STATE OF WISCONSIN
CONTINUING DISCLOSURE
ANNUAL REPORT

FILED PURSUANT TO UNDERTAKINGS PROVIDED TO PERMIT COMPLIANCE WITH SECURITIES EXCHANGE COMMISSION RULE 15C2-12

GENERAL OBLIGATIONS
(Base CUSIPs 977055, 977056, 97705L, and 97705M)

MASTER LEASE CERTIFICATES OF PARTICIPATION
(Base CUSIP 977087)

TRANSPORTATION REVENUE OBLIGATIONS
(Base CUSIP 977123)

ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS
(Base CUSIP 97709T)

GENERAL FUND ANNUAL APPROPRIATION BONDS
(Base CUSIP 977100)

December 23, 2022

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary-designee
Brian Pahnke, Administrator

December 23, 2022

Thank you for your interest in the State of Wisconsin.

This is the Continuing Disclosure Annual Report for the fiscal year ending June 30, 2022 (**2022 Annual Report**).

The 2022 Annual Report provides information on different securities that the State issues and is provided under the State's continuing disclosure undertakings. These undertakings of the State are intended to help dealers and brokers comply with Rule 15c2-12 under the Securities Exchange Act of 1934. As of this date, the State has filed the 2022 Annual Report with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system. emma receives, and makes available to the public, continuing disclosure documents and related information that is provided by issuers and obligated persons.

Official Statements for securities that the State issues during calendar year 2023 may incorporate parts of this 2022 Annual Report by reference.

Organization of the 2022 Annual Report

The 2022 Annual Report is divided into nine parts. The first two parts present general information.

- **Part I** presents the **State's continuing disclosure undertakings**. A Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019) establishes a general framework. Separate addenda describe the information to be provided for specific types of securities.
- **Part II** presents **general information about the State**, including COVID-19 updates, ESG considerations, operations, and financial results. This part also provides information on the 2021-23 biennial budget and the results of the 2021-22 fiscal year.

The remaining parts present information about different types of securities that the State issues.

- **Part III — General obligations (including bonds, extendible municipal commercial paper, variable rate demand obligations, floating rate notes, and commercial paper)**
- **Part IV — Master lease certificates of participation**
- **Part V — Transportation revenue obligations**
- **Part VI — Environmental improvement fund revenue bonds**
- **Part VII — General fund annual appropriation bonds**

Ratings on the State's Securities

The following chart presents a summary of the long-term ratings currently assigned to different types of securities that the State issues. Not every rating agency has been asked to rate every series of State obligations.

Security	Fitch Ratings	Kroll Bond Rating Agency	Moody's Investors Service, Inc.	S&P Global Ratings
General Obligations	AA+	AAA	Aa1	AA+
Master Lease Certificates of Participation	AA	AA+	Aa2	AA
Transportation Revenue Bonds	AA+	AAA	Aa2	AAA
Environmental Improvement Revenue Bonds	AAA	—	—	AAA
General Fund Annual Appropriation Bonds	AA	—	Aa2	AA

How to Get Additional Information

If you are interested in information about securities that the State issues, please contact the Capital Finance Office; *the Capital Finance Office is the only party authorized to speak on the State's behalf about the State's securities.*

The Capital Finance Office maintains two websites that provide access to both disclosure and non-disclosure information. The State's investor relations website (**wisconsinbonds.com**) is intended to assist investors in finding disclosure information about the State. The Capital Finance Office posts to both websites monthly general fund cash flow reports and all event and additional (voluntary) filings made through MSRB's EMMA system.

wisconsinbonds.com

doa.wi.gov/capitalfinance

We welcome your comments or suggestions about the 2022 Annual Report. I can be reached at (608) 267-1836 or **DOACapitalFinanceOffice@wisconsin.gov**.

Aaron M. Heintz

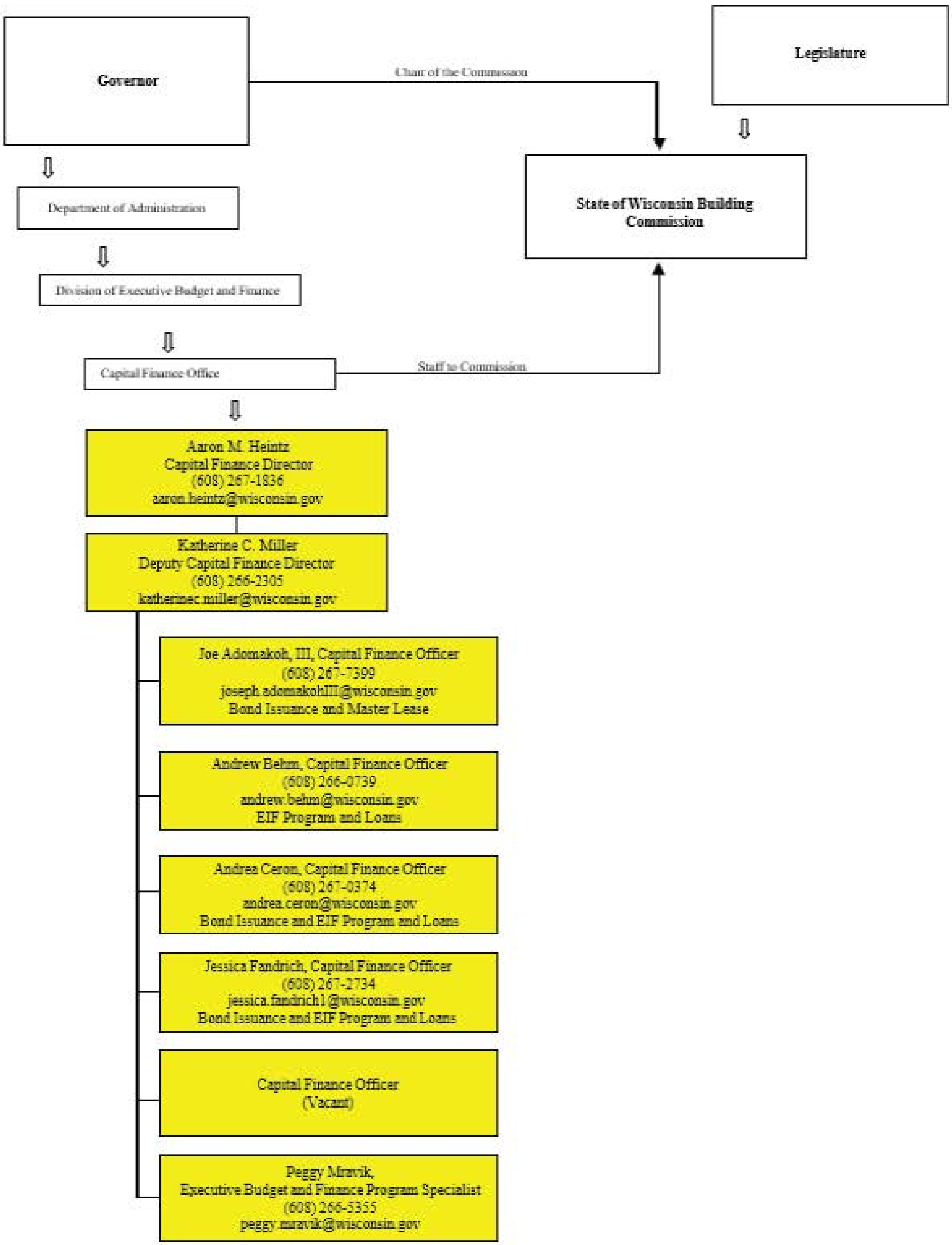
Aaron M. Heintz
Capital Finance Director

SUMMARY OF OUTSTANDING STATE OF WISCONSIN OBLIGATIONS AS OF DECEMBER 15, 2022

	Principal Balance 12/15/2021	Principal Issued 12/15/2021 – 12/15/2022	Principal Matured, Redeemed, or Defeased 12/15/2021 – 12/15/2022	Principal Balance 12/15/2022
GENERAL OBLIGATIONS[(a)]				
Total	**$7,117,778,888**	**$904,985,000**	**$1,202,647,888**	**$6,820,116,000**
General Purpose Revenue (GPR)	3,670,894,291	409,217,591	567,431,518	3,512,680,364
Self-Amortizing: Other	3,446,884,597	495,767,409	635,216,370	3,307,435,636
MASTER LEASE CERTIFICATES OF PARTICIPATION[(a)]				
Total	**$61,782,198**	**$44,401,321**	**$39,706,297**	**$66,477,222**
TRANSPORTATION REVENUE OBLIGATIONS				
Total	**$1,710,990,000**	**$0**	**$145,685,000**	**$1,565,305,000**
ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS				
Total	**$368,800,000**	**$50,000,000**	**$23,830,000**	**$394,970,000**
GENERAL FUND ANNUAL APPROPRIATION BONDS				
Total	**$2,839,035,000**	**$0**	**$178,200,000**	**$2,660,835,000**

(a) This table also includes variable rate obligations that have been issued by the State.

Capital Finance Office Staff (December 15, 2022)



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ENVIRONMENTAL IMPROVEMENT FUND
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STATE OFFICIALS PARTICIPATING IN ISSUANCE AND SALE OF BONDS AND OTHER OBLIGATIONS

BUILDING COMMISSION MEMBERS*

Voting Members	**Term of Office Expires**
Governor Tony Evers, Chairperson	January 9, 2023
Representative Rob Swearingen, Vice Chairperson	January 9, 2023
Senator Andre Jacque	January 9, 2023
Senator Jerry Petrowski	January 9, 2023
Senator Janis Ringhand	January 9, 2023
Representative Jill Billings	January 9, 2023
Representative Robert Wittke	January 9, 2023
Ms. Summer Strand, Citizen Member	At the pleasure of the Governor
Nonvoting, Advisory Member	
Mr. Kevin Trinastic, State Ranking Architect Department of Administration	——
Building Commission Secretary	
Ms. Naomi De Mers, Administrator Division of Facilities Development & Management Department of Administration	At the pleasure of the Building Commission and the Secretary Administration

OTHER PARTICIPANTS

Mr. Joshua L. Kaul State Attorney General	January 9, 2023
Ms. Kathy K. Blumenfeld, Secretary-designee 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
DOACapitalFinanceOffice@wisconsin.gov

Mr. Aaron Heintz
Capital Finance Director
(608) 267-1836

Ms. Katherine Miller
Deputy Capital Finance Director
(608) 266-2305

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

Mr. Andrew Behm
Capital Finance Officer
(608) 266-0739

Ms. Andrea Ceron
Capital Finance Officer
(608) 267-0374

Ms. Jessica Fandrich
Capital Finance Officer
(608) 267-2734

* 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.

PART I

STATE'S CONTINUING DISCLOSURE UNDERTAKINGS

Part I of the State of Wisconsin Continuing Disclosure Annual Report, dated December 23, 2022 **(2022 Annual Report)** provides information on the undertakings the State of Wisconsin **(State)** has made to enable brokers, dealers, and municipal securities dealers, in connection with their participation in the offerings of securities issued by the State, to comply with Rule 15c2-12(b)(5) adopted by the U.S. Securities and Exchange Commission **(SEC)** under the Securities Exchange Act of 1934 **(Rule 15c2-12)**.

This Part I of the 2022 Annual Report includes the State's Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019) **(Master Agreement)**, which establishes a general framework under which the State provides continuing disclosure on various types of securities the State has issued, and also includes five addenda that describe information to be provided in an annual report about the following types of securities:

- General Obligations
- Master Lease Certificates of Participation
- Transportation Revenue Bonds
- Environmental Improvement Fund Revenue Bonds
- General Fund Annual Appropriation Bonds

The State's Master Agreement was amended and restated in calendar year 2019 to reflect amendments to Rule 15c2-12, which were effective February 27, 2019. In particular, items 15 and 16 were added as "Listed Events" in the Master Agreement.

The State currently provides annual reports and notices required under its Master Agreement to the Municipal Securities Rulemaking Board (**MSRB**) through the MSRB's Electronic Municipal Market Access (**EMMA**) system, with the understanding that emma will make that information available to the public.

Requests for additional information about the State's undertakings may be directed as follows:

Contact:	Capital Finance Office Attn: Capital Finance Director
Phone:	(608) 267-1836
Mail:	State of Wisconsin Department of Administration 101 East Wilson Street, FLR 10 P.O. Box 7864 Madison, WI 53707-7864
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Websites:	doa.wi.gov/capitalfinance wisconsinbonds.com

The 2022 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of terms used in one part of the 2022 Annual Report may differ from that of the same terms used in another part. No information or resource referred to in the 2022 Annual Report is part of the report unless expressly incorporated by reference.

Pursuant to action of the State of Wisconsin Building Commission **(Commission)**, the State's Capital Finance Office is responsible for establishing procedures to provide continuing disclosure with respect to the State's obligations in fulfillment of its undertakings. The Master Agreement provides that, if the State fails to make a required filing, 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 its Master Agreement, or any similar undertaking.

The following is a summary of the filings that the State has made under its Master Agreement over the past five years. The State also filed numerous other additional (voluntary) filings.

Calendar Year	**Date**	**Type or Filing (Summary of Filings)**
2022[(a)]	December 23, 2022	Annual Report, including Annual Comprehensive Financial Report and State Audited Financial Statements for fiscal year ended June 30, 2022
	Various	15 Notices of Listed Events (Bond Call, Defeasance, Rating Changes, and audited financial statements)
2021	December 23, 2021	Annual Report, including Annual Comprehensive Financial Report and State Audited Financial Statements for fiscal year ended June 30, 2021
	Various	22 Notices of Listed Events (Bond Call, Defeasance, Rating Changes, and audited financial statements)
2020	December 23, 2020	Annual Report, including Comprehensive Annual Financial Report and State Audited Financial Statements for fiscal year ended June 30, 2020
	Various	20 Notices of Listed Events (Bond Call, Defeasance, and audited financial statements)
2019	December 20, 2019	Annual Report, including Comprehensive Annual Financial Report and State Audited Financial Statements for fiscal year ended June 30, 2019
	Various	12 Notices of Listed Events (Bond Call, Defeasance, Appointment of Successor Trustee, and audited financial statements)
2018	December 21, 2018	Annual Report, including Comprehensive Annual Financial Report and State Audited Financial Statements for fiscal year ended June 30, 2018
	Various	17 Notices of Listed Events (Bond Call, and audited financial statements)
	February 14, 2018	Comprehensive Annual Financial Report and State Audited Financial Statements for fiscal year ended June 30, 2017

(a) As of December 23, 2022.

MASTER AGREEMENT ON CONTINUING DISCLOSURE
(AMENDED AND RESTATED MARCH 1, 2019)

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

SECTION a. Definitions. The following capitalized terms shall have the following meanings:

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

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

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

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

"**Commission**" shall mean the U.S. Securities and Exchange Commission.

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

"**EMMA**" shall mean the Electronic Municipal Market Access system for municipal securities disclosure, a Commission-approved electronic database established and operated by the MSRB to accommodate the collection and availability of required filings of secondary market disclosures under the Rule.

"**Event Notice**" shall mean a notice of an occurrence of a Listed Event provided under Section 6(b) hereof or a notice provided under Sections 4(c), 6(c), or 8.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"**financial obligation**" shall mean (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of a debt obligation or such a derivative instrument. The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"**Issuer**" shall mean the securities issuer described above, namely, the State of Wisconsin.

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

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

"**Participating Underwriter**" shall mean any broker, dealer, or municipal securities dealer that is required to comply with the Rule when acting as an underwriter in connection with a primary offering of an issue of Bonds.

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

"**Rule**" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Exchange Act.

"**Supplemental Agreement**" shall mean an agreement, substantially in the form of Exhibit B hereto, that either (i) determines that the Disclosure Agreement and a specific Addendum Describing Annual Report shall apply to a specific issue of Bonds or (ii) determines that the Disclosure Agreement (other than Sections 4 or 5, which concern Annual Reports) shall apply to a specific issue of Bonds.

SECTION b. **Purpose of the Disclosure Agreement.** The purpose of this Disclosure Agreement is to assist Participating Underwriters in complying with the Rule in connection with a primary offering of an issue of Bonds.

SECTION c. **Application of the Disclosure Agreement.** This Disclosure Agreement shall apply to an issue of Bonds when the Issuer executes and delivers a Supplemental Agreement. This Disclosure Agreement may apply in whole or in part, as specified by the Supplemental Agreement. This Disclosure Agreement may apply to more than one issue of Bonds but shall be construed as a separate agreement for each issue of Bonds. The purpose of having this Disclosure Agreement apply to more than one issue of Bonds is to promote uniformity of the Issuer's obligations with respect to all issues of Bonds.

SECTION d. **Provision of Annual Reports.**

(a) The Issuer shall, not later than 180 days following the close of the Issuer's fiscal year, provide to the MSRB an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Agreement.

(b) If Issuer's audited financial statements are not publicly available at the time the Annual Report is submitted, the Issuer shall submit them to the MSRB within ten business days after the statements are publicly available.

(c) If the Issuer fails to provide an Annual Report to the MSRB by the date required in subsection (a), the Issuer shall send an Event Notice to the MSRB.

SECTION e. **Content and Submission of Annual Reports.**

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

(b) The Annual Report shall be submitted to the MSRB in an electronic format, and accompanied by identifying information, as prescribed by the MSRB. As of the date of this Disclosure Agreement, the MSRB prescribes that all submissions of secondary disclosure be made through EMMA. The Annual Report may be submitted as a single document or as a package comprising separate documents. All, or any of, the items constituting the Annual Report may be incorporated by reference from other documents available to the public on the MSRB's Internet Web site or filed with the Commission. The Issuer shall clearly identify each document so incorporated by reference.

(c) Each time the Issuer submits information to the MSRB in accordance with this Disclosure Agreement, it shall confirm, in the manner it deems appropriate, the MSRB's prescriptions concerning the electronic format and accompanying identifying information. As of the date of this Disclosure Agreement, information on the MSRB's required electronic format and submission procedures through EMMA can be found on the MSRB's Internet Web site at www.emma.msrb.org.

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

SECTION f. Reporting of Significant Events.

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

(a. Principal and interest payment delinquencies.

(b. Non-payment related defaults, if material.

(c. Unscheduled draws on debt service reserves reflecting financial difficulties.

(d. Unscheduled draws on credit enhancements reflecting financial difficulties.

(e. Substitution of credit or liquidity providers, or their failure to perform.

(f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g. Modifications to rights of Bondholders, if material.

(h. Bond calls, if material, and tender offers.

(i. Defeasances.

(j. Release, substitution, or sale of property securing repayment of the Bonds, if material.

(k. Rating changes.

(l. Bankruptcy, insolvency, receivership or similar event of an obligated person (for the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the obligated person).

(m. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(o. Incurrence of a financial obligation of an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an obligated person, any of which affect Bondholders, if material.

