30,671	1,449,756	1,151,978	9,672,519
Natural resources; contaminated sediment removal.....	32,000,000	24,545,353		1,210,604	4,332	6,239,711
Natural resources; environmental segregated fund supported administrative facilities.....	19,969,200	10,655,566	143	144,257		9,169,234
Natural resources; segregated revenue supported dam safety projects.....	6,600,000	6,571,582	617	27,795		6
Natural resources; pollution abatement and sewage collection facilities, ORAP funding.....	145,060,325	145,010,325	50,000			
Natural resources; pollution abatement and sewage collection facilities.....	893,493,400	874,927,239	18,513,077			53,084
Natural resources; pollution abatement and sewage collection facilities; combined sewer overflow.....	200,600,000	194,312,599	6,287,401			
Natural resources; recreation projects.....	56,055,000	56,053,994	1,006			
Natural resources; local parks land acquisition and development.....	2,490,000	2,447,741	42,259			
Natural resources; recreation development.....	23,061,500	22,919,742	141,325	68		364
Natural resources; land acquisition.....	45,608,600	45,116,929	491,671			
Natural resources; Wisconsin natural areas heritage program.....	2,500,000	2,445,793	17,174			37,032
Natural resources; segregated revenue supported facilities.....	108,171,100	85,718,716	93,544	3,363,115	5,849,708	13,146,018

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
FEBRUARY 15, 2018

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Bonds of 2018, Series A^(b)</u>	<u>Total Authorized Unissued Debt</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
Natural resources; general fund supported administrative facilities.....	\$ 16,514,100	\$ 11,317,787	\$ 21,753	\$ 9,001		\$ 5,165,559
Natural resources; ice age trail.....	750,000	750,000				
Natural resources; dam safety projects.....	25,500,000	15,447,296	49,701	1,059,219	\$ 763,164	8,180,620
Natural resources; segregated revenue supported land acquisition.....	2,500,000	2,500,000				
Natural resources; Warren Knowles - Gaylord Nelson stewardship program.....	231,000,000	229,243,222	1,306,849	132,869		317,060
Transportation; administrative facilities.....	8,890,400	8,759,479	33,943			96,978
Transportation; accelerated bridge improvements.....	46,849,800	46,849,800				
Transportation; major interstate bridge construction.....	245,000,000	213,006,877		31,972,097		21,026
Transportation; rail passenger route development.....	79,000,000	66,084,243	3,016	1,342,987		11,569,754
Transportation; accelerated highway improvements.....	185,000,000	185,000,000				
Transportation; connecting highway improvements.....	15,000,000	15,000,000				
Transportation; federally aided highway facilities.....	10,000,000	10,000,000				
Transportation; highway projects.....	41,000,000	41,000,000				
Transportation; major highway and rehabilitation projects.....	565,480,400	565,480,400				
Transportation; Southeast rehabilitation projects, southeast megaprojects, and high- cost bridge projects.....	1,328,550,000	1,183,791,359	3,018,078	94,920,325	33,666,002	13,154,237
Transportation; state highway rehabilitation projects, southeast megaprojects.....	820,063,700	781,604,780	1,182,897	37,275,422		601
Transportation; major highway projects.....	100,000,000	98,948,179		1,051,814		7
Transportation; state highway rehabilitation, certain projects....	141,000,000	134,924,101		6,075,854		45
Transportation; major highway and rehabilitation projects subject to joint committee on finance approval.....	350,000,000	233,421,404		39,871,103		76,707,493
Transportation; southeast Wisconsin freeway megaprojects subject to contingency.....	252,400,000					252,400,000
Transportation; harbor improvements.....	120,000,000	87,105,500	234,581	4,382,187	4,909,193	23,368,539
Transportation; rail acquisitions and improvements.....	250,300,000	163,042,078	5,187	13,891,730	9,540,783	63,820,222
Transportation; local roads for job preservation, state funds.....	2,000,000	2,000,000				
Corrections; correctional facilities.....	926,679,900	827,204,133	11,467,562	3,425,482	12,955,460	71,627,263

