State of Wisconsin
Event Filing #2021-10
Dated August 26, 2021

This Event Filing concerns an event described in Securities and Exchange Act Rule 15c2-12, as amended.

Issuer:	State of Wisconsin General Obligation Bonds and Master Lease Certificates of Participation
CUSIP Numbers:	977055 Prefix (All) 977056 Prefix (All) 97705L Prefix (All) 97705M Prefix (All) 977087 Prefix (All)
Type of Information:	Event Filing; Rating Changes

Kroll Bond Rating Agency has upgraded the ratings on the following credits of the State of Wisconsin:

- General Obligation bonds from AA+ to AAA, with a "stable" outlook;
- Master Lease Certificates of Participation from AA to AA+, with a "stable" outlook.

Attached is a report issued by Kroll Bond Rating Agency.

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

doa.wi.gov/capitalfinance

wisconsinbonds.com

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing annual reports and Event Filings pursuant to the State's Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), and is authorized to distribute this information publicly.

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State of Wisconsin

Issuer: State of Wisconsin		
Assigned	**Rating**	**Outlook**
General Obligation Refunding Bonds of 2021, Series 4 (Taxable)	AAA	Stable
Upgraded	**Rating**	**Outlook**
General Obligation (GO) Bonds	AAA *(from AA+)*	Stable *(from Positive)*
Master Lease Certificates of Participation (COPs)	AA+ *(from AA)*	Stable *(from Positive)*
Affirmed	**Rating**	**Outlook**
GO Commercial Paper (CP) Program	K1+	n/a
GO Extendible Municipal CP Program	K1+	n/a
For mapping of the long-term rating to the short-term rating, please refer to the short-term KBRA Rating Scale.		

Methodology:

- U.S. State General Obligation Rating Methodology
- U.S. State Annual Appropriation Obligation Rating Methodology
- ESG Global Methodology

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Rating Summary: The upgrade to State of Wisconsin's (the State's) long-term GO rating reflects its substantial liquidity, evidenced by a near tripling of budget reserves over the past three years; continuing, healthy revenue growth, even despite significant tax cuts; and an on-going, post-COVID-19 recovery, fueled by a mature and expanding economy, and favorable business climate.

The long-term GO rating continues to be anchored by the State's consistently robust financial performance; its broad and diverse economic base; and manageable debt levels, with rapid amortization. Underpinning these characteristics are the State's conservative budgetary practices and forward-looking policies, resulting in a track record of financial results consistently exceeding projections. The State's fully-funded pension system (Wisconsin Retirement System), in KBRA's view, affords it a level of flexibility to make timely budgetary and policy decisions without the distraction of having to address unfunded pension liabilities.

The short term GO rating reflects the aforementioned strengths coupled with the State's substantial liquidity, history of market access, and prior authorization to retire all CP and EMCP Notes with long-term, GO debt. For additional information on mapping of the long-term rating to the short-term rating, see KBRA's Rating Scales.

The COPs rating is based upon the State's long-term GO rating and an evaluation of factors discussed in KBRA's U.S. State Annual Appropriation Obligation Rating Methodology. For additional information on the State's COPs program, please see KBRA's report published on February 5, 2021.

GO debt, including the Refunding Bonds of 2021, Series 4, Taxable represents a direct and general obligation of the State, secured by its full faith, credit and taxing power. State statutes establish, as security for the payment of debt service on GO obligations, a first charge upon all revenues. A sufficient amount of said revenues is irrevocably appropriated for the payment of principal and interest such that no subsequent legislative action is required, effectively removing all appropriation risk.

As of August 15, 2021, the State had $7.1 billion of GO obligations outstanding. KBRA affirmed the State's GO ratings on June 7, 2021.

The State's General Fund (GF) balance at FYE 2021, net of required statutory balance, is estimated at a significant $2.5 billion, more than $816 million higher than previous projections, due to an unprecedented increase in GF tax collections in April and May. Corporate Income and Franchise tax collections, which represented 12.1% of total GF tax collections in FY 2021, increased by a considerable 44.9%, to $2.3 billion, reflecting improving audit collections and corporate taxing decisions. Individual Income and Sales and Use tax collections were lower, though still healthy at 5.8% 8.4% respectively. Individual Income taxes ($9.3 billion) are the largest GF tax source at just under 50% of total collections, with Sales and Use accounting for 32.9% ($6.3 billion).

On July 8, 2021, Governor Evers signed the 2021-2023 State biennial budget (2021 Wisconsin Act 58, or "the Budget"). Of the total $87.5 billion to be appropriated to State agencies in FY 2022 and FY 2023, approximately 42.9% ($37.6 billion) will be directed towards Human Relations and Resources, with 35.2% ($30.8 billion) directed towards Education. Environment Resources ($7.8 billion) and Shared Revenue and Tax Relief ($5.9 billion) are additional funding priorities.