(p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the MSRB not in excess of ten business days after the occurrence of the event.

(c) Similarly, if the Issuer determines that it failed to give notice of an occurrence as required by this section, it shall promptly file an Event Notice with respect to such occurrence to the MSRB.

(d) Notwithstanding (b) above, the Issuer shall not be required to file notice of the occurrence of the items listed in number 15 and 16 above for Bonds issued prior to February 27, 2019. For items listed in number 16 above, the financial obligation to which the notice relates may have been issued or entered into prior to or after February 27, 2019.

SECTION g. <u>Termination of Reporting Obligation</u>. The Issuer's obligations under this Disclosure Agreement with respect to an issue of Bonds shall terminate upon the legal defeasance, prior redemption, or payment in full of all Bonds of the issue or if the Rule shall be revoked or rescinded by the Commission or declared invalid by a final decision of a court of competent jurisdiction.

SECTION h. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement if the following conditions are met:

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

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

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

In the event this Disclosure Agreement is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it files after such event shall explain the reasons for the amendment or waiver and the impact, if any, of the change in the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, the Issuer agrees that it will give an Event Notice and that the next Annual Report it files after such event will present a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

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

SECTION l. Responsible Officer. Pursuant to a resolution adopted by the State of Wisconsin Building Commission on August 9, 1995, the Capital Finance Director has been authorized to execute this Disclosure Agreement on behalf of the Issuer, and the Capital Finance Office has been designated as the office of the Issuer responsible for providing Annual Reports and giving notice of Listed Events, to the extent required hereunder. Any inquiries regarding this Disclosure Agreement should be directed to the Capital Finance Office, Department of Administration, Division of Executive Budget and Finance, 101 East Wilson Street, Madison, Wisconsin 53702, Phone: (608) 267-0374, Email: DOACapitalFinanceOffice@wisconsin.gov or such other address, telephone number, fax number, or email address as the Issuer may from time to time provide by an addendum hereto.

SECTION m. Satisfaction of Conditions. This Disclosure Agreement amends and restates the Master Agreement on Continuing Disclosure (Amended and Restated December 1, 2010) (**Prior Agreement**), executed and delivered by the Issuer and dated December 1, 2010. The Issuer finds and determines that the conditions stated under Section 8 of the Prior Agreement for amendment of the Prior Agreement have been satisfied and, more particularly:

(a) The amendments are being made in connection with a change in circumstances that arises from a change in legal requirements or a change in law (namely, amendments to the Rule);

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account the amendments to the Rule; and

(c) The amendments do not materially impair the interests of the Bondholders, as determined by an opinion of nationally recognized bond counsel.

In witness whereof, the Issuer has caused this Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019) to be executed by its duly authorized officer.

Date: March 1, 2019

State of Wisconsin
Issuer

By: /s/ David R. Erdman
David R. Erdman
Capital Finance Director

<u>EXHIBIT A</u>

FORM OF ADDENDUM DESCRIBING ANNUAL REPORT

ADDENDUM DESCRIBING ANNUAL REPORT
FOR [TYPE OF OBLIGATIONS]

This Addendum Describing Annual Report for [Type of Obligation] (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019)] (as may be further amended from time to time in accordance with the terms thereof, **Disclosure Agreement**), executed and delivered by the Issuer and dated ____________, 20__]. This Addendum describes the content of an Annual Report prepared with respect to [type of obligation]. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

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

<u>Additional Obligated Person(s)</u>: [None] [Each of the entity named or described by objective criteria below is an obligated person: ____________________________________]

<u>Content of Annual Report for Issuer</u>. Accounting Principles. The following accounting principles shall be used for the financial statements: _________________________.

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

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

<u>Content of Annual Report for Additional Obligated Person(s)</u>. Accounting Principles. The following accounting principles shall be used for the financial statements: _________________________.

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

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

In witness whereof, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: _________, 20___

State of Wisconsin
Issuer

By:____________________________
Name:__________________
Title:___________________

EXHIBIT B

FORM OF SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is executed and delivered by the State of Wisconsin (**Issuer**) to supplement the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019] (as may be further amended from time to time in accordance with the provisions thereof, **Disclosure Agreement**), executed and delivered by the Issuer and dated ___________, 20__. Pursuant to the provisions of the Disclosure Agreement, the Issuer hereby [determines that the Disclosure Agreement and the Addendum Describing Annual Report for [Type of Obligation] shall apply to the following issue of obligations] [determines that the Disclosure Agreement (other than Sections 4 and 5, which concern Annual Reports) shall apply to the following issue of obligations]:

Name of Obligations:

____

____

Date of Issue: ____________, _____

CUSIPs ____________________________

In witness whereof, the Issuer has caused this Supplemental Agreement to be executed by its duly authorized officer.

Date: _________, 20___

State of Wisconsin
Issuer

By:_____________________________
Name:__________________
Title:___________________

ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL OBLIGATIONS

This Addendum Describing Annual Report for General Obligations (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), as it may be further amended from time to time in accordance with the terms thereof (**Disclosure Agreement**), executed and delivered by the Issuer and dated March 1, 2019. This Addendum describes the content of an Annual Report prepared with respect to general obligations. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

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

Additional Obligated Person(s): None

Content of Annual Report for Issuer.

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

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

Operating Data. In addition to the financial statements, unaudited operating data about the following matters shall be presented: (i) revenues received by the State, (ii) expenditures made by the State, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning temporary reallocation, (vi) pertinent information on significant pending litigation, (vii) balances of outstanding State obligations, and (viii) statistical information on the State's economic condition and Wisconsin Retirement System.

In witness whereof, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: March 1, 2019

State of Wisconsin
Issuer

By: /s/ David R. Erdman
Name: David R. Erdman
Title: Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR MASTER LEASE CERTIFICATES OF PARTICIPATION

This Addendum Describing Annual Report for Master Lease Certificates of Participation (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), as it may be further amended from time to time in accordance with the terms thereof (**Disclosure Agreement**), executed and delivered by the Issuer and dated March 1, 2019.

Issuer. The Issuer is an obligated person in this respect: it is required to make lease payments from any source of legally available funds, subject to annual appropriation, which lease payments will be used to pay, when due, the semi-annual principal and interest due with respect to the Master Lease Certificates of Participation. No other entity is an obligated person.

Content of Annual Report for Issuer.

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

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

Operating Data. In addition to the financial statements, unaudited operating data concerning the following matters shall be presented: (i) revenues received by the State, (ii) expenditures made by the State, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning temporary reallocation, and (vi) pertinent information on significant pending litigation.

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

Date: December 1, 2019

STATE OF WISCONSIN
Issuer

By: /S/ DAVID R. ERDMAN
David R. Erdman
Capital Finance
Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR TRANSPORTATION REVENUE BONDS

This Addendum Describing Annual Report for Transportation Revenue Bonds (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), as it may be further amended from time to time in accordance with the terms thereof (**Disclosure Agreement**), executed and delivered by the Issuer and dated March 1, 2019. This Addendum describes the content of an Annual Report prepared with respect to transportation revenue bonds. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

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

Additional Obligated Person(s): None

Content of Annual Report for Issuer.

Accounting Principles. The following accounting principles shall be used for the financial statements: generally accepted accounting principles or in accordance with another comprehensive basis of accounting.

Financial Statements. The financial statements shall present the following information: Audited financial statements of the transportation revenue bond program and supplemental information to the audited financial statement.

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

(a) History of Section 341.25 registration fees for last 10 years.
(b) Estimated Section 341.25 registration fees for next 10 years.
(c) Historical and estimated amounts of other pledged revenues consisting of certain vehicle registration-related fees.
(d) Debt service on all outstanding transportation revenue bonds and estimated revenue coverage based on estimated pledged revenues for next 10 years.
(e) Demographic information for the State of Wisconsin relating to vehicle registrations.

In witness whereof, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: March 1, 2019

State of Wisconsin
Issuer

By: /s/ David R. Erdman
Name: David R. Erdman
Title: Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR ENVIRONMENTAL IMPROVEMENT FUND REVENUE OBLIGATIONS

This Addendum Describing Annual Report for Environmental Improvement Fund Revenue Bonds (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), as it may be further amended from time to time in accordance with the terms thereof (**Disclosure Agreement**), executed and delivered by the Issuer and dated March 1, 2019.

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

Additional Obligated Person(s): Each entity described by the objective criteria below is an obligated person (**Additional Obligated Person**): Any person, including an issuer of municipal securities, who directly or indirectly at the close of the Issuer's fiscal year, is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of 20 percent or more of the cash flow servicing the then outstanding environmental improvement fund revenue obligations (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

Any Additional Obligated Person will be required by the Issuer to enter into an undertaking agreement to provide, not later than 180 days following the close of that Additional Obligation Person's fiscal year, an annual report meeting the requirements outlined below under "Content of Annual Report for Additional Obligated Person".

Content of Annual Report for Issuer.

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

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

(a) Audited financial statements of the Environmental Improvement Fund and supplemental information to the audited financial statement.

Operating Data. In addition to the financial statements, operating data about the following clean water fund program and safe drinking water loan program matters shall be presented:

(a) List of outstanding loans
(b) List of financial assistance commitments

Content of Annual Report for Additional Obligated Person.

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

Financial Statements. The financial statements shall present the following information: Audited financial statements of the Additional Obligated Person.

Operating Data. In addition to the financial statements, operating data about the following matters shall be presented: None.

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

Date: December 1, 2019

STATE OF WISCONSIN
Issuer

By /s/ David R. Erdman
David R. Erdman
Capital Finance Director

ADDENDUM DESCRIBING ANNUAL REPORT FOR GENERAL FUND ANNUAL APPROPRIATION BONDS

This Addendum Describing Annual Report for General Fund Annual Appropriation Bonds (**Addendum**) is delivered by the State of Wisconsin (**Issuer**) pursuant to the Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), as it may be further amended from time to time in accordance with the terms thereof (**Disclosure Agreement**), executed and delivered by the Issuer and dated March 1, 2019.

This Addendum describes the content of an Annual Report prepared with respect to general fund annual appropriation bonds issued under Section 16.527 of the Wisconsin Statutes. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Disclosure Agreement.

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

Additional Obligated Person: None

Content of Annual Report for Issuer.

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

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

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

(a) a determination, with supporting information, of the “Annual Appropriation Amount,” as defined in the Trust Indenture, dated as of December 1, 2003 (the “2003 Indenture”), as amended, between the Issuer and U.S. Bank National Association, as successor to Deutsche Bank Trust Company Americas, as trustee, and of the “Annual Appropriation Amount”, as defined in the Trust Indenture, dated as of April 1, 2009 (the “2009 Indenture”), as amended, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as successor to Deutsche Bank Trust Company Americas and U.S. Bank National Association, as trustee, for each fiscal year in the current biennium;

(b) the amounts appropriated by the legislature in each fiscal year with respect to appropriation obligations issued under Section 16.527 of the Wisconsin Statutes; *provided, however,* that not more than ten years in which amounts have been appropriated need be presented;

(iii) revenues received by the State;

(iv) expenditures made by the State;

(v) budgets;

(vi) selected financial data concerning the General Fund;

(vii) information concerning temporary reallocations;

(viii) pertinent information on significant pending litigation;

(ix) balances of outstanding State obligations; and

(x) statistical information on the State's economic condition and Wisconsin Retirement System.

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

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

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

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

In witness whereof, the Issuer has caused this Addendum to be executed by its duly authorized officer.

Date: March 1, 2019

STATE OF WISCONSIN
Issuer

By /s/ David R. Erdman
David R. Erdman
Capital Finance Director

PART II

GENERAL INFORMATION ABOUT THE STATE OF WISCONSIN

Part II of the 2022 Annual Report provides general information about the State of Wisconsin **(State)**. It describes the following:

- COVID-19 Update
- Environmental, Social, and Governance Factors
- Revenues
- Expenditures
- Accounting and Financial Reporting
- Budgeting Process and Fiscal Controls
- Budgetary Results of 2021-22 Fiscal Year
- State Budget (including State Budget for 2023-25 Biennium)
- General Fund Information
- State Government Organization
- State of Wisconsin Building Commission
- State Obligations
- Employee Pension Funds and Other Post-Employment Benefits
- State of Wisconsin Investment Board
- Statistical Information

APPENDIX A to this Part II of the 2022 Annual Report includes the audited general purpose external financial statements for the fiscal year ending June 30, 2022 and the independent auditor's report provided by the State Auditor.

Requests for additional information about the State may be directed as follows:

Contact:	Capital Finance Office Attn: Capital Finance Director
Phone:	(608) 267-1836
Mail:	State of Wisconsin Department of Administration 101 East Wilson Street, FLR 10 P.O. Box 7864 Madison, WI 53707-7864
E-mail:	DOACapitalFinanceOffice@wisconsin.gov
Websites:	doa.wi.gov/capitalfinance wisconsinbonds.com

The State has independently provided periodic reports on General Fund financial information. These reports are not required by any of the State's undertakings provided to permit compliance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. These reports are available on the State's Capital Finance Office websites that are listed above and are filed as additional voluntary information with the Municipal Securities Rulemaking Board (**MSRB**) through its Electronic Municipal Market Access (**EMMA**) system. These reports are not incorporated by reference into this Part II of the 2022 Annual Report. The State is not obligated to provide such reports at any time in the future.

This Part II of the 2022 Annual Report presents financial information about the State in various formats. Some financial information is presented on a budgetary basis or an agency-recorded basis, while other information is presented on a cash basis. Some financial information relates to the General Fund only, while other information relates to other funds. The reader should be aware of these different formats when reviewing the financial information presented in the 2022 Annual Report.

The 2022 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of a term used in one part of the 2022 Annual Report may differ from that of the same term used in another part, and the total amount shown in a table may vary from the related sum due to rounding. No information or resource referred to in the 2022 Annual Report is part of the report unless expressly incorporated by reference.

Certain statements in this Part II of the 2022 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2022 Annual Report, 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.

COVID-19 UPDATE

The following information provides an overview of State actions taken in response to the COVID-19 pandemic and certain known effects on the State's economy and the State's financial condition through December 15, 2022. This information supplements that included in the State's Annual Fiscal Report issued on October 15, 2022 and certain voluntary filings of the State addressing the COVID-19 pandemic, all of which were filed with the MSRB through its EMMA system. As described below, the State cannot currently predict the ultimate economic and fiscal impact that the continuation of the COVID-19 pandemic will have on the State's revenues, expenditures, reserves, budget, or financial position.

Federal Aid – Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Pursuant to the CARES Act, the State received approximately $2.0 billion of Coronavirus Relief Fund federal assistance. As of September 30, 2022, the State had allocated all of these funds to State and local government expenditures related to COVID-19.

Federal Aid – The American Rescue Plan Act of 2021 (ARPA)

In addition to the CARES Act, and in response to the economic fallout of the COVID-19 pandemic, the federal government enacted ARPA into law on March 11, 2021. ARPA contains numerous provisions that authorize payments to individuals, businesses, and governments, including the establishment of the State Fiscal Recovery Fund and the Local Fiscal Recovery Fund. The Legislative Fiscal Bureau (**LFB**) initially identified up to approximately $3.2 billion of federal funds that the State could receive from the State Fiscal Recovery Fund. This amount was later revised to $2.5 billion due to revised unemployment data, which showed Wisconsin with lower unemployment than anticipated. In addition, LFB has identified up to approximately $2.1 billion of federal funds that local units of government in the State could receive from the Local Fiscal Recovery Fund. On May 19, 2021, the State received nearly $1.3 billion from the State Fiscal Recovery Fund and an additional $206 million from the Local Fiscal Recovery Fund for distribution to local units of government. On May 13, 2022 and June 7, 2022, the State received the remaining half of its funds and local units of government's funds, respectively. As of September 30, 2022, the State had made actual expenditures using State Fiscal Recovery Fund dollars in the amount of approximately $813 million.

The Governor has announced plans for allocation of the ARPA funds that include (i) $568 million for continued statewide pandemic response efforts and government operations, (ii) $100 million for broadband access, (iii) $834 million for economic resilience including small business support and workforce, (iv) $675 million for investments in community building, (v) $56 million for assistance to households, (vi) $163 million for education and child care support and (vii) $137 million reserved for any future response needed as a result of the pandemic. Under current law, most ARPA funds must be obligated by December 30, 2024 and expended by December 31, 2026 or returned to the federal government. The State and Local Fiscal Recovery Funds program is just one component within ARPA. Other ARPA-funded program allocations received by the State include $79 million for the Treasury State Small Business Credit Initiative, $189 million for the Treasury Coronavirus Capital Projects Fund (of which $40 million has been approved for broadband infrastructure projects), $387 million for the Treasury Emergency Rental Assistance Program, and $93 million for the Treasury Homeowner Assistance Fund. The administration and funding of the various ARPA programs are subject to guidelines from the federal government. Additional funds may be available pursuant to other provisions of ARPA or future federal legislation. However, the State can make no assurances as to the availability, form, or economic impact of such funds generated from ARPA or further federal legislation, if any.

General Information and Vaccinations

The State of Wisconsin Department of Health Services (**DHS**) continues its efforts to provide COVID-19 vaccines to Wisconsinites. All Wisconsinites ages 6 months and older are eligible for the COVID-19 vaccination and, as of November 18, 2022, approximately 62% of Wisconsin residents were fully vaccinated, having completed a primary series of the COVID-19 vaccine. As of November 18, 2022, approximately 37% of Wisconsin residents had received at least one booster dose of the COVID-19 vaccine.

COVID-19 cases are still prevalent in the State due to continued evolution of the new COVID-19 variants causing infections. However, with the advent of monoclonal antibody and antiviral therapeutic treatment, as well as the continued development and increased availability of effective vaccines, incidence of severe disease and hospitalizations have stabilized.

In calendar year 2020, Governor Evers and the Secretary-designee of DHS issued various executive and emergency declarations and orders related to the COVID-19 pandemic, which included closing non-essential businesses, on-site school operations, implementing a stay-at-home order, and a mask mandate, among others. Under the Wisconsin Statutes, a state emergency declared by the Governor cannot exceed 60 days, unless extended by joint resolution of the Legislature. Several such emergency declarations expired without the Legislature having taken action on the declarations. Following a challenge to one such declaration, the State Supreme Court ruled on March 31, 2021 that the Governor did not have the authority to declare multiple emergencies, spanning more than 60 days, relating to the COVID-19 pandemic.

Consequently, there are no state-wide mask mandates or restrictions on public gatherings in effect. Any future actions to impose state-wide restrictions would likely have to be approved by the Legislature prior to implementation, limiting the ability of the Governor to take emergency actions in response to the COVID-19 pandemic. However, the Court's ruling did not address pandemic-related orders implemented at the county or local level. Some counties and local governments have been recommending the use of masks when inside buildings with reference to guidance from the U.S. Centers for Disease Control and Prevention.