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
FEBRUARY 15, 2018

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Bonds of 2018, Series A^(b)</u>	<u>Total Authorized Unissued Debt</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
Corrections; self-amortizing facilities and equipment.....	\$ 2,116,300	\$ 2,115,438	\$ 99			\$ 763
Corrections; juvenile correctional facilities.....	28,652,200	28,538,452	108,861	\$ 988		3,899
Health services; mental health and secure treatment facilities.....	208,646,200	168,187,866	895,124	1,330,666	\$ 2,126,990	36,105,553
Agriculture; soil and water.....	68,075,000	57,493,581	3,025	2,647,707	2,326,398	5,604,288
Agriculture; conservation reserve enhancement.....	28,000,000	17,289,862		702,538	1,679,283	8,328,317
Administration; Black Point Estate.....	1,600,000	1,598,655	445			900
Administration; energy conservation projects; capital improvement fund.....	220,000,000	157,817,424		10,073,413	3,566,333	48,542,830
Building commission; previous lease rental authority.....	143,071,600	143,068,654				2,946
Building commission; refunding tax-sup ported general obligation debt.....	2,102,086,430	2,102,086,530				
Building commission; refunding self-amortizing general obligation debt.....	272,863,033	272,863,033				
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before June 30, 2005.....	250,000,000	250,000,000				
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before July 1, 2011.....	474,000,000	473,651,084				348,916
Building commission; refunding tax-supported and self-amortizing general obligation debt incurred before July 1, 2013.....	264,200,000	263,420,000				780,000
Building commission; refunding tax-supported and self-amortizing general obligation debt.....	6,785,000,000	5,323,903,916				1,461,096,084
Building commission; housing state departments and agencies.....	917,767,100	697,632,851	2,356,097	32,410,788	46,831,197	138,536,167
Building commission; 1 West Wilson street parking ramp.....	15,100,000	14,805,521	294,479			
Building commission; project contingencies.....	47,961,200	46,869,613	64,761	100,885	17,351	908,589
Building commission; capital equipment acquisition.....	125,660,000	123,146,982	740,327	233,401	7,592	1,531,698
Building commission; discount sale of debt.....	90,000,000	72,908,307				17,091,693
Building commission; discount sale of debt (higher education bonds).....	100,000,000	99,988,833 ^(b)				11,167
Building commission; other public purposes.....	2,677,933,400	2,315,375,267	8,728,268	49,645,795	21,624,635	282,559,434

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
FEBRUARY 15, 2018

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Bonds of 2018, Series A^(b)</u>	<u>Total Authorized Unissued Debt</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
Medical College of Wisconsin, Inc.; basic science education and health information technology facilities.....	\$ 10,000,000	\$ 10,000,000				
Norskedalen Nature and Heritage Center.....	1,048,300					\$ 1,048,300
Bond Health Center.....	1,000,000	983,307		\$ 16,682		10
Lac du Flambeau Indian Tribal Cultural Center...	250,000	210,495		39,504		1
Dane County; livestock facilities.....	9,000,000	7,577,838		1,422,134		28
K I Convention Center.....	2,000,000	1,725,394		274,522		84
HR Academy, Inc.....	1,500,000	1,500,000				
Medical College of Wisconsin, Inc.; biomedical research and technology incubator.....	35,000,000	33,820,484		910,977		268,539
AIDS Resource Center of Wisconsin, Inc.....	800,000	800,000				
Bradley Center Sports and Entertainment Corporation.....	5,000,000	4,869,946		130,053		1
Medical College of Wisconsin; community medical education facilities.....	7,384,300				\$ 2,614,496	4,769,804
Family justice center.....	10,625,000	9,109,385		1,515,566	1,444	
Marquette University; dental clinic and education facility.....	25,000,000	23,630,165	\$ 818	1,016,640	171,094	181,283
Civil War exhibit at the Kenosha Public Museums.....	500,000	500,000				
AIDS Network, Inc.....	300,000	300,000				
Wisconsin Maritime Center of Excellence.....	5,000,000	4,196,949		596,062	207,000	
Hmong cultural centers.....	250,000	250,000				
Milwaukee Police Athletic League; youth activities center.....	1,000,000	1,000,000				
Children's research institute.....	10,000,000	10,000,000				
Domestic Abuse Intervention Services, Inc.....	560,000	476,330		83,327		343
Carroll University.....	3,000,000	2,240,618		386,163	170,386	202,833
Wisconsin Agricultural Education Center, Inc...	5,000,000	-			2,288,642	2,711,359
Eau Claire Confluence Arts, Inc.....	15,000,000	1,750,565		297,778	5,927,725	7,023,932
Administration; school educational technology infrastructure financial assistance.....	76,911,300	71,480,216	431,066			5,000,018
Myrick Hixon EcoPark, Inc.....	500,000	500,000				
Madison Children's Museum.....	250,000	250,000				
Administration; public library educational technology infrastructure financial assistance.....	269,000	268,918	42			41
Educational communications board; educational communications facilities.....	24,169,000	24,112,683	38,515	11,925		5,877
LaCrosse Center.....	5,000,000					5,000,000
St. Ann Center for Intergenerational Care, Inc., Bucyrus Campus.....	5,000,000					5,000,000