2021 Wisconsin Act 58 includes a reduction in income tax rates, to 5.30% from 6.27%, for the largest individual taxpayer bracket. While the impact of the this rate reduction is estimated at approximately $2.0 billion across the two years of the biennium, FY 2022 GF tax collections, buoyed by recovery in Sales and Use Taxes, are projected to decline by only 3.5%,to $18.6 billion, and remain ahead of the FY 2020 level ($17.5 billion). GF tax collections are then forecast to increase by 4.8%, in FY 2023, to $19.5 million, supported by growth in all of the State's major taxing categories.

GF budgetary appropriations over the biennium total $39.2 billion. The Budget authorizes GF transfers totaling $1.1 billion to the MA Trust Fund, the Transportation Fund, the UI Fund and the Building Trust Fund. The Governor vetoed a legislatively proposed $550 million transfer from the General Fund to the Budget Stabilization Fund (BSF), and such amount will instead be applied to economic recovery needs. The BSF is already very well-funded at $1.6 billion without the transfer, well in excess of amounts previously forecasted. The Budget also eliminates the previously proposed permanent doubling of the annual GF transfer to the Transportation Fund; the increase to 0.5% from 0.25% for the 2021-23 biennium will be temporary.

The Budget projects FYE 2022 and FYE 2023 net GF balances of $1.9 billion and $1.6 billion, respectively, including required annual statutory reserve balances of $90.0 million in FY 2022 and $95.0 million in FY 2023.

The Budget omits the Governor's executive budget proposals including legalizing marijuana, expanding Medicaid and raising the State minimum wage. The Budget directs a $678 million increase to public instruction (i.e., K-12 education), to $16.3 billion, and favorably restores the $75 million delayed K-12 education payment from FY 1998. GO bonding authority of $1.5 billion is provided pursuant to the Budget, excluding $2.0 billion of economic refunding bonds.

The Stable Outlook reflects KBRA's expectation that the State's fiscal discipline and economic resiliency will sustain its recovery in a post-pandemic environment and support financial performance and reserve levels commensurate with the AAA rating level.

Key Credit Considerations

KBRA continues to monitor the direct and indirect impacts of the COVID-19 virus. Click here to access KBRA's ongoing research on the topic.

The rating was upgraded because of the following key credit considerations:

Credit Positives
- Strength and breadth of the State's GO pledge.
- Trend of conservative budgets and strong financial results which typically exceed projections.
- Substantial liquidity and reserve position based on all sources of available cash for State operations.
- Fully funded State pension system (Wisconsin Retirement System).

Credit Challenges
- Economic uncertainty related to the COVID-19 pandemic.
- Modest, though now positive, GF balance ($1.5 million, FY 2020), on a GAAP-basis.

Rating Sensitivities

▪ Not applicable.	+
▪ Material financial weakening, with chronic budgetary imbalance over an extended period.	-

Key Ratios

Ratings Highlights	
Per Capita Personal Income as a % of U.S.	93%
Real GSP, % Change 2010 to 2020	
Wisconsin	11.0%
U.S.	18.1%
Undesignated GPR and Budget Stab. Fund Balances as a % of Exp., FY 2020	11.2%
Fixed Costs as a % of Gov't Expenditures, FY 2020	4.8%
Portion of Actuarially Determined Pension Contribution Funded	100%
Pension Funded Ratio[1]	100%
Unemployment Rate (April 2021)	
Wisconsin	4.3%
U.S.	5.7%

[1] *Source: State of Wisconsin FY 2020 CAFR*

Rating Determinants (RD) – GO	
1. Management Structure, Budgeting Practices and Policies	AAA *(upgraded from AA+)*
2. Debt and Additional Continuing Obligations	AAA
3. Financial Performance and Liquidity Position	AAA *(upgraded from AA+)*
4. State Resource Base	AA

RD 1 Update: Management Structure, Budgeting Practices and Policies

Management structure, budgeting and fiscal policies have contributed to favorable operating trends. Most of the State's financial policies and procedures, while not codified in statute, are long established, and have been consistently followed over time. In recent years, these embedded practices have been complemented by a series of budgetary and leadership actions that demonstrate relative tax, spending, and debt restraints which KBRA believes have strengthened the State's overall financial health and flexibility.

ESG Management

Environmental Factors

As part of its strategic planning efforts, the State is taking steps to address the impact of climate change, including extreme weather, heat, flooding, and tornadoes, among other potential risks. Such changes affect all residents of the State, but may be particularly apparent on the dairy and farming industries. Long established environmental policies, codified in 1972 with the enactment of the Wisconsin Environmental Policy Act, are designed to encourage environmentally sensitive decision making by State agencies. The State has more recently joined the U.S. Climate Alliance, a coalition of 25 states committed to achieving reductions in greenhouse gas emissions. In August 2019, Governor Evers signed Executive Order 38, committing the State to the goal of being 100% carbon free by 2050. The Wisconsin Office of Sustainability and Clean Energy, part of the DOA, is responsible for the implementation of programs and policies to support clean energy resources and technology.