The State and the federal government may take additional actions, including legislation, to address the effects of the COVID-19 pandemic. The State is unable to predict the form, likelihood, or effect of any such legislation or government action, which may be material.

The 2020 Annual Report noted that the pandemic and the emergency responses resulted in business closures, reductions in travel, and cancellations of numerous events as well as reduced aggregate demand for certain services, worker layoffs, furloughs and reductions in hours, and supply shortages. While the negative economic impact of the COVID-19 pandemic has been significantly mitigated in the State, the ultimate impact of the COVID-19 pandemic on the State economy will depend on a variety of factors, including the effectiveness of vaccines, vaccination rates throughout the State and the potential spread and virulence of any COVID-19 variants. For this reason, it is likely that the full financial impact of COVID-19 on the State, its economy, and its financial position will change as circumstances evolve. There can be no assurances that the continuing or unforeseen impacts of the COVID-19 pandemic, or other changes in the State economy, will not materially adversely affect the financial condition of the State. The State intends to file reports as it determines are appropriate from the State of Wisconsin Department of Revenue (**DOR**) or LFB that address State revenues, expenditures, and financial position with the MSRB through its EMMA system.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

The State understands that environmental, social, and governance (commonly referred to as **ESG** factors) have become areas of interest to investors of municipal obligations, such as those issued by the State. Prior State continuing disclosure annual reports have included information addressing ESG factors. For ease of review, the State is now providing below a summary of that information, along with certain other actions directed at ESG factors. It is not an exhaustive list. Neither any of the websites identified below, nor any information found on such sites, is incorporated herein.

The State believes that the actions that it has taken to address ESG factors, taken together, have had a positive impact on the credit quality of the State. However, the State's inclusion of this summary does not reflect a determination that such factors are material to its financial condition.

This summary of ESG factors does not indicate or imply any designation on any obligations issued by the State.

Environmental Factors

The State is susceptible to significant seasonal weather shifts during the course of a calendar year, including weather events such as flooding, tornadoes, blizzards, and drought. Changes to the climate in Wisconsin, including those resulting from emissions of greenhouse gases, and additional federal and State regulations to combat climate change may produce ecological, environmental, and economic effects on the State. Long-established environmental policies, codified in 1972 by 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 Department of Administration (**DOA**), is responsible for the implementation of programs and policies to support clean energy resources and technology.

On October 17, 2019, Governor Evers signed an executive order that established the Governor's Task Force on Climate Change. The task force was directed to advise and assist the governor in developing a strategy to mitigate and adapt to the effects of climate change for the benefit of all Wisconsin communities. The final published report was released in December 2020. Details on the task force including the timeline of key events as well as the final published report can be found on the following website: https://climatechange.wi.gov/Pages/Home.aspx.

According to the August 2020 Wisconsin Greenhouse Gas Emissions Inventory Report published by the State's Department of Natural Resources, the electricity sector accounted for 33% of the State's 2017 greenhouse gas emissions, followed by transportation at 24% and agriculture at 15%. The 2020-2026 Final Strategic Energy Assessment of the State of Wisconsin Public Service Commission noted 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. 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 State has in place a robust system designed to address social challenges, including access to essential services, socioeconomic advancement, and empowerment and employment generation, among others. Its programs aim to address or mitigate specific social issues and drive positive outcomes for its citizens.

In August 2020, a task force was created to focus on racial disparities, educational opportunities, public safety, and police policies and standards in Wisconsin. Community members were also invited to apply to serve on the task force. The task force has two subcommittees: the Subcommittee on Law Enforcement Policies and Standards and the Subcommittee on Education and Economic Development. Details on the task force can be found on the following website: https://legis.wisconsin.gov/2019/committees/assembly/stf-rd/

Beginning in 2017 the State committed to remove hazardous lead from the State's drinking water. In partnership with the Environmental Protection Agency, principal forgiveness grants valued at over $60 million have been provided to over 120 Wisconsin municipalities for lead service line removal. The current Bipartisan Infrastructure Law provides an additional $242 million in federal funds over the next five years for the removal of lead service lines, with a focus on prioritizing disadvantaged communities disproportionately impacted by lead contamination.

The results of the State's historical efforts directed at social factors are reflected, in part, in the information provided within the 2022 Annual Report, including, but not limited to, population, personal income, employment/unemployment, and other demographic trends included in the following tables in "STATISTICAL INFORMATION":

- Tables II-31 through II-33; population trends, population characteristics including years of school completed, and population by age group.
- Tables II-34 and II-35; estimated income information on per capita and per family basis.
- Tables II-36 and II-37; employment and earnings distribution
- Table II-38; new housing permits.
- Table II-39; unemployment rates.

Governance Factors

The backbone of the State's government structure is its Constitution, which includes a Declaration of Rights of all citizens of the State, and sets forth the core values of State government, as well as its structure. Other sections of this Part II of the 2022 Annual Report that provide information on governance factors include, but are not limited to, the following:

- "BUDGETING PROCESS AND FISCAL CONTROLS", which includes a summary of the State's budget development and enactment along with budget fiscal controls.
- "STATE GOVERNMENT ORGANIZATION", which includes a summary of the general organization of, and services provided by, State government.
- "STATE GOVERNMENT ORGANIZATION; Description of Services Provided by State Government; *Information and Cybersecurity*", which includes a summary of the State's strategy on information technology and cybersecurity.

Obligations Issued By State

Portions of nearly all of the obligations issued by the State address ESG factors including, but not limited to, the following:

- Environmental improvement fund revenue bonds and portions of nearly all of the State's general obligation bond issues are used to fund projects that address certain environmental factors. These include, but are not limited to, loans to municipalities to fund drinking water and wastewater improvement projects, dam safety and water pollution projects completed by the State's Department of Natural Resources, energy conservation projects at State-owned facilities, and water and wastewater projects at municipalities across the State.
- General obligations issued by the State are used directly to fund projects related to social challenges in the State, including but not limited to, loans to municipalities to fund drinking water and wastewater improvement projects, education facilities, including the University of Wisconsin (UW) System, health services, mental health and secured treatment facilities, stewardship programs and community medical education facilities.
- General obligations bond issues, and certain lease schedules under the State's master lease program, are used to fund projects related to governance factors of the State, including but not limited to, financing governmental functions throughout the State.

REVENUES

Revenue Structure

The State raises revenues from diverse sources:

1. Various taxes levied by the State
2. Federal government payments
3. Various kinds of fees, licenses, permits, and service charges paid by users of specific services, privileges, or facilities
4. Investment income
5. Gifts, donations, and contributions

Table II-1 identifies the specific sources of revenue (all funds) and the amounts raised from each source for each of the last five fiscal years. Future receipts may differ from historical data.

Table II-1
REVENUES (ALL SOURCES)[a]

	2021-22	2020-21	2019-20	2018-19	2017-18
State Collected Taxes					
Individual Income	$9,214,406,788	$9,283,387,941	$8,742,266,332	$8,994,096,152	$8,479,150,174
General Sales and Use	6,978,336,034	6,373,483,222	5,836,214,952	5,695,548,378	5,448,117,570
Corporate Franchise and Income	2,960,021,814	2,560,148,176	1,607,872,671	1,338,063,327	893,891,739
Public Utility	383,596,610	356,255,641	357,152,601	364,940,533	365,342,776
Excise	654,717,410	677,874,652	679,502,817	661,917,952	679,978,914
Inheritance and Gift	2,626	568	41,267	6,199	(32,556)
Insurance Companies	221,799,922	202,066,186	217,380,611	194,355,589	186,272,549
Motor Fuel	1,071,098,465	994,772,702	1,106,356,328	1,117,571,598	1,117,009,541
Forest	1,211,584	502,954	492,991	476,456	23,653,904
Miscellaneous	333,716,005	234,848,859	212,908,426	209,438,295	199,671,423
Subtotal	21,818,907,259	20,683,340,900	18,760,188,995	18,576,414,479	17,393,056,034
Federal Aid					
Medical Assistance	7,932,598,124	7,077,522,214	6,267,292,269	5,466,802,062	5,212,936,363
AFDC/W2	143,081,647	262,365,430	283,229,411	311,170,463	305,006,005
Transportation	1,110,532,199	1,077,866,597	1,219,637,664	1,113,503,762	892,286,137
Education	3,202,525,305	2,708,418,763	2,383,931,217	2,426,703,422	2,396,315,641
Other	7,428,298,726	5,704,358,606	4,879,646,604	2,797,150,156	2,342,928,533
Subtotal	19,817,036,000	16,830,531,610	15,033,737,166	12,115,329,865	11,149,472,679
Fees					
UW System	1,851,408,963	1,804,983,504	1,817,827,121	1,794,109,648	1,759,759,464
Other	823,924,003	668,023,831	721,823,041	822,634,291	788,562,912
Subtotal	2,675,332,966	2,473,007,334	2,539,650,162	2,616,743,939	2,548,322,377
Licenses and Permits					
Vehicles and Drivers	776,482,611	790,480,906	692,240,308	560,758,952	559,513,010
Hunting and Fishing	47,065,067	51,254,837	39,091,334	47,318,531	51,169,268
Other	1,206,499,324	1,216,563,070	1,229,349,144	1,259,216,614	1,168,724,587
Subtotal	2,030,047,002	2,058,298,814	1,960,680,786	1,867,294,097	1,779,406,864
Miscellany					
Service Charges	885,865,924	784,599,883	805,949,532	803,568,229	843,078,844
Sales of Products	1,250,338,569	1,206,382,183	1,059,152,685	1,092,638,907	1,065,918,078
Investment Income[b]	(10,657,868,000)	32,175,733,199	5,511,008,966	8,284,624,909	8,849,595,673
Gifts and Grants	739,948,308	805,156,326	660,447,114	685,800,042	667,539,496
Employee Benefit Contributions[c]	4,094,823,684	3,994,094,055	3,831,956,736	3,774,485,343	3,827,381,287
General Obligation Proceeds	614,288,383	1,102,141,454	1,052,807,915	447,615,031	703,622,841
Other Revenues	5,117,374,000	4,177,279,266	3,383,913,484	3,259,149,409	3,026,939,507
Subtotal	2,044,770,868	44,245,386,366	16,305,236,432	18,347,881,870	18,984,075,726
Summary					
TOTAL NET REVENUE	48,386,094,095	86,290,565,024	54,599,493,541	53,523,664,250	51,854,333,680
Transfers	1,509,281,180	1,514,632,879	1,381,607,820	1,740,583,788	1,502,566,855
Gross Revenue	$49,895,375,275	$87,805,197,903	$55,981,101,361	$55,264,248,038	$53,356,900,535

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.
(b) Figures include investment income for all funds. Investment income for the Wisconsin Retirement System totaled $113,232,370.51 for fiscal year 2021-2022, $31,868,333,396.87 for fiscal year 2020-2021, $5,497,611,482.14 for fiscal year 2019-2020, $7,934,721,426.13 for fiscal year 2018-2019, and $8,493,275,354.35 for fiscal year 2017-2018.
(c) Figures include all State and non-State employer and employee contributions.

Source: Department of Administration

Tax Structure

The State collects a diverse variety of taxes. The most significant taxes are based on individual income and on general sales and use. The following discussion briefly describes certain taxes that appear in Table II-1.

Individual Income Tax

The tax brackets and rates for the 2022 and 2023 tax years are shown in Table II-2. The taxable income brackets have been indexed for changes in the Consumer Price Index.

Table II-2
INDIVIDUAL INCOME TAX BRACKETS AND RATES

2022 Taxable Income Brackets[(a)]

Single	Married Filing Jointly[(b)]	2022 Marginal Tax Rate[(c)]
0 to 12,760	0 to 17,010	3.54%
12,761 to 24,520	17,011 to 34,030	4.65
24,521 to 280,950	34,031 to 374,600	5.30
280,951+	374,601+	7.65

2023 Taxable Income Brackets[(a)]

Single	Married Filing Jointly[(b)]	2023 Marginal Tax Rate[(c)]
0 to 13,810	0 to 18,420	3.54%
13,811 to 27,630	18,421 to 36,840	4.65
27,611 to 304,170	36,841 to 405,550	5.30
304,171+	405,551+	7.65

(a) Taxable income in dollars.
(b) Income thresholds for those married filing separately are half of the brackets for married filing jointly.
(c) Tax years 2022 and 2023 marginal tax rates reflect the final automatic rate reductions from 2019 Wisconsin Act 10 that applied the increased revenue from sales taxes collected from internet sellers to reducing the lowest two individual income tax rates in addition to the rate reduction in 2021 Wisconsin Act 58.

General Sales and Use Tax

A 5 percent tax is imposed on the sale or use of services and all tangible personal property unless specifically exempted. The most notable exemptions are food, prescription drugs, and motor and heating fuel. The State has adopted the Streamlined Sales and Use Tax Agreement, which is a multi-state agreement intended to simplify and modernize sales and use tax administration and to promote the voluntary collection of sales tax by out-of-state businesses. As of November 2022, 24 states, representing approximately one third of the national population, had adopted the agreement. The State requires remote sellers to collect and remit sales or use taxes on sales of taxable products and services in the State.

Corporate Income and Franchise Taxes

Corporations doing business in the State are subject to either the corporate income or the corporate franchise tax. The difference between the two taxes is subtle, relating primarily to restrictions under federal law on the types of income that states can tax with an income tax. The majority of corporations pay the franchise tax. The franchise tax and the income tax are both levied at a rate of 7.9 percent of corporate net income. The net tax liability is determined by subtracting allowable credits.

Public Utility Taxes

Public utilities in the State are subject to State taxation in lieu of local general property taxation. The State tax takes one of two general forms: an *ad valorem* tax based on the assessed value of the company's property within the State, or a tax or license fee based on the gross revenues or receipts of the company generated in the State.

Companies subject to the *ad valorem* tax include air carrier companies, conservation and regulation companies, municipal electric associations, pipeline companies, railroad companies, and telephone companies. A tax assessment is calculated by determining the full market value of the company's taxable property and multiplying that value by a tax rate. In general, the tax assessment equals the statewide average net property tax rate multiplied by the value of the taxable property. For telephone companies, however, the property values are determined within each local taxing jurisdiction. The value within each taxing jurisdiction is multiplied by the net tax rate applied in that jurisdiction. This procedure causes the value of intangible property to be excluded from the calculated amount.

Companies subject to the tax or license fee based on gross revenues or receipts include car line companies, electric cooperatives, and municipal and private light, heat, and power companies. Car line companies (which are companies engaged in the business of furnishing or leasing car line equipment to a railroad) are taxed on all receipts allocated to the State at a tax rate equal to the average statewide net property tax rate. For electric cooperatives, certain revenues are excluded, and deductions may be allowed. The taxable gross revenues are taxed at a flat rate of 3.19 percent, except that the tax rate on wholesale sales of electricity is reduced to 1.59 percent. For light, heat, and power companies, certain revenues are excluded, and deductions may be allowed. Taxable gross revenues from the sale of gas services are subject to tax at the rate of 0.97 percent, and wholesale sales of electricity are taxed at the rate of 1.59 percent. The tax rate on all other revenues is 3.19 percent.

Excise Taxes on Tobacco, Alcohol and Vapor

Cigarettes are taxed at the rate of $2.52 per pack of 20, moist snuff is taxed at the rate of 100 percent of the manufacturer's list price, and other tobacco products (with the exception of cigars) are taxed at the rate of 71 percent of the manufacturer's list price. Cigars are taxed at the lesser of 71 percent of the manufacturer's list price or $0.50 per cigar. The cigarette and tobacco products taxes are collected from distributors and sub-jobbers. Wisconsin imposes an excise tax on vapor products at the rate of $0.05 per milliliter on the liquid or other substance used.

Wine is taxed at $0.25 or $0.45 per gallon (or $0.066 or $0.119 per liter), depending on its alcohol content. Liquor is taxed at $3.25 per gallon (or $0.859 per liter). The wine and liquor tax is collected from wholesalers. Beer is taxed at the rate of $2 per barrel, and the tax is paid monthly by brewers.

Estate, Inheritance, and Gift Taxes

For deaths occurring after September 30, 2002 and before January 1, 2008, the State imposed an estate tax in an amount equal to the credit allowed for state inheritance or estate taxes under federal law in effect on December 31, 2000. For deaths occurring on or after January 1, 2008, State estate taxes were based on the federal credit computed under federal law in effect on the date of death, which, based on federal law in effect since January 1, 2008, resulted in the current elimination of State estate taxes for deaths occurring on or after January 1, 2008.

Congress has taken action to extend certain tax laws and to reinstate a modified federal estate tax to allow for a deduction for state estate taxes. Under current State law, this action resulted in the continued elimination of State estate taxes for deaths occurring on or after January 1, 2008. 2013 Wisconsin Act 20 eliminated the

State's estate tax for deaths occurring after December 31, 2012. Prior statutes would take effect again if federal law is modified to provide a credit for state estate taxes.

Insurance Company Premium Tax

Wisconsin-based life insurance companies pay a tax of 2 percent of the premiums received less a credit equal to 50 percent of personal property taxes. Small companies may choose to pay 2.5 percent of all income except premiums less the personal property tax credit. Nondomestic life insurance companies pay the 2 percent rate with no personal property tax credit.

Domestic and nondomestic property and casualty insurance companies are taxed 2 percent on allocated fire insurance premiums received. The 2 percent tax levied on fire insurance premiums is redistributed to local governments as a "fire department dues" tax. Nondomestic casualty insurance companies are taxed an additional 2.375 percent on allocated fire insurance premiums received, 2 percent on all forms of casualty premiums, and 0.5 percent on ocean marine coverages.

Domestic mortgage guaranty insurance companies pay a tax of 2 percent of premiums received. Nondomestic companies are also subject to retaliation and reciprocation. If a nondomestic company's state of domicile assesses a Wisconsin domestic company, in aggregate, a greater amount than these rates, then the State retaliates. If a nondomestic company's state of domicile assesses a Wisconsin domestic company, in aggregate, a lesser amount than these rates, then the State reciprocates, subject to minimums of the 2 percent "fire department dues," 0.375 percent for ocean marine and allocated fire insurance premiums, 0 percent for all forms of casualty premiums, and 2 percent for life premiums.

Motor Vehicle Fuel Tax

Motor vehicle fuel is taxed at the rate of 30.9 cents per gallon. The tax is collected from the wholesaler but is specifically passed through to the user. The revenues are deposited in the Transportation Fund, where they are used primarily for highway purposes.

Forestry Tax

The forestry tax was the only State tax upon general property. It was a levy on all taxable property in the State. The tax rate for the 2016-17 fiscal year was $0.1697 per $1,000 in property value. The tax was collected by municipal treasurers and remitted to the State during property tax settlements. After its receipt in the General Fund, it was transferred to the segregated Conservation Fund. The 2017-19 biennial budget (2017 Wisconsin Act 59) repealed this tax beginning with the 2017-18 fiscal year and replaced it with a General Fund transfer to the Conservation Fund equal to what would have been raised under the prior law tax.