GENERAL OBLIGATION ISSUANCE STATUS REPORT—CONTINUED
FEBRUARY 15, 2018

<u>Program Purpose</u>	<u>Legislative Authorization</u>	<u>General Obligations Issued to Date</u>	<u>Credit to Capital Improvement Fund</u>		<u>G.O. Bonds of 2018, Series A^(b)</u>	<u>Total Authorized Unissued Debt</u>
			<u>Interest Earnings^(a)</u>	<u>Premium^(a)</u>		
Brown County innovation center.....	\$ 5,000,000					\$ 5,000,000
Grand Opera House in Oshkosh.....	500,000	\$ 500,000				
Aldo Leopold climate change classroom and interactive laboratory.....	500,000	485,000		\$ 14,992		8
Historical society; self-amortizing facilities.....	1,029,300	1,029,156	\$ 3,896			
Historical society; historic records.....	26,650,000	18,100,751		2,763,272	\$ 3,131,870	2,654,107
Historical society; historic sites.....	9,591,800	9,049,163	847	289,816	17,016	234,958
Historical society; museum facility.....	4,384,400	4,362,469				21,931
Historical society; Wisconsin history center.....	16,000,000	7,493,994		1,246,742	997,802	6,261,462
Public instruction; state school, state center and library facilities.....	12,350,600	11,845,468	32,509	467,826		4,797
Military affairs; armories and military facilities.....	56,490,800	37,977,135	195,308	1,490,972	223,639	16,603,746
Veterans affairs; veterans facilities.....	15,018,700	9,405,485	50,593			5,562,621
Veterans affairs; self-amortizing mortgage loans.....	2,127,540,000	2,122,542,395				4,997,605
Veterans affairs; refunding bonds.....	1,015,000,000	761,594,245				253,405,755
Veterans affairs; self-amortizing facilities.....	77,995,100	26,282,457	1,613	979,837		50,731,193
State fair park board; board facilities.....	14,787,100	14,769,363	1			17,736
State fair park board; housing facilities.....	11,000,000	10,999,985	15			
State fair park board; self-amortizing facilities.....	53,687,100	52,699,335	22,401	13,596		951,768
Total.....	\$ 33,146,731,788	\$ 28,269,449,947	\$ 73,888,124	\$489,339,740	\$ 317,695,000	\$ 3,996,364,236

^(a) Amounts previously credited to the Capital Improvement Fund (which include interest earnings and may include sale proceeds representing purchase premium) reduce issuance authority by the same amount.

^(b) Preliminary; subject to change. Amounts include aggregate of par amount of Bonds being issued and purchase premium expected to be received from the sale of the Bonds and credited to the Capital Improvement Fund

^(b) Accrued interest on any obligation that is not paid during the fiscal year in which it accrues is treated as debt and taken into account for purposes of the statutory authority to issue debt.

Source: Department of Administration.

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APPENDIX C

EXPECTED FORM OF BOND COUNSEL OPINION

Upon delivery of the 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, 7th Floor
Madison, Wisconsin 53703

Subject:

\$286,835,000*

**STATE OF WISCONSIN
GENERAL OBLIGATION BONDS OF 2018, SERIES A**

We have acted as bond counsel in connection with the issuance by the State of Wisconsin (**State**) of its \$286,835,000* General Obligation Bonds of 2018, Series A, dated the date hereof (**Bonds**). The Bonds are authorized by Article VIII of the Wisconsin Constitution and Chapters 18 and 20 of the Wisconsin Statutes, and are being issued pursuant to resolutions adopted by the State of Wisconsin Building Commission (**Commission**) on August 9, 2017 and February 14, 2018 (**Resolutions**).

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 Bonds are valid and binding general obligations of the State.
2. The Resolutions have been duly adopted by the Commission and are valid and binding obligations of the State, enforceable upon the State as provided in the respective Resolutions.
3. The full faith, credit, and taxing power of the State are irrevocably pledged to the payment of the principal of, and premium, if any, and interest on, the Bonds as the Bonds mature and become due. There has been irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for such purpose.
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. We express no opinion about other federal tax law consequences regarding the Bonds.

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

* Preliminary; subject to change.

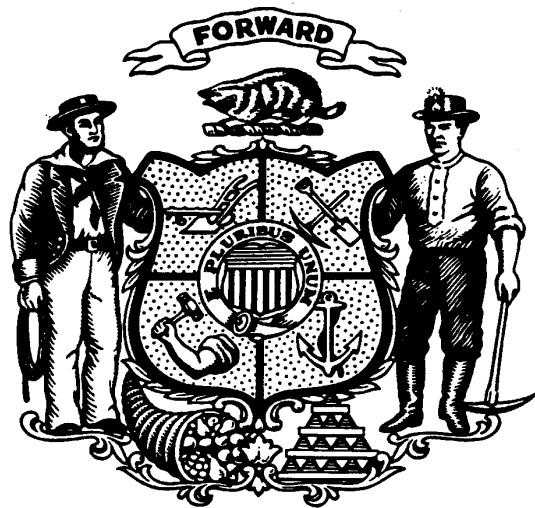
We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement dated _____, 2018 or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion as to those matters (except 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

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