According to the Department of Natural Resources' August 2020 Wisconsin Greenhouse Gas Emissions Inventory Report, the electricity sector accounted for 33% of the State's 2017 GHG emissions, followed by transportation (24%) and agriculture (15%). The 2020-2026 Final Strategic Energy Assessment of the State's Public Service Commission notes that while coal continues to be the dominant source of electricity generation in the State, the share of energy produced from coal declined from 63% to 48% from 2010-2018, which KBRA notes is reflective of the State's energy diversification efforts. Wisconsin electric providers are on track to further reduce this percentage to 40% by 2026, with replacement capacity from new natural gas combined-cycle plants and solar.

Social Factors

The Governor's Task Force on Climate Change Report, released in December 2020, establishes detailed policy solutions for climate change mitigation and adaptation. The recommendations developed by the Task Force recognize that communities of color and low-income communities are often the most impacted by climate degradation. The Task Force creates an Office of Environmental Justice whose function is to improve the State's consultation process with Native Nations, and to develop solutions to reduce environmental threats to Black, Indigenous, and other communities of color (BIPOC) and low-income communities.

Governance Factors

Led by the State's Chief Information Officer, cybersecurity remains a primary focus for the State, highlighted by its ongoing investments in cybersecurity and cyber-defense capabilities. Its 2017 Cybersecurity Strategy set forth five priorities to protect State data and infrastructure, including 1) utilization of enterprise collaboration with local and federal partners, and certain private sector partners; 2) protecting the State from cyber incidents; 3) improving the awareness of cyber risks statewide; 4) protecting critical infrastructure across the State; and 5) improving the resiliency of the State's workforce and citizens. A centerpiece of the State's cybersecurity strategy is the National Institute of Standards and Technology (NIST) Framework, which standardizes procedures and practices across the enterprise, focusing on identification, protection, detection, response and recovery. The State's approach to cyber-incident response integrates and builds upon existing all-hazards response capabilities. The State's Critical Infrastructure/Key Resources guide provides a strategy for cyber disruption response. The State has also established a Cyber Incident Response Annex as an element of its Emergency Response Plan.

RD 3 Update: Financial Performance and Liquidity Position

On June 8th, 2021, the Legislative Fiscal Bureau (LFB) reported its updated annual General Fund (GF) revenue and expenditure projections for the Legislature (LFB Report) for FY 2021 and the current biennium (FY 2022 and FY 2023). Typically, the LFB Report, which is generated in odd numbered years and updates a similar report produced earlier in the year (January LFB Report), is published in May. However, due to the delay in the individual income tax filing deadline, to May 17th, 2021, the LFB Report was instead published in June. It incorporates actual tax collections and IHS Markit's forecast for the national economy through May 2021.

The LFB Report projects that the FY 2021 gross ending balance in the State's GF will equal $2.6 billion, which is after an estimated transfer of $807.9 million to the BSF. The net balance is projected to be $2.5 billion, taking into account the statutorily required annual transfer of $85 million. These gross and net GF balances are a significant $816.1 million greater than what had been forecast by the LFB in January, inclusive of the impact of 2021 Wisconsin Act 1 (Act 1)which reduced GF tax collections by $254 million. Among other changes, Act 1 aligned the State's tax treatment of certain loan forgiveness and other financial assistance with the approach taken by the federal government.

The primary drivers of the more favorable LFP Report projections are projected tax collections that are $1.4 billion higher than previous projections and GF expenditures that are an estimated $92.2 million below appropriated amounts. Driving the lower GF expenditures are (i) a $53.1 million reduction in claims for earned income tax credits ($53.5 million); (ii) a $20.0 million lapse in the appropriation for the office of State Public Defender; and (iii) an increase of $18.7 million in amounts available in the police and fire protection fund which can be used in lieu of General Purpose Revenue (GPR) funding for the county and municipal aid program.

As required by State statute, one-half of the amount by which actual GF tax collections exceed amounts identified in the biennial budget are transferred to the BSF ($231.8 million). For FY 2021, GF tax collections estimated by the LFB Report ($19.2 billion) are $1.6 billion higher than what was included in 2019 Act 1, leading to a projected supplemental transfer of $807.9 million. With this transfer, the BSF is projected to reach $1.6 billion, a solid 9.0% of FY 2021 GF expenditures.

The Department of Administration (DOA) reports GF cash receipts increased by a significant 15.3% in FY 2021, to $43.6 million. GF cash disbursements are expected to increase by a lower 13.3%, to $41.2 billion, resulting in net cash flow of approximately $2.5 billion. FY 2021 performance compares favorably to the prior four fiscal years (FY 2017 through FY 2020) where net cash flows ranged from $157.2 million (FY 2018) to $1.5 million (FY 2020). KBRA recognizes that very favorable GF FY 2021 cash basis performance reflects the combination of federal stimulus funds combined with budget conservatism and the ability to consistently outperform tax collection estimates.