Miscellaneous Taxes

The State collects other miscellaneous taxes and fees, the largest of which is the real estate transfer fee. This fee is assessed at the time of a sale or transfer of real estate (subject to certain exceptions) and at the rate of $0.30 per $100 value.

Tax Credits

Complementing the State's tax structure are tax credits designed to relieve certain taxes or provide incentives for certain activities. These credits are reflected as expenditures for budgeting purposes. A brief description of the principal tax credits follows.

Manufacturing and Agriculture Tax Credit

The manufacturing and agriculture tax credit provides tax relief to manufacturers and farmers. For individual income tax filers, the credit is equal to 7.5 percent of a claimant's qualified production activities income **(QPAI)** derived from property assessed as manufacturing or agricultural property in the State. For corporate tax filers, the credit is 7.5 percent of the claimant's QPAI, apportioned income, or income taxable under combined reporting provisions. The credit is nonrefundable, but unused credit amounts may be carried forward and used in future years. According to January 2021 estimates by DOR, the credit reduces annual State income tax revenues by over $350 million annually.

Homestead Tax Credit

Property tax relief is provided to low-income homeowners and renters through a homestead tax credit. The maximum household income limit is $24,680. The maximum amount of aidable property taxes is $1,460, and the amount of farm acreage on which the property tax is based is 120 acres. For renters, the portion of rent allocated as property tax is 25 percent, or 20 percent if heat is included in rent. In the 2021-22 fiscal year, low-income homeowners and renters received nearly $51.8 million in homestead tax credit relief.

Earned Income Tax Credit

The earned income tax credit provides financial assistance to lower-income workers. The tax credit supplements the wages and self-employment income of such families and is refundable. It offsets the impact of the social security tax and increases the incentive to work.

The State's earned income tax credit is calculated as a percentage of the federal tax credit, which varies by income and family size. The State's tax credit varies the percentage of the federal tax credit by the number of children: 4 percent of the federal tax credit for one child, 11 percent for two, and 34 percent for three or more. The maximum State tax credit in tax year 2022 is $149 for one child, $678 for two children, and $2,358 for three or more children. In the 2021-22 fiscal year, low-income wage earners received $77.0 million in earned income tax credits.

Farmland Preservation Tax Credit

The farmland preservation program provides property tax relief to farmland owners and encourages local governments to develop farmland preservation policies. The tax credit reduces income tax liability or is rebated if the credit exceeds income tax due. The credit is based on the number of qualifying acres, as well as certain other factors. Expenditures under the program were approximately $14.6 million in fiscal year 2021-22.

School Levy Tax Credit

The school levy tax credit is distributed based on each municipality's share of statewide levies for school purposes and is provided to all classes of property taxpayers (residential, commercial, industrial, and others). For property taxes levied in December 2021, $940 million of school levy tax credits was distributed statewide. The first dollar credit, which offsets the school district property taxes paid on the first $7,500 on an improved parcel, provided an additional $147.5 million of property tax relief for property taxes levied in December 2021. These tax credits offset approximately 9.0 percent of all levies or 20.2 percent when measured against school levies only. The tax credits are paid to counties or municipalities to reduce the amount due from all property taxpayers.

Lottery Property Tax Credit

The net proceeds of the State lottery are reserved for property tax relief. The lottery property tax credit is paid to counties or municipalities to reduce the amount due from local taxpayers. The lottery property tax credit is paid only for property taxes on primary residences. For the 2021-22 tax year, the total lottery property tax credit was approximately $343.6 million.

School Property Tax Credit

The school property tax credit is a nonrefundable credit to reduce individual income net tax liability and is equal to 12 percent of the first $2,500 in property taxes, or rent relating to allocable property taxes, for a maximum credit of $300. In the 2021-22 fiscal year, the school property tax credit totaled approximately $444.8 million.

Electronics and Information Technology Zone Tax Credit

2017 Wisconsin Act 58 created an electronics and information technology zone in southeast Wisconsin and provided for refundable tax credits for a business or businesses located in that zone. In November 2017, the State entered into a contract with Hon Hai Precision Industry Co., Ltd. (**Foxconn**) to provide up to $2.85 billion in tax credits to Foxconn to support the development of a manufacturing campus in Racine County. Under that contract, the amount of refundable tax credits to be provided to Foxconn depended on verified levels of capital investment and job creation. In April 2021 the contract was amended to reflect a smaller project that is now eligible for a maximum of $80 million in tax credits subject to employment and investment targets being satisfied over the contract term that ends on December 31, 2025.

Tax Collection Procedure (Delinquencies)

DOR may estimate the amount of tax due and send the taxpayer an assessment if a taxpayer does not file a valid return when required. The taxpayer has 60 days to appeal the assessment, and absent an appeal, the account is considered delinquent on the due date. A delinquency also occurs when a taxpayer fails to properly pay taxes on a filed return or under-computes the tax due. The taxpayer is billed for the shortfall, and in the case where taxes are not properly paid, there is no appeal process. An assessment can also result from office or field audits. A taxpayer has 60 days to appeal an audit adjustment.

DOR begins its collection process when a bill is not paid by the due date. If this is the first open delinquent debt for the taxpayer, an Action Required – Overdue Balance notice is sent. This notice encourages the taxpayer to take action to resolve the debt and informs the taxpayer that failure to pay may result in a tax warrant (lien) being filed and that other involuntary collection actions may be taken. The account is placed in a work queue, where a revenue agent may contact the taxpayer to attempt to solicit payment in full or to set up an installment payment plan.

If voluntary payments cannot be arranged, DOR may initiate a variety of involuntary collection actions, such as attachment of wages, levy, or garnishment of assets. Depending on the circumstances of the account, DOR may move directly to an involuntary collection action after the tax bill passes the due date. If the amount owed is greater than $5,000, the account will be posted on a DOR website that identifies delinquent taxpayers. If the delinquent taxpayer is eligible for a refund from any tax program administered by DOR, that refund is applied to the delinquent balance. Federal income tax refunds are also applied to the delinquent balance.

Other actions that may be recommended to resolve a delinquent account include:

- Revocation of a business seller's permit
- Withholding a business's liquor license
- Denial of a State-issued occupational license

A supplemental hearing to determine the taxpayer's ability to pay may be called before the court commissioner in the taxpayer's county of residence if the revenue agent cannot collect the delinquent taxes and it is unknown whether the taxpayer has any assets that may be garnished. If assets are discovered, DOR may request appointment of a receiver to sell the assets. If the taxpayer is without any assets, the proceedings may be stayed, and the account periodically reviewed until the taxpayer either has assets to pay or submits a petition for compromise based on inability to pay or until a determination is made to write off the account.

An analysis of the overall delinquency rate for the income, franchise, gift, and sales and use taxes is shown in Table II-30 under "STATISTICAL INFORMATION".

EXPENDITURES

General

State expenditures are categorized under eight functional categories and the general obligation bond program. They are subcategorized by three distinct types of expenditures. The eight functional categories, which are listed in Table II-3, are described later in this Part II of the 2022 Annual Report. See "STATE GOVERNMENT ORGANIZATION; Description of Services Provided by State Government". The three types of expenditures are described below.

- *State Operations.* Direct payments by State agencies to carry out State programs for expenses such as salaries, supplies, services, debt service, and permanent property, including the UW System.
- *Aids to Individuals and Organizations*. Payments from a State fund made directly to, or on behalf of, an individual or private organization (for example, Medicaid, parent choice and charter school programs, or student financial assistance).
- *Local Assistance*. Payments from a State fund to, or on behalf of, local units of government and school districts, including payments associated with State programs administered by local governments and school districts (for example, elementary and secondary school aids, shared revenues, and school levy and first dollar tax credits).

Table II-3 shows the amounts expended (all funds) by function and type for each of the last five fiscal years.

Table II-3
EXPENDITURES BY FUNCTION AND TYPE (ALL FUNDS)[(a)]

	2021-22	2020-21	2019-20	2018-19	2017-18
Commerce					
State Operations	$598,662,981	$446,561,000	$252,910,542	$251,192,836	$254,899,919
Aids to Individuals and Organizations	23,912,965	62,161,333	60,877,297	52,097,242	37,256,622
Local Assistance	37,994,640	34,683,828	34,123,796	35,067,575	29,426,460
Subtotal	660,570,586	543,406,160	347,911,635	338,357,653	321,583,001
Education					
State Operations	7,140,412,405	6,523,911,088	6,596,946,977	6,702,471,215	6,400,771,156
Aids; Individuals & Organizations	723,964,994	675,811,071	635,336,173	588,984,208	549,666,619
Local Assistance	8,193,399,399	7,497,502,631	7,117,661,216	6,966,339,215	6,705,022,677
Subtotal	16,057,776,798	14,697,224,789	14,349,944,366	14,257,794,638	13,655,460,452
Environmental Resources					
State Operations	3,054,374,061	2,752,007,913	2,553,038,724	2,861,870,940	2,719,598,463
Aids to Individuals and Organizations	25,912,773	32,363,514	29,289,738	29,970,220	34,448,164
Local Assistance	1,305,263,390	1,185,095,487	1,269,260,745	1,119,823,140	1,120,538,244
Subtotal	4,385,550,223	3,969,466,914	3,851,589,207	4,011,664,300	3,874,584,870
Human Relations and Resources					
State Operations	4,365,351,897	3,658,725,886	3,138,269,515	2,964,094,779	2,839,950,956
Aids to Individuals and Organizations	17,972,277,760	16,768,727,214	14,191,893,763	13,307,763,519	12,649,084,653
Local Assistance	877,430,984	868,848,993	849,977,200	893,974,699	831,641,248
Subtotal	23,215,060,642	21,296,302,093	18,180,140,477	17,165,832,997	16,320,676,857
General Executive					
State Operations	12,462,276,167	12,506,832,290	9,198,639,958	8,872,873,590	8,529,427,427
Aids to Individuals and Organizations	701,165,872	714,822,269	587,302,450	546,395,500	526,218,033
Local Assistance	359,470,368	270,586,306	167,554,560	175,017,482	197,379,407
Subtotal	13,522,912,407	13,492,240,865	9,953,496,968	9,594,286,572	9,253,024,867
Judicial					
State Operations	127,106,275	126,317,574	121,954,738	117,427,819	116,441,644
Local Assistance	27,649,881	27,374,164	26,044,836	25,976,137	23,842,855
Subtotal	154,756,156	153,691,738	147,999,573	143,403,956	140,284,499
Legislative					
State Operations	81,702,949	77,774,628	75,475,301	73,209,275	68,767,606
Subtotal	81,702,949	77,774,628	75,475,301	73,209,275	68,767,606
General					
State Operations	1,154,330,331	1,562,350,745	1,344,616,116	1,217,222,726	1,089,706,582
Aids to Individuals and Organizations	323,747,254	356,928,171	337,017,246	330,351,381	411,577,547
Local Assistance	2,532,738,078	2,418,988,838	2,444,616,187	2,407,861,439	2,175,743,121
Subtotal	4,010,815,662	4,338,267,754	4,126,249,550	3,955,435,546	3,677,027,249
State Building Program					
State Operations	811,566,353	786,976,414	801,249,713	703,327,709	887,394,459
Subtotal	811,566,353	786,976,414	801,249,713	703,327,709	887,394,459
Summary Totals					
State Operations…	29,795,783,418	28,441,457,537	24,083,101,583	23,763,690,889	22,906,958,211
Aids to Individuals and Organizations	19,770,981,618	18,610,813,572	15,841,716,666	14,855,562,070	14,208,251,638
Local Assistance	13,333,946,740	12,303,080,247	11,909,238,541	11,624,059,687	11,083,594,012
GRAND TOTAL	$62,900,711,775	$59,355,351,356	$51,834,056,789	$50,243,312,646	$48,198,803,861

(a) The amounts shown are based on statutorily required accounting and not on GAAP. The amounts are unaudited.

Source: Department of Administration

General Fund Expenditures

In the 2021-22 fiscal year, approximately 51.4% of all General Fund taxes collected by the State were directed to local units of government. The remaining funds were used for aid to individuals and organizations (24.3%) and State operations and programs (24.3%), which included the UW System. For the entire 2021-23 biennium, these percentages are expected to remain unchanged.

ACCOUNTING AND FINANCIAL REPORTING

Statutory Basis

The State accounts for, reports, and budgets its operations as set forth in the Wisconsin Statutes. The Annual Fiscal Report (which is unaudited) must be published each year on or before October 15th. Except as noted in the following paragraph, under statutory accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded on the payment date. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore the amounts reported in a fiscal year.

For budgeting and Wisconsin Constitutional compliance purposes, the State's records are maintained in conformity with statutory requirements. The more important legal provisions are:

- In all cases the date of the contract or order determines the fiscal year in which it is charged unless it is determined that the purpose of the contract or order is to prevent lapsing of appropriations or to otherwise circumvent budgeting intent.
- The current year records must remain open until July 31st to permit departments to certify for payment of bills applicable to the year ended June 30th and to deposit revenues applicable to such year, with the following exceptions: (1) amounts withheld for income taxes prior to July 1st and (2) taxes imposed on sales prior to July 1st are deemed to be accrued tax receipts as of the close of the fiscal year, provided such revenue is deposited on or before August 15th.
- On July 31st all outstanding encumbrances entered for the previous year must be transferred to the new fiscal year, and an equivalent prior year appropriation balance must also be forwarded to the new fiscal year.
- Revenues and expenditures are reported on a net basis. Overcollections refunded are deducted from revenues and current year overpayments made are deducted from expenditures.
- General Fund investments are carried at the lower of cost or par with discounts, premiums, and earnings recorded on an accrual basis.
- Encumbrances are treated as expenditures in the year of initiation.

Generally Accepted Accounting Principles

The State also accounts for and reports on its operations using generally accepted accounting principles **(GAAP)**. For the fiscal year ended June 30, 2022 the State has prepared an Annual Comprehensive Financial Report **(ACFR)** in accordance with GAAP. The General Purpose External Financial Statements section of the ACFR for the fiscal year ended June 30, 2022 has been audited and is included as APPENDIX A to this Part II of the 2022 Annual Report.

Financial statements prepared in accordance with GAAP differ from those prepared in accordance with the Wisconsin Statutes. A notable difference pertains to the General Fund balance. Using the ACFR and audited general purpose external financial statements for the fiscal year ended June 30, 2022, as an example, the undesignated, unreserved balance for the fiscal year ended June 30, 2022 was $4.299 billion on a budgetary basis. However, under GAAP, the total fund balance of the General Fund for the fiscal year ended June 30, 2022 was a balance of $4.645 billion. The difference results primarily because the budgetary basis recognizes encumbrances as expenditures, while GAAP recognizes accrued liabilities that are not taken into account under the statutory basis. The encumbrances reported under the budgetary basis were $2.300 billion, while the single largest accrued liability under a GAAP basis for the fiscal year ended June 30, 2022 was $2.142 billion and related to the State's unspent ARPA and Coronavirus Relief Fund payments received in advance.

BUDGETING PROCESS AND FISCAL CONTROLS

Appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change.

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

Budget Requests from Agencies

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

Pursuant to the Wisconsin Statutes, agency budget requests are to be submitted no later than September 15th of each even-numbered year. Agencies are also required to submit copies of their budget requests to the LFB at the same time that copies are delivered to the State Budget Office.

Executive Budget

Pursuant to the Wisconsin Statutes, the Secretary of Administration is required to provide to the Governor or Governor-Elect and to each member of the next Legislature, by November 20th of each even-numbered year, a compilation of the total amount of each agency's biennial budget request. The Wisconsin Statutes also require that DOR compile and provide, by November 20th of each even-numbered year, information on the actual and estimated revenues for the current and forthcoming biennium. These revenue estimates are used by the Governor as the basis for budget recommendations about General Fund biennial budget spending. The State Budget Director (who is an appointee of the Secretary of Administration) is involved in the review of agency requests and the development of the Governor's budget recommendations for appropriations. In addition to proposing a biennial budget, the Governor's budget recommendations also include any statutory language changes needed to accomplish the policy initiatives and program or appropriation changes that are part of the Governor's recommendations. A draft bill is prepared by the Legislative Reference Bureau incorporating the Governor's fiscal and statutory recommendations. See "STATE BUDGET; State Budget Assumptions".

The Governor is required to deliver the biennial budget message and executive budget bill or bills to the Legislature on or before the last Tuesday in January of the odd-numbered year. However, upon request of the Governor, a later submission date may be allowed by the Legislature upon passage of a joint resolution. It is common for the Governor to request a later submission date; a later submission date was requested, and allowed, for each of the last ten executive budget bills.

The Wisconsin Statutes provide that immediately after delivery of the Governor's budget message, the executive budget bill or bills must be introduced by the Legislature's Joint Committee on Finance **(JCF)**, without change, into one of the two houses of the Legislature. Upon introduction, the bill or bills must be referred to that committee for review. Because of both the complexity of the budget and its significance, committee review of the budget bill is the most extensive and involved review given to any bill in a legislative session.

Legislative Consideration

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

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

In recent years, the two houses of the Legislature have passed identical versions of the budget in their first consideration. However, when this is not the case, there are alternative methods available for achieving resolution of the differences between the two houses on bills. A common method is for one house to seek a committee of conference on the bill wherein a specified number of members from each house are delegated to meet as a bargaining committee with the goal of producing a report reconciling the differences. Another method that has been used from time to time has been to successively pass, between the houses, narrowing amendments dealing only with the points of difference between the respective budgets as initially recommended by the two houses.

While the Wisconsin Statutes require that summary information be compiled by DOR on the actual and estimated revenues for the current and forthcoming biennia and that this summary information be available on November 20th of each even-numbered year, LFB may use its discretion to provide updated revenue estimates at any time for the current and forthcoming biennia.

Governor's Partial Veto Power

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

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

Continuing Authority

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Thus, in the event that a budget is not in effect at the start of a fiscal year, the prior year's budget serves as the budget until such time as a new budget is enacted. Once a newly enacted budget becomes effective, the continuing authority is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The 2021-23 biennial budget of the State was enacted on July 8, 2021, which was seven days after the start of the biennium. Of the ten prior biennial budgets, the 2009-11, 2011-13 and 2013-15 biennial budgets were enacted prior to the start of the respective biennia; however, the 2015-17, 2017-19, and 2019-21 biennial budgets and each of the four biennial budgets prior to the 2009-11 biennium were enacted after the start of the respective biennia, with the latest date after the start of a biennium being October 26, 2007 (for the 2007-09 biennium), which was nearly four months after the start of the first fiscal year of that biennium.

General Fund Tax Increase

Wisconsin Statutes provide that neither house of the Legislature may pass a bill that increases certain General Fund taxes (income, state sales, or franchise taxes) unless the bill is approved by two-thirds of those members present and voting. There is an exception if the Legislature passes a joint resolution requiring a statewide advisory referendum on the question of whether the Legislature should authorize the tax increase, and a majority of voters voting at the referendum approve the tax increase.

Fiscal Controls

No money shall be paid out of the State Treasury except as appropriated by law. The Wisconsin Statutes require that the Secretary of Administration and the State Treasurer must approve all payments. The Secretary of Administration is also responsible for audit of expenditures prior to disbursement. The Legislative Audit Bureau has post-expenditure audit responsibility.

DOA maintains separate accounts for all appropriations, showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts expended, and certain other data necessary for the financial management and control of all State accounts. DOA also maintains the general ledgers of the General Fund and all other funds of the State.

State law prohibits the enactment of legislation that would cause the estimated General Fund balance to be less than a specified amount or percentage of the general purpose revenue appropriations for that fiscal year. The specified amount for the 2021-22 fiscal year was $90 million and for the 2022-23 fiscal year is $95 million. State law currently requires that the statutorily-required reserve be an amount equal to the lesser of the prior fiscal year's required balance plus $5 million, or 2 percent of the general purpose revenue appropriations for that fiscal year. The specified amount, or percentage of general purpose revenue appropriations, is included in Wisconsin Statutes, and can be changed (and has previously been changed) by legislative action.

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

The Secretary of Administration also has statutory power to order reductions in the appropriations of State agencies. The Secretary of Administration may also temporarily reallocate free balances of certain funds to other funds that have insufficient balances and, further, may prorate or defer certain payments in the event current or projected balances are insufficient to meet current obligations. See "GENERAL FUND INFORMATION; General Fund Cash Flow". DOA may also request, upon making certain determinations and receiving approval of the JCF, the issuance of operating notes by the State of Wisconsin Building Commission (**Commission**).

Budget Stabilization Fund

Statutory provisions require, for each fiscal year, the transfer of 50 percent of general purpose revenues received over the original budget estimate to the State's Budget Stabilization Fund (which is a "rainy day fund"), provided that the statutory required General Fund balance for that fiscal year is maintained. As of June 30, 2022, the balance in the Budget Stabilization Fund was approximately $1.734 billion.

The transfers to the Budget Stabilization Fund, which only occur when general purpose revenues exceed the original budget estimates, are required to continue until the balance in the Budget Stabilization Fund is at least equal to 5 percent of the estimated expenditures from the General Fund. This amount would be approximately $978 million based on estimated General Fund expenditures for the 2022-23 fiscal year; as a result, unless there are changes to Wisconsin Statutes, future transfers to the Budget Stabilization Fund will not occur until the balance in the Budget Stabilization Fund falls below an amount equal to 5 percent of estimated General Fund expenditures.

The most recent transfer to the Budget Stabilization Fund of approximately $967 million was made in the 2020-21 fiscal year, which caused the Budget Stabilization Fund balance to exceed the 5 percent of estimated expenditures threshold for the 2021-22 fiscal year. The statutory provisions requiring transfers from the General Fund to the Budget Stabilization Fund were suspended for the 2013-14 and 2014-15 fiscal years.

BUDGETARY RESULTS OF 2021-22 FISCAL YEAR

Pursuant to Wisconsin Statutes, the Annual Fiscal Report (budgetary basis) for the fiscal year ending June 30, 2022 was published October 14, 2022.

The Annual Fiscal Report provides that the State ended the 2021-22 fiscal year on a statutory and unaudited basis with an undesignated balance of $4,298.9 million. This amount is $2,946.6 million more than the projected gross ending balance for the fiscal year included in the budget for the 2021-23 biennium **(2021 Wisconsin Act 58)**, and $1,460.8 million more than the projected gross ending balance included in the LFB report dated January 25, 2022 **(January 2022 LFB Report)**.

Table II-4 shows the General Fund condition statement for the 2021-22 fiscal year. The table also includes, for comparison, the General Fund condition statement for the 2020-21 fiscal year, the estimated General Fund condition statement included in 2021 Wisconsin Act 58, and the estimated General Fund condition statement included in the January 2022 LFB Report.

Table II-4
GENERAL FUND CONDITION STATEMENT
2021-22 FISCAL YEAR
(in Millions)

	2020-21 Fiscal Year Annual Fiscal Report	2021-22 Fiscal Year: 2021 Wisconsin Act 58[1]	2021-22 Fiscal Year: January 2022 LFB Report	2021-22 Fiscal Year: Annual Fiscal Report
Revenues				
Opening Balance	$1,172.4	$2,581.1	$2,581.1	$2,581.1
Prior Year Continuing Balance	600.9			62.8
Taxes	19,572.8	17,860.9	18,943.3	20,548.4
Department Revenues				
Tribal Gaming	-0.0-	-0.0-	-0.0-	-0.0-
Other	585.5	464.3	481.7	569.7
Total Available	$21,931.6	$20,906.3	$22,006.0	$23,762.0
Appropriations				
Gross Appropriations	$19,516.0	$19,302.5	$19,306.4	$19,376.7
MA Biennial Adjustment	-0.0-	-0.0-	(360.0)	-0.0-
Sum Sufficient Re-estimates	-0.0-	-0.0-	(15.7)	-0.0-
Compensation Reserves	87.7	41.9	41.9	18.2
Transfers	1,011.5			428.5
Transportation Fund		178.9	178.9	
Building Trust Fund		15.0	15.0	
MA Trust Fund		174.7	174.7	
UI Trust Fund		60.0	60.0	
Less: Lapses	(1,264.7)	(219.0)	(233.2)	(360.4)
Net Appropriations	$19,350.5	$19,554.0	$19,167.9	$19,463.0
Balances				
Gross Balance	$2,581.1	$1,352.3	$2,838.1	$4,298.9
Less: Req. Statutory Balance	n/a	(90.0)	(90.0)	n/a
Net Balance, June 30	$2,581.1	$1,262.3	$2,748.1	$4,298.9

[1] Adjusted to reflect the fiscal year 2021-22 ending balance as shown in the Annual Fiscal Report for fiscal year 2021-22 and DOR's updated individual income tax withholding tables that were effective January 1, 2022.

Table II-5 provides a summary of the actual General Fund tax collections for the 2021-22 fiscal year included in the Annual Fiscal Report. For comparison purposes, the table also includes actual General Fund tax collections for the 2020-21 fiscal year and the estimated fiscal year 2021-22 tax collections from 2021 Wisconsin Act 58, and the January 2022 LFB Report. As presented in Table II-5, collection for fiscal year 2021-22 totaled $20.548 billion compared to $19.573 billion in fiscal year 2020-21, an increase of $975 million (5.0%).

Table II-5
GENERAL FUND TAX REVENUE COLLECTIONS
2021-22 FISCAL YEAR
(in Millions)

	2020-21 Fiscal Year Annual Fiscal Report	2021-22 Fiscal Year		
		2021 Wisconsin Act 58[1]	January 2022 LFB Report	Annual Fiscal Report
Individual Income	$9,283.4	$7,970.7	$8,220.0	$9,214.4
Sales and Use	6,373.5	6,639.6	6,925.0	6,978.3
Corp. Income & Franchise	2,560.1	1,910.0	2,420.0	2,960.0
Public Utility	356.3	354.0	369.0	383.6
Excise				
Cigarettes	509.8	494.0	498.0	482.4
Tobacco Products	92.7	96.0	95.0	94.4
Vapor Products	1.6	1.7	3.6	4.1
Liquor & Wine	64.6	60.0	61.0	64.9
Beer	9.2	8.9	8.7	8.9
Insurance Company	202.1	209.0	211.0	221.8
Miscellaneous Taxes	119.6	117.0	132.0	135.6
TOTAL	$19,572.8	$17,860.9	$18,943.3	$20,548.4

[1] Adjusted to reflect DOR's updated individual income tax withholding tables, which were effective January 1, 2022.

The State did not issue any operating notes during the 2021-22 fiscal year. The Annual Fiscal Report for the 2021-22 fiscal year is not part of the 2022 Annual Report but has been filed with, and may be obtained from, the MSRB through its EMMA system or at the following address:

State of Wisconsin Capital Finance Office
Department of Administration
101 East Wilson Street, FLR 10
P.O. Box 7864
Madison, WI 53707-7864
(608) 267-1836
DOACapitalFinanceOffice@wisconsin.gov
doa.wi.gov/capitalfinance
wisconsinbonds.com

STATE BUDGET

Budget for 2021-23 Biennium

The budget act for the 2021-23 biennium, 2021 Wisconsin Act 58, was enacted on July 8, 2021 with some vetoes. The following is a link to 2021 Wisconsin Act 58:

https://docs.legis.wisconsin.gov/2021/related/acts/58.pdf

On August 4, 2021, the LFB released its final cumulative summary of the executive and legislative action on the 2021-23 biennial budget. The summary can be obtained from the following website:

https://docs.legis.wisconsin.gov/misc/lfb/budget/2021_23_biennial_budget/202_comparative_summary_of_provisions_2021_act_58_august_2021_entire_document.pdf

The websites identified above are for the convenience of the reader only and are not incorporated by reference into this Part II of the 2022 Annual Report.

Information pertaining to 2021 Wisconsin Act 58 has been filed with the MSRB on its EMMA system.

Budget for 2022-23 Fiscal Year

Fiscal year 2022-23 is the second year of the 2021-23 biennium. See "BUDGETARY RESULTS OF 2021-22 FISCAL YEAR" for final information for fiscal year 2021-22, which was the first year of the 2021-23 biennium.

Table II-6 includes the estimated General Fund condition statement for the 2022-23 fiscal year as included in a report released by the Department of Administration on November 21, 2022 **(November 2022 DOA Report)**. Table II-6 also includes, for comparison, the final General Fund condition statement from the 2021-22 fiscal year, the projected General Fund condition statement from 2021 Wisconsin Act 58, and the projected General Fund condition statement from the January 2022 LFB Report.

Table II-6
ESTIMATED GENERAL FUND CONDITION STATEMENTS
2022-23 FISCAL YEAR
(in Millions)

	2021-22 Fiscal Year Annual Fiscal Report	2022-23 Fiscal Year		
		2021 Wisconsin Act 58[1]	January 2022 LFB Report	November 2022 DOA Report
Revenues				
Opening Balance	$2,581.10	$1,352.30	$2,838.10	$4,298.90
Prior Year Continuing Balance	62.8			
Taxes	20,548.4	19,457.9	20,884.6	21,292.6
Department Revenues				
Tribal Gaming	-0.0-	20.8	21.7	-0.0-
Other	569.7	471.4	486.2	716.3
Total Available	$23,762.0	$21,302.30	$24,230.60	$26,307.80
Appropriations				
Gross Appropriations	$19,376.7	$19,752.7	$19,754.0	$19,722.6
MA Biennial Adjustment	-0.0-	-0.0-	360.0	-0.0-
Sum Sufficient Re-estimates	-0.0-	-0.0-	($28.90)	-0.0-
Compensation Reserves	18.2	105.9	106.0	106.0
Transfers	428.5			
Transportation Fund		97.3	97.3	97.3
Building Trust Fund		-0.0-	-0.0-	-0.0-
MA Trust Fund		527.8	527.8	527.8
UI Trust Fund		60.0	60.0	60.0
Less: Lapses	(360.4)	(267.0)	(552.9)	(782.2)
Net Appropriations	$19,463.0	$20,276.7	$20,323.3	$19,731.4
Balances				
Gross Balance	$4,298.9	$1,025.6	$3,907.3	$6,576.4
Less: Req. Statutory Balance	n/a	(95.0)	(95.0)	(95.0)
Net Balance, June 30	$4,298.0	$930.6	$3,812.3	$6,481.4

1 Adjusted to reflect the fiscal year 2020-21 ending balance as shown in the Annual Fiscal Report for fiscal year 2020-21 and DOR's updated individual income tax withholding tables that were effective January 1, 2022.

Estimated General Fund Tax Collections for 2022-23 Fiscal Year

Table II-7 includes a summary of the estimated General Fund tax collections for the 2022-23 fiscal year, as included in November 2022 DOA Report. The table also includes, for comparison, the actual General Fund tax collections for the 2021-22 fiscal year and the estimated General Fund tax collections as included in 2021 Wisconsin Act 58 and the January 2022 LFB Report.

Table II-7
ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS
2022-23 FISCAL YEAR
(in Millions)

	2021-22 Fiscal Year Annual Fiscal Report	2022-23 Fiscal Year		
		2021 Wisconsin Act 58[1]	January 2022 LFB Report	November 2022 DOA Report
Individual Income	$9,214.0	$9,115.6	$9,690.0	$9,609.0
Sales and Use	6,978.3	6,844.5	7,230.0	7,493.8
Corp. Income & Franchise	2,960.0	2,160.0	2,585.0	2,805.7
Public Utility	383.6	352.0	371.0	391.7
Excise				
Cigarettes	482.4	483.0	487.0	460.3
Tobacco Products	94.4	100.0	99.0	90.9
Vapor Products	4.1	2.0	4.0	4.5
Liquor & Wine	64.9	61.0	62.0	68.5
Beer	8.9	8.8	8.6	8.8
Insurance Company	221.8	217.0	220.0	237.6
Miscellaneous Taxes	135.6	114.0	128.0	121.9
TOTAL	$20,548.4	$19,457.9	$20,884.6	$21,292.6

[1] Adjusted to reflect DOR's updated individual income tax withholding tables, which were effective January 1, 2022.

Source: Department of Administration

Budget for 2023-25 Biennium

Pursuant to the Wisconsin Statutes, the November 2022 DOA Report summarizes the amount of each agency's 2023-25 biennial budget request and includes estimated General Fund revenues, as compiled by DOR for the forthcoming biennium. The Governor will use these revenue estimates and agency requests to propose a balanced biennial budget, which must be submitted to the Legislature on or before January 31, 2023; however, a later submission date may be allowed by the Legislature if requested by the Governor.

Revenue Projections for the 2023-24 and 2024-25 Fiscal Years

The estimated General Fund tax collections for the 2023-25 biennium, as included in the November 2022 DOA Report, are included in Table II-8. These estimates reflect annual growth of 1.5% and 4.0%, respectively.

Table II-8
ESTIMATED GENERAL FUND TAX REVENUE COLLECTIONS
2023-24 AND 2024-25 FISCAL YEARS
(in Millions)

	2023-24 Fiscal Year	2024-25 Fiscal Year
Individual Income	$9,631.0	$10,107.4
Sales and Use	7,691.1	7,913.9
Corp. Income & Franchise	2,915.5	3,051.4
Public Utility	389.9	401.7
Excise		
Cigarettes	443.5	427.8
Tobacco Products	89.5	87.7
Liquor & Wine	4.6	4.7
Vapor Products	70.0	71.9
Beer	8.6	8.6
Insurance Company	252.9	267.8
Miscellaneous Taxes	119.9	128.7
TOTAL	$21,616.5	$22,471.6

Source: Department of Administration

LFB typically estimates the General Fund condition statement and projected tax collections for the Legislature each January. Its analysis includes an examination of economic forecasts and tax collection and expenditure data of the current fiscal year. In even numbered years, the analysis also includes projections for each fiscal year of the current biennium. In odd-numbered years, it includes estimated revenues and expenditures for the current fiscal year and tax collections for the next biennium.

Potential Effect of Litigation

The following is a description of various legal proceedings, claims, and tax refunds that may have a budgetary effect on the State.

Notice of Transferee Liability

In September 2008, the Internal Revenue Service made a claim against the State of Wisconsin Investment Board **(SWIB)** by issuing a notice of transferee liability. This claim seeks taxes, penalties, and interest relating to the sale of Shockley Communications Corporation **(SCC)** stock in 2001. The Internal Revenue Service asserts that the shareholders' sale of SCC stock should have been characterized as a sale of assets by SCC, on which SCC should have paid income taxes. The Internal Revenue Service asserts that the former SCC shareholders, including SWIB, would be liable for those taxes, plus penalties and interest. The SWIB liability, as a putative transferee of SCC assets, was estimated to be between $30 million and $60 million as of December 31, 2019. SWIB has accrued a loss of $30 million which represents the estimated minimum amount of the possible liability to which SWIB believes it may be exposed.

Enforcement Provisions of Master Settlement Agreement

The State and eight other states that signed the Master Settlement Agreement with participating tobacco manufacturers to receive tobacco settlement revenues are in litigation with the tobacco manufacturers regarding the post-2003 diligence of the states in their enforcement of certification and escrow payment laws designed to monitor and regulate the sale of cigarettes by tobacco manufacturers that did not sign the Master Settlement Agreement. Tobacco manufacturers have withheld funds for every year since 2003.

Wisconsin received notice from the tobacco manufacturers in June 2017 that the manufacturers were contesting the State's diligence for calendar year 2004. The arbitration panel ruled in favor of Wisconsin on September 1, 2021. Wisconsin is entitled to receive approximately $15 million of Master Settlement Agreement funds that were withheld by the tobacco manufacturers. The current estimate for when the funds will be received is April 2023.

An arbitration proceeding related to Wisconsin's diligence for calendar years 2005 through 2007 has now begun. Wisconsin's state-specific arbitration hearing is scheduled to take place in June 2023. If Wisconsin is successful in that proceeding as it has been for calendar years 2003 and 2004, Wisconsin will be entitled to receive approximately $21 million of Master Settlement Agreement funds that were withheld by the tobacco manufacturers.

Opioid Settlement Agreement

The State, along with a broad coalition of states and subdivisions, reached final agreements with four companies to resolve legal claims against them for their roles in the opioid crisis. One settlement agreement is with opioid manufacturer Johnson & Johnson. The other settlement agreement is with three major pharmaceutical distributors: AmerisourceBergen, Cardinal Health, and McKesson.

The two settlement agreements provide that funding will be distributed to states pursuant to an allocation agreement reached among the Attorneys General. On June 30, 2021, Governor Evers signed into law Assembly Bill 374 that puts in place a structure for the State and its local governments to receive opioid lawsuit settlement funds and permits counties to use these funds to assist families that have been impacted by the misuse and abuse of opioids. Once finally approved through the national process, the settlement may result in payments of over $400 million to the State and its local governments. Until such approval, there can be no assurance that the settlement funds will be allocated to the State and its local governments. In addition, future opioid litigation may result in suspension and reduction of payments. As a result, the State can provide no assurance as to the receipt of such settlement funds.

Other

The State, its officers, and its employees are defendants in numerous other lawsuits. It is the opinion of the Attorney General that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially impair its financial position. Potential liability for such pending litigation does not constitute a significant impairment of the State's financial position or its ability to pay debt service.

Employment Relations

This summary discusses employment relations within the executive branch under the authority of the Department of Administration. Since July 2015, UW-Madison, and the remainder of the UW System combined, are independent civil service systems, with their own statutorily-defined collective bargaining units and collective bargaining authority. Therefore, neither entity is included in the following summary.

The executive branch had approximately 23,140 classified and unclassified employees in 18 statutorily-designated bargaining units as of the end of the 2021-22 fiscal year. An additional 2,625 classified supervisors in two bargaining units may by statute also be considered for representation, but these supervisory units have never applied for representation. An additional 2,968 managers, confidential employees, and elected officials are excluded from the possibility of union representation.

During the 2021-22 fiscal year, two of the 18 total bargaining units, covering 543 employees, were represented by a union, statutorily limited to the ability to negotiate only base wages. One additional bargaining unit, covering 382 employees, was represented by a union to negotiate wages, benefits, and working conditions. Thus, at the end of the 2021-22 fiscal year, a total of 925 employees were represented for some degree of collective bargaining.

For all except one bargaining unit, representation rights are strictly limited to negotiation of base wage increases for a single fiscal year contract, and a recertification election must be held each year. The one exception is the public safety bargaining unit (State Patrol troopers and inspectors), which may negotiate wage rates, pay schedules, fringe benefits, hours of work, and conditions of employment for fiscal biennium contracts, and represent employees for grievances. Unlike the other unions, the public safety union is not subject to annual recertification.

Each collective bargaining agreement requires ratification by the members of the applicable labor union, approval by the legislative Joint Committee on Employment Relations, passage by both houses of the Legislature, and signature of the Governor.

Most classified and unclassified employees are also covered under the State compensation plan. The compensation plan, in conjunction with statutes, administrative rules, and policies, provides wages, hours, paid leave, and conditions of employment for all civil service employees, except as negotiable by unions. Fringe benefits including retirement and health and life insurance are determined legislatively or through the Group Insurance and Employee Trust Fund Boards. The public safety union is the only union that can negotiate with regard to certain aspects of these fringe benefits.

The budget for the 2021-22 fiscal year provides for salary and fringe benefits in an amount that is expected to be sufficient to meet all contractual obligations.

State Budget Assumptions

Tax revenue projections for the 2021-23 biennial budget were based on June 2021 estimates from LFB, adjusted for subsequent law changes. See "STATE BUDGET". The estimates were based on the State tax structure and on assumptions about basic economic factors and their historical relationships to State tax receipts. Revenue sources other than taxes are estimated in the preparation of the budget. The all-funds budget establishes estimates of these nontax revenues and presumes that an equal amount of expenditures will be made. For that purpose, any variation from the expected level of revenue is assumed to result in a corresponding increase or decrease in expenditures.

State disbursements for the budget are based on assumptions relating to economic and demographic factors, desired levels of services, and the success of expenditure control mechanisms applied by the Secretary of Administration pursuant to statutory authority in controlling disbursements for State operations. Factors that may affect the level of disbursements in the budgets and make the projected levels difficult to maintain include uncertainties relating to the economies of the nation and the State.

Economic Assumptions

DOR prepares periodic forecasts of income and employment for the State. These forecasts focus on industry employment, housing trends, and income components for the State.

The economic report from DOR published in August 2022 reflects certain projections by IHS Markit, a national forecasting group that provides national economic forecasts. Table II-9 contains excerpts from IHS Markit's August 2022 national economic forecast, and Table II-10 contains a summary of information from DOR's Wisconsin Econometric Model (**Model**).

Wisconsin Econometric Model

The Model is a forecasting tool used for assessing the future of the State's economy, measured primarily by income and employment. The Model provides DOR with information about how the State's economy responds to changes in the national economic conditions and plays a critical role in the revenue estimating process. The Model was first designed in 1976 by a predecessor of IHS Markit (Data Resources Inc.). DOR has periodically redesigned the Model to improve its performance, to correspond to changes in national modeling concepts in the IHS Markit macro model of the U.S. economy, and to incorporate new data definitions as embodied in the national and regional income accounts.

The Model provides forecasts of the major components of Wisconsin income and employment. Income measures correspond to the measures of State personal income provided by the U.S. Department of Commerce, Bureau of Economic Analysis. Employment measures correspond to the North American Industry Classification System (**NAICS**) as provided by the U.S. Department of Labor, Bureau of Labor Statistics through its Current Employment Statistics program and Quarterly Census of Employment and Wages program. The Model is a structural model that employs accounting identities and theoretical constructs for predictions on each economic variable. It is driven by a set of variables that are exogenous or determined outside the Model. The national forecast data are used in the Model to generate forecasts of State employment, income, tax revenue, and other economic indicators.

Other data come from both federal and State agencies. These data are principally measures of State personal income, employment, population, wages, milk prices, housing permits, new vehicle sales, and State tax rates and collections. After the data are compiled into the Model, the system of equations is simultaneously solved for income, employment, and other economic variables.

DOR maintains the Model through a process of keeping the Model's database up to date and re-examining the Model's equations when historical data are revised. The Model is calibrated to be temporally consistent with current data estimates by re-estimating the system of equations on a regular basis.

Table II-9
ECONOMIC FORECASTS—U.S.

	Calendar Year				
	2021	2022	2023	2024	2025
Real GDP and its Components (Amounts in Billions of 2012 Dollars)					
GDP	19,427.3	19,720.4	19,926.9	20,270.0	20,700.7
Percent Change	5.7	1.5	1.0	1.7	2.1
GDP (Current Dollars)	22,996.1	25,035.2	26,358.9	27,388.4	28,520.4
Percent Change	10.1	8.9	5.3	3.9	4.1
Employment and Prices					
Payroll Employment (Millions)	146.1	152.0	153.6	153.6	153.9
Percent Change	2.8	4.0	1.1	-0.0-	0.2
Unemployment Rate (%)	5.4	3.6	4.2	4.7	4.8
Consumer Price Index (% Change)	4.7	8.2	4.1	1.9	1.9
Employment Cost Index (% Change)	3.6	5.4	4.9	3.8	3.6
Industrial Production (% Change)	4.9	4.1	(0.4)	-0.0-	1.7
Retail Gasoline Prices ($/gallon)	3.1	4.2	3.9	3.6	3.6
Financial Markets					
3-Month Treasury Bills (rate)	-0.0-	1.7	3.2	2.8	2.4
30-Year Fixed Mortgage (rate)	3.0	4.9	5.0	4.8	4.8
Income and Profits (Amounts in Billions)					
Personal Income	21,092.8	21,772.0	22,858.0	23,841.2	24,899.2
Percent Change	7.5	3.2	5.0	4.3	4.4
Wages and Salaries	10,343.8	11,386.8	12,014.7	12,506.5	13,022.9
Percent Change	9.5	10.1	5.5	4.1	4.1
Corporate Profits, Before Tax	2,805.8	2,905.4	2,891.2	2,904.3	2,975.1
Percent Change	25.0	3.5	(0.5)	0.5	2.4

Source: IHS Markit, August 2022

Table II-10
ECONOMIC FORECASTS—WISCONSIN

	Calendar Year				
	2021	2022	2023	2024	2025
Wisconsin Employment Forecast Annual Industry Detail (Thousands of Workers)					
Manufacturing	466.3	$479	$476.1	$464.4	456.9
Percent Change	1.6	2.7	(0.6)	(2.5)	(1.6)
Trade, Transport & Utilities	533.2	542.6	544.5	530.8	524.2
Percent Change	1.5	1.8	0.4	(2.5)	(1.2)
Government	390.4	393.4	400.0	403.1	405.1
Percent Change	0.7	0.8	1.7	0.8	0.5
Total Nonfarm	2,882.5	2,952.7	2,994.8	2,988.3	2,991.0
Percent Change	2.1	2.4	1.4	(0.2)	0.1
Wisconsin Income Forecast Components of Personal Income (Amounts in Billions)					
Total Personal Income	345.2	356.2	373.6	387.6	402.7
Wages and Salaries	169.2	184.7	195.0	202.0	209.6
Supplements to Wages/ Salaries	44.6	46.8	48.3	50.0	49.1
Proprietor’s Income	23.5	25.9	25.6	25.1	26.0
Property Income	58.6	61.4	66.2	69.8	72.6
Personal Current Transfer	75.1	65.2	66.8	69.8	72.9
Contributions for Govt. Social Ins.	27.8	30.1	31.4	32.3	33.3
Personal Taxes	41.3	49.6	47.4	44.9	46.6
Disposable Personal Income	303.9	306.6	326.2	342.8	356.1
Related Income Measures (Chained 2012 Dollars)					
Personal Income (billions)	320.8	311.9	316.5	322.8	329.4
Percent Change	2.2	(2.8)	1.5	2.0	2.0
Per Capita Income	54,372.9	52,775.0	53,462.8	54,343.4	55,268.5
Percent Change	2.1	(2.9)	1.3	1.6	1.7
Per Capita Income (current $)	58,564.0	60,288.4	63,099.7	65,282.8	67,604.4
Percent Change	6.4	3.0	4.7	3.5	3.6

Source: IHS Markit, August 2022

Budget Format

The State prepares two budgets—a general-fund budget and an all-funds budget—as well as subbudgets for each fund.

The general-fund budget includes money appropriated for the fiscal year from:

- All State-collected general taxes
- Revenues collected by State agencies that are deposited into the General Fund and lose their identity (departmental revenues)
- Various miscellaneous receipts

A portion of these revenues is directed to local governments in the form of shared tax payments and to school districts in the form of general equalization aid payments. Additionally, some of the revenues are used for aids to individuals. The remaining portion constitutes the operating budget for State agencies conducting State-administered programs.

The all-funds budget includes money appropriated for the fiscal year from:

- All revenues included in the general-fund budget
- Revenues collected by State agencies that are paid into a specific fund (such as the Transportation Fund or the Conservation Fund)
- Federal funds that are estimated to be received and either paid into a specific fund (such as the Transportation Fund or the Conservation Fund) for a specified program or purpose, or credited to an appropriation to finance a specific program or agency
- Investment earnings or losses
- Revenues resulting from the contracting of public debt

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

Impact of Federal Programs

With exception of funds received under the CARES Act and ARPA for public health and economic relief initiatives in response to the COVID-19 pandemic, the State does not typically receive substantial amounts of federal aid. Any reduction in federal aid would have a more immediate effect on individuals, local governments, and other service providers than on the State directly. Any reduction would, however, increase the likelihood of the State being asked to increase its support of the affected parties, which could not happen without the Legislature's approval.

In November 2021, federal aid for infrastructure purposes was authorized in the Infrastructure Investment and Jobs Act. The State was scheduled to receive an estimated $1.7 billion in federal fiscal year 2022 and is scheduled to receive an estimated $1.4 billion in federal fiscal year 2023 under the act.

Budget Sequestration Cuts

The United States Congress has mandated across-the-board cuts to the federal budget, starting with the federal fiscal year that started October 1, 2012. The 2019 Bipartisan Budget Act set new spending caps on discretionary programs for federal fiscal years 2022 and 2023. Due to this known cap, the State does not expect to see any significant decrease in federal funds during the 2022-23 fiscal year.

Supplemental Appropriations

Even after the budget is adopted, the State may increase appropriations or reduce taxes. However, it has been the State's practice that supplemental appropriations adopted by the Legislature will be within revenue projections for that fiscal period or balanced by reductions in other appropriations.

No legislation directly or indirectly affecting general purpose revenue may be enacted if it would cause the estimated General Fund balance at the end of the fiscal year to be less than the required statutory reserve.

GENERAL FUND INFORMATION

General Fund Cash Flow

Many of the budgetary tables presented thus far in this Part II of the 2022 Annual Report have reported information on a budgetary basis. The following tables present information primarily on a cash basis.

Table II-11 is presented over two pages and includes the detailed actual cash flow for the 2021-22 fiscal year and the detailed actual cash flow through October 31, 2022 and projected cash flow from November 1, 2022 through June 30, 2023 for the 2022-23 fiscal year. Table II-12 provides a five-year history of general cash flows. Table II-13 is presented over two pages and provides, for the 2021-22 fiscal year and for the 2022-23 fiscal year through October 31, 2022, receipts and disbursements on a cash basis along with a comparison to estimates for the same period and actual receipts and disbursements for the same period of the previous fiscal year. Table II-14 presents a monthly summary of the General Fund from fiscal year 2020-21 through fiscal year 2022-23 with actual expenditures and revenues from July 1, 2021 through October 31, 2022 and projected expenditures and revenues from November 1, 2022 through June 30, 2023.

No operating notes were issued for the 2020-21 or 2021-22 fiscal years, and none have been, or are expected to be, issued for the current fiscal year.

Tables II-11, II-12, II-13 and II-14 should be read in conjunction with other information concerning the State budget set forth elsewhere in this Part II of the 2022 Annual Report, including "BUDGETING PROCESS AND FISCAL CONTROLS", "STATE BUDGET", and "STATE OBLIGATIONS; Operating Notes". As noted above, there have been and will continue to be differences in the amounts shown for the cash-flow basis and the budgetary basis presentations. For example, the cash-flow basis presentations in the following tables include all tax receipts as revenues and tax refunds as disbursements, while the budgetary basis presentations in Tables II-4 and II-6 include tax revenues that are net of tax refunds.

The results, projections, or estimates for the 2022-23 fiscal year in the following tables (unless otherwise noted) reflect the enacted budget for the 2021-23 biennium (2021 Wisconsin Act 58) and the estimated General Fund tax revenues included in the January 2022 LFB Report.

Unforeseen events or variations from underlying assumptions may cause a decrease in receipts or an increase in disbursements from those projected for a given month and thus may adversely affect the projection of cash flow for the time shown. Additionally, the timing of transactions from month to month may vary from the forecast.

The State has experienced and expects to continue to experience certain periods when the General Fund is in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund in an amount up to 9% of the general-purpose revenue appropriations then in effect (approximately $1.778 billion in the 2022-23 fiscal year). In addition, the Secretary of Administration can temporarily reallocate an additional amount of up to 3% of the general-purpose revenue appropriations then in effect (approximately $593 million in the 2022-23 fiscal year) for a period of up to 30 days. In aggregate, the limit on the amount available from temporary reallocations for the 2022-23 fiscal year is approximately $2.371 billion.

If the amount available for temporary reallocation to the General Fund is insufficient, then the Secretary of Administration may set priorities for payments from the General Fund as well as prorate and defer certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

- All direct and indirect payments of principal and interest on State general obligation debt have first priority and may not be prorated or reduced.
- All direct and indirect payments of principal and interest on operating notes have second priority and may not be prorated or reduced.
- All State employee payrolls have third priority and may be prorated or reduced.
- All other payments shall be paid in a priority determined by the Secretary of Administration and may be prorated or reduced. The Secretary of Administration has covenanted to give high priority to payments due under the Master Lease Program, debt service due on the General Fund Annual Appropriation Bonds, and appropriations to the Wisconsin Center District in the approximate amount of $8 million to assist in the development and construction of an arena in Milwaukee, Wisconsin, pursuant to contracts entered into in connection with the issuance of the related obligations.

Table II-15 presents the actual cash balances available for temporary reallocation from July 31, 2020 through October 31, 2022 and the projected balances for November 30, 2022 through June 30, 2023. The available cash balances are presented in two different tables; the first table does not include balances in the Local Government Investment Pool **(LGIP)**, while 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.

Tables II-16 and II-17 are each presented over two pages and include recorded revenues deposited into the General Fund and recorded expenditures made from the General Fund, as recorded by State agencies, for the 2021-22 fiscal year as compared to the prior fiscal year, and July 1, 2022 to October 31, 2022 as compared to the period of July 1, 2021 to October 31, 2021. These tables present information that is based on the revenues and expenditures that are recorded in, or processed through, the State's central accounting system and across all State agencies. There may be differences between the tax revenues shown in Table II-16 and those reported by DOR from time to time in its monthly general purpose revenue collections report; the DOR report only includes general purpose revenues or taxes that are actually collected by DOR while certain revenues are collected by other State agencies.

Table II-11

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2021 TO JUNE 30, 2022(a)(b)

(Amounts in Thousands)

	July 2021	August 2021	September 2021	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022	April 2022	May 2022	June 2022
BALANCES(a)(b)												
Beginning Balance	$6,509,076	$5,093,185	$6,203,668	$5,665,226	$6,711,691	$7,161,711	$6,653,973	$7,999,435	$7,376,627	$6,180,384	$6,498,205	$8,601,459
Ending Balance(c)	5,093,185	6,203,668	5,665,226	6,711,691	7,161,711	6,653,973	7,999,435	7,376,627	6,180,384	6,498,205	8,601,459	7,448,294
Lowest Daily Balance(c)	5,093,185	5,075,509	5,291,351	5,625,885	6,247,578	5,223,216	6,392,755	7,127,769	5,824,274	4,880,782	6,498,205	7,097,562
RECEIPTS												
TAX RECEIPTS												
Individual Income	$598,809	$1,066,794	$1,026,970	$698,755	$1,093,243	$887,054	$1,498,796	$690,525	$990,229	$1,724,668	$1,014,259	$963,950
Sales & Use	675,355	654,066	632,209	672,030	627,759	601,005	722,816	536,536	510,639	662,214	623,202	682,696
Corporate Income	104,471	49,338	452,306	114,101	55,205	574,542	144,550	55,247	356,462	456,039	78,830	495,371
Public Utility	22	1	3,267	25,713	182,149	626	34	-0-	2	4,140	209,966	-0-
Excise	68,763	56,274	60,945	60,208	51,661	60,376	52,523	47,282	44,650	55,785	49,924	55,255
Insurance	38	2,156	46,270	106	5,076	43,898	2,765	24,078	26,783	47,353	4,783	45,061
Subtotal Tax Receipts	$1,447,458	$1,828,629	$2,221,967	$1,570,913	$2,015,093	$2,167,501	$2,421,484	$1,353,668	$1,928,765	$2,950,199	$1,980,964	$2,242,333
NON-TAX RECEIPTS												
Federal	$1,529,190	$1,160,636	$649,608	$1,491,417	$1,131,827	$1,181,235	$1,169,911	$1,174,248	$1,366,425	$1,251,670	$2,769,061	$1,616,028
Other & Transfers	502,537	433,504	796,424	590,534	428,787	621,612	544,458	814,470	700,770	403,037	272,679	997,134
Note Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Subtotal Non-Tax Receipts	$2,031,727	$1,594,140	$1,446,032	$2,081,951	$1,560,614	$1,802,847	$1,714,369	$1,988,718	$2,067,195	$1,654,707	$3,041,740	$2,613,162
TOTAL RECEIPTS	$3,479,185	$3,422,769	$3,667,999	$3,652,864	$3,575,707	$3,970,348	$4,135,853	$3,342,386	$3,995,960	$4,604,906	$5,022,704	$4,855,495
DISBURSEMENTS												
Local Aids	$ 1,578,232	$ 263,175	$ 1,008,436	$ 141,690	$ 998,155	$ 1,478,617	$ 216,455	$ 802,387	$ 2,110,195	$ 152,563	$ 355,118	$ 2,042,413
Income Maintenance	1,402,008	891,443	888,825	875,455	959,914	1,173,316	907,545	1,054,124	1,062,288	1,039,061	1,149,368	1,192,968
Payroll and Related	455,186	448,505	419,994	472,503	493,170	574,256	569,891	509,309	433,269	552,886	497,363	588,014
Tax Refunds	193,029	150,457	111,592	158,689	138,643	242,725	112,656	748,965	869,435	1,001,193	249,787	218,060
Debt Service	278,229	-0-	-0-	295,078	-0-	74	-0-	88,938	-0-	299,604	-0-	-0-
Miscellaneous	988,392	558,706	1,777,594	662,984	535,805	1,009,098	983,844	761,471	717,016	1,241,778	667,814	1,967,205
TOTAL DISBURSEMENTS	$4,895,076	$2,312,286	$4,206,441	$2,606,399	$3,125,687	$4,478,086	$2,790,391	$3,965,194	$5,192,203	$4,287,085	$2,919,450	$6,008,660

(a) Temporary reallocations of cash are not included.

(b) The General Fund cash balances presented in this schedule are not based on 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 are anticipated to range from $1.3 billion to $1.8 billion for the 2021-22 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 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 for the 2021-22 fiscal year (based on 2021 Wisconsin Act 58), are approximately $1.737 billion and $579 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: Department of Administration

Table II-11 — Continued

ACTUAL GENERAL FUND CASH FLOW; JULY 1, 2022 TO OCTOBER 31, 2022[(a)(b)]

PROJECTED GENERAL FUND CASH FLOW; NOVEMBER 1, 2022 TO JUNE 30, 2023[(a)(b)]

	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023
BALANCES[(a)(b)]												
Beginning Balance	$7,448,294	$6,481,766	$7,374,437	$8,273,661	$8,985,797	$8,529,343	$7,225,166	$8,842,970	$8,623,089	$7,539,738	$8,123,122	$8,687,846
Ending Balance[(c)]	6,481,766	7,374,437	8,273,661	8,985,797	8,529,343	7,225,166	8,842,970	8,623,089	7,539,738	8,123,122	8,687,846	7,953,720
Lowest Daily Balance [(c)]	6,481,766	6,465,145	6,716,729	7,922,761	8,218,592	6,437,929	7,217,805	8,173,039	7,142,896	6,784,459	7,731,601	7,145,243
RECEIPTS												
TAX RECEIPTS												
Individual Income	$557,765	$940,270	$1,014,964	$937,124	$819,857	$613,283	$1,620,780	$758,665	$1,004,294	$1,375,863	$1,160,954	$1,076,591
Sales & Use	730,331	714,420	716,342	716,845	658,081	622,578	768,814	572,694	537,610	673,621	631,364	705,083
Corporate Income	77,895	51,093	551,029	73,137	115,678	576,575	158,146	76,472	391,331	471,769	82,692	501,409
Public Utility	56	45	410	28,438	191,820	498	165	64	12	6,478	196,860	2,369
Excise	62,605	51,765	61,274	57,560	55,237	54,907	53,063	46,082	46,449	61,178	47,357	54,473
Insurance	71	3,594	47,330	88	3,205	47,769	2,174	24,666	27,736	51,021	3,169	48,084
Subtotal Tax Receipts	$1,428,723	$1,761,187	$2,391,349	$1,813,192	$1,843,878	$1,915,610	$2,603,142	$1,478,643	$2,007,432	$2,639,930	$2,122,396	$2,388,009
NON-TAX RECEIPTS												
Federal	$1,583,249	$928,121	$1,445,889	$1,172,246	$1,095,318	$1,238,652	$1,311,660	$1,303,625	$1,194,262	$1,182,455	$1,278,138	$1,423,792
Other & Transfers	704,783	466,738	1,032,798	605,163	387,312	604,442	556,866	772,936	724,163	476,839	372,622	726,319
Note Proceeds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Subtotal Non-Tax Receipts	$2,288,032	$1,394,859	$2,478,687	$1,777,409	$1,482,630	$1,843,094	$1,868,526	$2,076,561	$1,918,425	$1,659,294	$1,650,760	$2,150,111
TOTAL RECEIPTS	$3,716,755	$3,156,046	$4,870,036	$3,590,601	$3,326,508	$3,758,704	$4,471,668	$3,555,204	$3,925,857	$4,299,224	$3,773,156	$4,538,120
DISBURSEMENTS												
Local Aids	$1,534,618	$272,191	$1,032,158	$157,360	$1,074,417	$1,534,328	$239,647	$790,355	$2,098,014	$111,757	$324,899	$2,239,294
Income Maintenance	962,942	1,029,140	1,087,929	994,371	979,479	1,181,536	991,546	1,043,617	1,059,485	1,117,438	1,083,429	878,522
Payroll and Related	468,755	435,856	466,938	519,146	484,921	645,765	488,083	484,921	484,921	481,759	488,083	645,764
Tax Refunds	123,554	152,073	149,046	182,740	75,601	202,884	61,983	293,919	370,197	402,550	148,341	100,055
Debt Service	289,654	68	-0-	266,475	905	-0-	-0-	905	-0-	352,269	23,279	-0-
Miscellaneous	1,303,760	374,047	1,234,741	758,373	1,167,639	1,498,368	1,072,605	1,161,368	996,591	1,250,067	1,140,401	1,408,611
TOTAL DISBURSEMENTS	$4,683,283	$2,263,375	$3,970,812	$2,878,465	$3,782,962	$5,062,881	$2,853,864	$3,775,085	$5,009,208	$3,715,840	$3,208,432	$5,272,246

(a) The projections and estimates in this table reflect 2021 Wisconsin Act 58, the January 2022 LFB Report, and the receipt of ARPA federal funds, including a receipt of $1.5 billion in May 2022 (reflecting funds for the State under the State Fiscal Recovery Fund along with certain non-entitlement governmental unit allocation of funds under the Local Fiscal Recovery Fund that are required to pass through the State). Projections and estimates do not reflect any specific disbursement, but rather generalized assumptions for disbursement, of remaining CARES Act and ARPA federal funds. Temporary reallocations of cash are not included.

(b) The General Fund cash balances presented in this schedule are not based on 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 are anticipated to range from $1.5 billion to $2.2 billion for the 2022-23 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 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 for the 2022-23 fiscal year (based on 2021 Wisconsin Act 58), are approximately $1.778 billion and $593 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: Department of Administration

Table II-12
HISTORICAL GENERAL FUND CASH FLOW
ACTUAL FISCAL YEARS 2018-2019 TO 2021-2022[(a)]
ACTUAL AND PROJECTED GENERAL FUND CASH FLOW FISCAL YEAR 2022-2023

	Actual 2018-19 Fiscal Year	Actual 2019-20 Fiscal Year	Actual 2020-21 Fiscal Year	Actual 2021-22 Fiscal Year	FY23 YTD Actual thru Oct-22; Estimated Nov-22 thru Jun-23
RECEIPTS					
Tax Receipts					
Individual Income	$10,557,272	$10,138,020	$12,322,447	$12,254,052	$11,880,410
Sales	6,132,089	6,253,771	6,825,242	7,600,527	8,047,783
Corporate Income	1,519,561	1,551,402	2,753,782	2,936,462	3,127,226
Public Utility	415,047	409,513	409,860	425,920	427,215
Excise	681,262	667,055	683,307	663,646	651,950
Insurance	218,304	242,228	230,169	248,367	258,907
Total Tax Receipts	$19,523,535	$19,261,989	$23,224,807	$24,128,974	$24,393,491
Non-Tax Receipts					
Federal	$10,093,533	$12,725,759	$13,868,008	$16,491,256	$15,157,407
Other and Transfers	6,241,726	5,887,398	6,572,553	7,105,946	7,430,981
Total Non-Tax Receipts	$16,335,259	$18,613,157	$20,440,561	$23,597,202	$22,588,388
TOTAL RECEIPTS	$35,858,794	$37,875,146	$43,665,368	$47,726,176	$46,981,879
DISBURSEMENTS					
Local Aids	$9,698,906	$9,917,134	$10,460,416	$11,147,436	$11,409,038
Income Maintenance	9,747,283	10,126,849	11,040,922	12,596,315	12,409,434
Payroll & Related	5,333,395	5,633,397	5,689,539	6,014,346	6,094,912
Tax Refunds	2,785,514	2,992,617	3,533,245	4,195,231	2,262,943
Debt Service	914,688	875,340	973,718	961,923	933,555
Miscellaneous	6,396,205	6,811,025	9,486,768	11,871,707	13,366,571
TOTAL DISBURSEMENTS	$34,875,991	$36,356,362	$41,184,608	$46,786,958	$46,476,453
NET CASH FLOW	$982,803	$1,518,784	$2,480,760	$939,218	$505,426

(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.

Source: Department of Administration

Table II-13
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[(a)]
(Cash Basis)
As of June 30, 2022
(Amounts in Thousands)

	2020-21 Fiscal Year through June 30, 2021	2021-22 Fiscal Year through June 30, 2022				
	Actual	Actual	Estimate[(b)]	Variance	Adjusted Variance[(c)]	Difference FY23 Actual to FY22 Actual
RECEIPTS						
Tax Receipts						
Individual Income	$12,322,447	$12,254,052	$11,635,011	$619,041	$619,041	($68,395)
Sales	6,825,242	7,600,527	7,287,285	313,242	313,242	775,285
Corporate Income	2,753,782	2,936,462	2,221,389	715,073	715,073	182,680
Public Utility	409,860	425,920	415,504	10,416	10,416	16,060
Excise	683,307	663,646	669,723	(6,077)	(6,077)	(19,661)
Insurance	230,169	248,367	239,915	8,452	8,452	18,198
Total Tax Receipts	$23,224,807	$24,128,974	$22,468,827	$1,660,147	$1,660,147	$904,167
Non-Tax Receipts						
Federal	$13,868,008	$16,491,256	$12,877,663	$3,613,593	$3,613,593	$2,623,248
Other and Transfers	6,572,553	7,105,946	6,795,722	310,224	310,224	533,393
Total Non-Tax Receipts	$20,440,561	$23,597,202	$19,673,385	$3,923,817	$3,923,817	$3,156,641
TOTAL RECEIPTS	$43,665,368	$47,726,176	$42,142,212	$5,583,964	$5,583,964	$4,060,808
DISBURSEMENTS						
Local Aids	$10,460,416	$11,147,436	$10,948,001	($199,435)	($199,435)	$687,020
Income Maintenance	11,040,922	12,596,315	12,431,355	(164,960)	(164,960)	1,555,393
Payroll & Related	5,689,539	6,014,346	5,575,300	(439,046)	(439,046)	324,807
Tax Refunds	3,533,245	4,195,231	4,376,117	180,886	180,886	661,986
Debt Service	937,388	961,923	987,213	25,290	25,290	24,535
Miscellaneous	9,523,098	11,871,707	11,031,676	(840,031)	(840,031)	2,348,609
TOTAL DISBURSEMENTS	$41,184,608	$46,786,958	$45,349,662	($1,437,296)	($1,437,296)	$5,602,350
2022-23 FISCAL YEAR VARIANCE YEAR-TO-DATE				$4,146,668	$4,146,668	

(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 projections and estimates for the 2021-22 fiscal year reflect the June 2021 LFB Report, 2021 Wisconsin Act 58, the January 2022 LFB Report, and receipt of ARPA federal funds. Projections and estimates also reflect DOR's updated individual income tax withholding tables, effective January 1, 2022. The projections and estimates do not reflect any specific disbursement of remaining CARES Act and ARPA federal funds.

(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: Department of Administration

Table II-13 — Continued
GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS YEAR-TO-DATE COMPARED TO ESTIMATES AND PREVIOUS FISCAL YEAR[a]
(Cash Basis)
As of Oct 31, 2022
(Amounts in Thousands)

	2021-22 Fiscal Year through October 31, 2021	2022-23 Fiscal Year through October 31, 2022				
	Actual	**Actual**	**Estimate[b]**	**Variance**	**Adjusted Variance[c]**	**Difference FY23 Actual to FY22 Actual**
RECEIPTS						
Tax Receipts						
Individual Income	$3,391,328	$3,450,123	$3,494,131	($44,008)	($44,008)	$58,795
Sales	2,633,660	2,877,938	2,765,434	112,504	112,504	244,278
Corporate Income	720,216	753,154	762,603	(9,449)	(9,449)	32,938
Public Utility	29,003	28,949	29,963	(1,014)	(1,014)	(54)
Excise	246,190	233,204	239,223	(6,019)	(6,019)	(12,986)
Insurance	48,570	51,083	51,137	(54)	(54)	2,513
Total Tax Receipts	$7,068,967	$7,394,451	$7,342,491	$51,960	$51,960	$325,484
Non-Tax Receipts						
Federal	$4,830,851	$5,092,967	$4,718,873	$374,094	$374,094	$262,116
Other and Transfers	2,322,999	2,846,020	2,501,938	344,082	344,082	523,021
Total Non-Tax Receipts	$7,153,850	$7,938,987	$7,220,811	$718,176	$718,176	$785,137
TOTAL RECEIPTS	$14,222,817	$15,333,438	$14,563,302	$770,136	$770,136	$1,110,621
DISBURSEMENTS						
Local Aids	$2,991,533	$2,996,327	$2,887,915	($108,412)	($108,412)	$4,794
Income Maintenance	4,057,731	4,074,382	4,267,600	193,218	193,218	16,651
Payroll & Related	1,796,188	1,890,695	1,942,846	52,151	52,151	94,507
Tax Refunds	613,767	607,413	281,785	(325,628)	(325,628)	(6,354)
Debt Service	573,307	556,197	570,770	14,573	14,573	(17,110)
Miscellaneous	3,987,676	3,670,921	4,457,463	786,542	786,542	(316,755)
TOTAL DISBURSEMENTS	$14,020,202	$13,795,935	$14,408,379	$612,444	$612,444	($224,267)
2022-23 FISCAL YEAR VARIANCE YEAR-TO-DATE				$1,382,580	$1,382,580	

(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. Amounts are as of June 30 and are not the final for the fiscal year. Transactions occurring during July, August and September may affect the prior year's final fiscal amounts.

(b) The projections and estimates for the 2021-22 fiscal year reflect the June 2021 LFB Report, 2021 Wisconsin Act 58, the January 2022 LFB Report, and receipt of ARPA federal funds. Projections and estimates also reflect DOR's updated individual income tax withholding tables, effective January 1, 2022. The projections and estimates do not reflect any specific disbursement of remaining CARES Act and ARPA federal funds.

(c) Changes are sometimes made after the beginning of the fiscal year to the projected revenues and disbursements. Depending on when these changes occur, there are situations in which prior estimates cannot be changed which may result in large variances. This column includes adjustments to the variances, if any, to more accurately reflect the variance between the estimated and actual amounts.

Source: Department of Administration

Table II-14
GENERAL FUND MONTHLY CASH POSITION[(a)]
July 1, 2020 through September 30, 2022 — Actual
October 1, 2022 through June 30, 2023 — Estimated[(b)]
(Amounts in Thousands)

	Starting Date	Starting Balance	Receipts	Disbursements
2020	July	$4,028,316	$4,448,651	$4,578,717
	August	3,898,250	2,306,066	2,222,454
	September	3,981,862	3,765,390	2,864,941
	October	4,882,311	2,944,091	2,674,912
	November	5,151,490	3,095,994	2,999,812
	December	5,247,672	3,491,201	4,564,868
2021	January	4,174,005	3,815,496	2,399,950
	February	5,589,551	3,202,803	3,375,746
	March.	5,416,608	3,747,446	4,686,189
	April	4,477,865	3,878,368	3,415,709
	May	4,940,524	5,192,333	2,983,373
	June	7,149,484	3,777,529	4,417,937
	July	6,509,076	3,479,185	4,895,076
	August	5,093,185	3,422,769	2,312,286
	September	6,203,668	3,667,999	4,206,441
	October	5,665,226	3,652,864	2,606,399
	November	6,711,691	3,575,707	3,125,687
	December	7,161,711	3,970,348	4,478,086
2022	January	6,653,973	4,135,853	2,790,391
	February	7,999,435	3,342,386	3,965,194
	March.	7,376,627	3,995,960	5,192,203
	April	6,180,384	4,604,906	4,287,085
	May	6,498,205	5,022,704	2,919,450
	June	8,601,459	4,855,495	6,008,660
	July	7,448,294	3,716,755	4,683,283
	August	6,481,766	3,156,046	2,263,375
	September	7,374,437	4,870,036	3,970,812
	October	8,273,661	3,590,601	2,878,465
	November	8,985,797	3,326,508	3,782,962
	December	8,529,343	3,758,704	5,062,881
2023	January	7,225,166	4,471,668	2,853,864
	February	8,842,970	3,555,204	3,775,085
	March.	8,623,089	3,925,857	5,009,208
	April	7,539,738	4,299,224	3,715,840
	May	8,123,122	3,773,156	3,208,432
	June	8,687,846	4,538,120	5,272,246

(a) The General Fund balances presented in this table are not based on GAAP.
(b) The projections and estimates for the 2022-23 fiscal year (cash basis) reflect 2021 Wisconsin Act 58 and the January 2022 LFB Report.

Source: Department of Administration

Table II-15
CASH BALANCES IN FUNDS AVAILABLE FOR TEMPORARY REALLOCATION[(a)(b)]
July 31, 2020 to October 31, 2022 — Actual
November 1, 2022 to June 30, 2023 — 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 reallocations, 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 $2.799 billion during October 2018 to a high of $6.632 billion during July 2022. The Secretary of Administration may not exercise the authority to use temporary reallocation if doing so would jeopardize the cash flow of any fund or account from which a temporary reallocation would be made.

Available Balances; Does Not Include Balances in the LGIP

Month (Last Day)	2020	2021	2022	2023
January		$1,866	$2,273	$1,866
February		2,030	2,428	2,030
March		2,000	2,282	1,815
April		2,008	2,211	1,716
May		2,063	2,285	1,670
June		2,337	2,812	1,806
July	$1,575	2,243	2,711	
August	1,627	2,067	2,443	
September	1,783	2,148	2,671	
October	1,620	2,011	2,408	
November	1,672	2,085	1,672	
December	1,873	2,209	1,873	

Available Balances; Includes Balances in the LGIP

Month (Last Day)	2020	2021	2022	2023
January		$7,130	$7,971	$7,130
February		7,602	8,200	7,602
March		7,988	8,664	6,970
April		7,428	8,085	6,990
May		7,529	7,783	6,469
June		7,708	8,845	6,524
July	$7,004	8,383	9,343	
August	6,087	7,160	7,786	
September	5,970	6,915	7,507	
October	5,410	6,410	6,986	
November	5,418	6,342	5,418	
December	6,549	7,238	6,549	

(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 projections and estimates for 2022-23 fiscal year (cash basis) reflect 2021 Wisconsin Act 58 and the January 2022 LFB Report. Actual results, projections, and estimates reflect the receipt of ARPA federal funds, including receipt of $1.5 billion in May 2022 (reflecting funds for the State under the State Fiscal Recovery Fund along with certain non-entitlement governmental unit allocation of funds under the Local Fiscal Recovery Fund that are required to pass through the State). Projections and estimates do not reflect any specific disbursement, but rather generalized assumptions for disbursement, of remaining CARES Act and ARPA federal funds.

Source: Department of Administration

Table II-16

GENERAL FUND RECORDED REVENUES[a]

(Agency-Recorded Basis)

July 1, 2021 to June 30, 2022 compared with previous year

	Annual Fiscal Report Revenues 2020-21 Fiscal Year[b]	Annual Fiscal Report Revenues 2021-22 Fiscal Year[c]	Recorded Revenues July 1, 2020 to June 30, 2021[d]	Recorded Revenues July 1, 2021 to June 30, 2022[e]
Individual Income Tax	$9,283,388,000	$9,214,400,000	$8,682,418,004	$8,728,522,950
General Sales and Use Tax	6,373,483,000	6,978,300,000	5,658,172,420	6,210,102,250
Corporate Franchise and Income Tax	2,560,148,000	2,960,000,000	2,278,401,485	2,620,476,439
Public Utility Taxes	356,256,000	383,600,000	356,240,237	384,092,439
Excise Taxes	677,875,000	654,700,000	615,685,617	595,325,642
Inheritance Taxes	-0-	-0-	568	-0-
Insurance Company Taxes	202,066,000	221,800,000	202,066,186	221,799,922
Miscellaneous Taxes	119,575,000	135,600,000	421,941,162	450,860,610
SUBTOTAL	$19,572,791,000	$20,548,400,000	$18,214,925,681	$19,211,180,252
Federal and Other Inter-Governmental Revenues[f]	15,575,124,000	18,570,506,000	15,712,731,817	18,382,819,255
Dedicated and Other Revenues[g]	7,535,580,000	8,957,779,000	8,248,681,959	8,636,517,957
TOTAL	$42,683,495,000	$48,076,685,000	$42,176,339,456	$46,230,517,465

(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 2020-21 fiscal year dated October 15, 2021.

(c) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2021-22 fiscal year dated October 14, 2022.

(d) The amounts shown are the 2020-21 fiscal year general purpose revenues and program revenues taxes as recorded by State agencies. The amounts shown are as of June 30, 2021 and do not include revenues for 2020-21 fiscal year that were recorded by State agencies during the months of July, August, and September 2021. 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.

(e) The amounts shown are the 2021-22 fiscal year general purpose revenues and program revenue taxes as recorded by State agencies. The amounts shown are as of June 30, 2022 and do not include revenues for 2021-22 fiscal year that may be recorded by State agencies during the months of July, August, and September 2022. 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: Department of Administration

Table II-16 — Continued
GENERAL FUND RECORDED REVENUES[a]
(Agency-Recorded Basis)
July 1, 2022 to October 31, 2022 compared with previous year[b]

	Annual Fiscal Report Revenues 2021-22 Fiscal Year[b]	Projected Revenues 2022-23 Fiscal Year[c]	Recorded Revenues July 1, 2021 to October 31, 2021[d]	Recorded Revenues July 1, 2022 to October 31, 2022[e]
Individual Income Tax	$9,214,400,000	$9,115,564,000	$2,684,140,331	$2,792,727,048
General Sales and Use Tax	6,978,300,000	6,844,500,000	1,728,715,769	1,930,221,245
Corporate Franchise and Income Tax	2,960,000,000	2,160,000,000	606,553,221	615,743,766
Public Utility Taxes'	383,600,000	352,000,000	28,755,990	28,937,798
Excise Taxes	654,700,000	654,800,000	185,333,480	172,502,460
Inheritance Taxes	-0-	-0-	-0-	-0-
Insurance Company Taxes	221,800,000	217,000,000	48,503,493	50,904,634
Miscellaneous Taxes	135,600,000	114,000,000	82,020,759	86,359,725
SUBTOTAL	$20,548,400,000	$19,457,864,000	$5,364,023,043	$5,677,396,675
Federal and Other Inter-Governmental Revenues[f]	18,570,506,000	12,720,421,900	4,755,695,498	5,398,390,804
Dedicated and Other Revenues[g]	8,957,779,000	7,128,404,200	2,487,175,390	3,048,670,146
TOTAL	$48,076,685,000	$39,306,690,100	$12,606,893,931	$14,124,457,625

(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 2021-22 fiscal year dated October 14, 2022.

(c) The estimates in this table for the 2021-22 fiscal year (cash basis) reflect 2021 Wisconsin Act 58, but do not reflect 2019 Wisconsin Act 7, or 2019 Wisconsin Act 10, or the June 2021 LFB Report.

(d) The amounts shown are the 2021-22 fiscal year general purpose revenues and program revenues taxes as recorded by State agencies. The amounts shown are as of October 31, 2021 and do not include revenues for 2021-22 fiscal year that were recorded by State agencies during the months of November, December 2022. 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.

(e) The amounts shown are the 2021-22 fiscal year general purpose revenues and program revenue taxes as recorded by State agencies. The amounts shown are as of October 31, 2022 and do not include revenues for 2021-22 fiscal year that may be recorded by State agencies during the months of November, December 2022. 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: Department of Administration

Table II-17
GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]
(Agency-Recorded Basis)
July 1, 2021 to June 30, 2022 compared with previous year[(b)]

	Annual Fiscal Report Expenditures 2020-21 Fiscal Year[(b)]	Annual Fiscal Report Expenditures 2021-22 Fiscal Year[(c)]	Recorded Expenditures July 1, 2020 to June 30, 2021[(d)]	Recorded Expenditures July 1, 2021 to June 30, 2022[(e)]
Commerce	$413,852,000	$558,080,000	$420,546,076	$430,645,283
Education	14,604,058,000	15,957,498,000	14,485,324,989	15,792,103,955
Environmental Resources	362,832,000	305,660,000	324,373,557	304,773,976
Human Relations & Resources	19,749,163,000	21,598,080,000	19,819,913,429	21,916,485,328
General Executive	4,181,320,000	3,745,808,000	3,983,483,054	3,124,080,971
Judicial	153,510,000	154,578,000	151,712,909	156,444,520
Legislative	77,774,000	81,703,000	77,828,572	81,700,721
General Appropriations	2,742,604,000	2,768,023,000	2,792,742,385	3,195,871,310
TOTAL	$42,285,113,000	$45,169,430,000	$42,055,924,970	$45,002,106,064

(a) The expenditures in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.

(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2020-21 fiscal year, dated October 15, 2021.

(c) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2021-22 fiscal year, dated October 14, 2022.

(d) The amounts shown are 2020-21 fiscal year expenditures as recorded by all State agencies. The amounts shown are as of June 30, 2021 and do not include expenditures for the 2020-21 fiscal year that were recorded by State agencies during the months of July, August, and September 2021.

(e) The amounts shown are 2021-22 fiscal year expenditures as recorded by all State agencies. The amounts shown are as of June 30, 2022 and do not include expenditures for the 2021-22 fiscal year that may be recorded by State agencies during the months of July, August, and September 2022.

Source: Department of Administration

Table II-17 — Continued

GENERAL FUND RECORDED EXPENDITURES BY FUNCTION[(a)]

(Agency-Recorded Basis)

July 1, 2022 to October 31, 2022 compared with previous year[(b)]

	Annual Fiscal Report Expenditures 2021-22 Fiscal Year[(b)]	Estimated Appropriations 2022-23 Fiscal Year[(c)]	Expenditures July 1, 2021 to October 31, 2021[(d)]	Expenditures July 1, 2022 to October 31, 2022[(e)]
Commerce	$558,080,000	$424,046,700	$264,291,586	$300,788,662
Education	15,957,498,000	15,431,359,300	3,750,899,737	4,127,144,984
Environmental Resources	305,660,000	285,123,800	95,690,069	70,782,980
Human Relations & Resources	21,598,080,000	17,629,648,700	6,169,902,180	7,265,661,274
General Executive	3,745,808,000	1,262,292,000	921,050,428	861,792,424
Judicial	154,578,000	152,077,300	59,451,655	58,296,387
Legislative	81,703,000	87,774,000	22,680,204	21,037,343
General Appropriations	2,768,023,000	3,057,063,100	1,491,394,450	1,599,520,048
TOTAL	$45,169,430,000	$38,329,384,900	$12,775,360,309	$14,305,024,102

(a) The expenditures in this table are presented on an agency-recorded basis and not a budgetary basis. None of the data presented in this table has been subjected to customary fiscal period closing procedures or other procedures used in the preparation of a financial statement, including verification, reconciliation, and identified adjustments.
(b) The amounts are from the Annual Fiscal Report (budgetary basis) for the 2021-22 fiscal year, dated October 14, 2022.
(c) The appropriations included in this table reflect 2021 Wisconsin Act 58.
(d) The amounts shown are 2021-22 fiscal year expenditures as recorded by all State agencies
(e) The amounts shown are 2022-23 fiscal year expenditures as recorded by all State agencies.

Source: Department of Administration

General Fund History

Table II-18 presents the General Fund condition for the previous three years.

Table II-18
COMPARATIVE CONDITION OF GENERAL FUND[(a)]
(As of June 30; Amounts in Thousands)

	2022	2021	2020
ASSETS			
Cash [(b)]	$7,453,027	$6,513,819	$4,033,053
Contingent Fund Advances	6,064	5,697	5,003
Investments	385,000	-0-	-0-
Accounts Receivable	1,725,291	1,690,179	2,456,547
Due from Other Funds	462,221	518,925	182,741
Inventory	-0-	-0-	-0-
Prepayments	1,986	4,705	4,274
Other Assets	172,378	166,691	113,930
TOTAL ASSETS	$10,205,967	$8,900,016	$6,795,548
LIABILITIES			
Accounts Payable	$880,714	$2,043,041	$897,300
Operating Notes Payable	-0-	-0-	-0-
Due to Other Funds	70,547	1,204,996	215,784
Tax and Other Deposits	110,748	125,999	37,425
Deferred Revenue	241,884	217,222	215,551
TOTAL LIABILITIES	$1,303,893	$3,591,258	$1,366,060
FUND BALANCE			
Reserved Balances			
GPR Encumbrances	$279,610	$271,978	$226,906
PR Encumbrances	2,021,127	900,418	492,033
Total Reserved Balances	$2,300,737	$1,172,396	$718,939
Unreserved Designated Balances			
GPR Designation for Continuing Balances	677,779	62,777	600,886
Unreserved Balances			
GPR Unreserved Balance	$4,298,919	$2,581,053	$1,172,354
PR Unreserved Balance	1,624,639	1,492,532	2,937,309
Total Unreserved Balances	$5,923,558	$4,073,585	$4,109,663
TOTAL FUND BALANCE	$8,902,074	$5,308,758	$5,429,488
TOTAL LIABILITIES AND FUND BALANCE	$10,205,967	$8,900,016	$6,795,548

(a) The amounts shown are based on statutorily required accounting and not GAAP. The amounts are unaudited.
(b) Pursuant to ARPA, the State received $1.267 billion from the State Fiscal Recovery Fund in fiscal year 2021-22.

Source: Department of Administration

STATE GOVERNMENT ORGANIZATION

The State is located in the Midwest. The State ranks 20th among the states in population and 25th in land area. Wisconsin attained statehood in 1848, its capital is the City of Madison, and its largest city is Milwaukee. The following is a summary of the general organization of, and services provided by, State government.

General Organization

Executive Branch

The executive branch is under the direction of the Governor. The Governor is the chief executive officer of the State and is assisted by five elected constitutional officers (each elected to a four-year term):

- *Lieutenant Governor*. The Governor and Lieutenant Governor are elected on the same ballot. The Lieutenant Governor serves as Acting Governor during the absence or incapacity of the Governor.
- *Attorney General*. The Attorney General heads the Department of Justice, which provides all State agencies with legal advice and counsel.
- *State Treasurer*. The State Treasurer participates in the promotion of the State's unclaimed property program administered by the Department of Revenue, and signs certain checks and other financial instruments.
- *Secretary of State*. The Secretary of State keeps a record of the official acts of the Legislature and executive agencies.
- *Superintendent of Public Instruction*. The Superintendent of Public Instruction heads the Department of Public Instruction, which supervises the operations of and establishes standards for schools throughout the State.

The executive branch consists of 17 departments (including two headed by other constitutional officers), 11 independent agencies, and numerous other authorities.

Legislative Branch

The legislative branch consists of the Legislature and its subordinate service agencies. The Legislature is bicameral, composed of the Senate and the Assembly. The 33 members of the Senate serve staggered four-year terms, and the 99 members of the Assembly serve identical two-year terms. Both the Senate and the Assembly operate on a committee system. The Legislature's biennial session begins in odd-numbered years on the first Monday in January (or January 3rd if the first Monday is January 1st or January 2nd). By a joint resolution, the biennial session is divided into floor periods interspersed with committee work periods. In odd-numbered years, the Joint Committee on Legislative Organization develops a schedule for the two-year period. The Legislature also meets in special session when so called by the Governor and in extraordinary session when a majority from each branch signs a petition; at these times the Legislature may transact only that business for which the special or extraordinary session is called.

Judicial Branch

The judicial branch consists of:

- *Supreme Court*. The Supreme Court is composed of seven justices who are elected statewide for staggered ten-year terms.
- *Court of Appeals*. The Court of Appeals is composed of 16 judges who are elected district-wide for staggered six-year terms, generally sitting in three-judge panels.
- *Circuit Courts*. There are 69 Circuit Courts (the State's trial courts). Each has one or more branches and judges who are locally elected for six-year terms, and all are administered from nine judicial districts.

The State pays all costs of the Supreme Court and Court of Appeals and certain costs of the Circuit Courts.

Description of Services Provided by State Government

The State provides a wide range of services to its residents and to its local government units. These services are organized for both budgetary and financial reporting of the General Fund into eight functional groupings. Each State agency is categorized into one or more of these functions. There are some agency activities that fit into more than one function. Listed below is a description of each function, an identification of those State agencies and boards within each function, and a brief summary of the responsibilities of each State agency.

Commerce

The State's involvement in the commerce function is in the regulation of conduct of commercial transactions. The objective is to protect the public as consumers of agricultural and manufactured goods and services and as participants in financial transactions. The State also actively promotes economic development by working with companies seeking to expand or move to the State and broadening markets for State goods and services. These objectives are met in several ways:

- Inspection of raw products and conditions under which they are grown or obtained, including conducting research in areas such as animal or plant diseases, grading of products, and establishing standards for contents of processed foods.
- Licensing of members of various trades and professions whose activities affect the health of individuals, such as doctors and nurses, or whose actions are considered important for public safety, such as architects and engineers.
- Maintaining an orderly market in which to conduct business and specifying methods of fair competition by:
  - regulating the rates that public utilities may charge for their services
  - setting standards for the operation of banks, savings and loan companies, and credit unions to protect depositors
  - regulating the sale of securities and insurance offered for sale in the State
  - approving or disapproving the establishment or discontinuance of transportation routes

Several State agencies participate in the field of commerce:

- *Department of Agriculture, Trade and Consumer Protection* provides consumer protection and regulates the conditions of the growth and processing of food and fair trade practices in general.
- *Department of Safety and Professional Services* supervises a variety of examining boards in various trades and professions and promotes industrial development.
- *Department of Financial Institutions* regulates securities transactions and supervises State-chartered banks, credit unions, and savings and loans. The department also administers the State's Section 529 College Savings Plans. Further information about these Section 529 College Savings Plans can be found at www.edvest.com or 529.wi.com.
- *Office of the Commissioner of Insurance* reviews insurance policies that are sold in the State to determine whether they comply with the requirements set forth in State law; conducts examinations of domestic and foreign insurers; monitors financial solvency of licensed companies; and performs a variety of other regulatory functions of the insurance industry to protect State consumers. The office also manages the Wisconsin Healthcare Stability Plan, the State's reinsurance program.

- *Public Service Commission* regulates the rates and services offered by railroad companies and heat, light, power, and water companies. The commission also awards grants for expansion of broadband services to unserved and underserved areas of the State.
- *Department of Tourism* promotes the State's many attributes to visitors.

The *Wisconsin Economic Development Corporation* was created in 2011 to develop and implement economic and business development programs in the State. Prior to 2011, the Wisconsin Department of Commerce provided economic development services. The Wisconsin Economic Development Corporation is a public body corporate and politic with an 18-member board of directors, whose chief executive officer is appointed by the Governor, and which receives appropriations from the State to fund its activities.

Education

The State views its responsibilities in education to encompass all levels, and nearly all types, of education and related activities. As a result, the State provides significant financial support to primary and secondary schools and technical colleges operated at the local level, assists private higher educational institutions, and operates the UW System.

- *Primary and Secondary Schools.* There were 421 school districts in the State for the 2021-22 school year, which administer the elementary and secondary schools within those districts. There were approximately 831,855 students attending public elementary and secondary schools in the 2021-22 school year. Elementary and secondary schools are operated by district boards, with supervision of the system provided by the Department of Public Instruction.
- *Technical Colleges.* The State is divided into 16 technical college districts. In the 2021-22 academic year, 274,203 full- and part-time students were enrolled in the technical college system. The technical colleges are operated by district boards, with supervision of the system provided by the Technical College System Board.
- *University of Wisconsin System.* The UW System consists of its doctoral campus in Madison (the largest campus in the State), its doctoral campus in Milwaukee, and 11 other four-year degree-granting institutions. The system has joined its two-year colleges with seven of the system's doctoral and four-year institutions and has placed the UW Extension under the administrative purview of UW-Madison. The UW System's total enrollment in Fall 2021 was 162,980 students.

Other agencies and boards concerned with the education function of the State include the Educational Communications Board (which operates the State public radio network, the State public television network, and the State educational television network), the State Historical Society, and the Higher Educational Aids Board (which manages and oversees the State's student financial aid system for residents attending institutions of higher education).

Environmental Resources and Transportation

Two major State agencies, the Department of Transportation and the Department of Natural Resources, are concerned with the development of transportation resources, and the protection of the land, forests, water, air, wildlife, and minerals of the State while promoting a healthy, sustainable environment.

The State works with municipal and industrial operations discharging wastewater to surface or groundwater to retain the purity of State lakes and streams and ensure quality groundwater for families, businesses, customers, and the community. The State also sets standards of air quality at a level that will provide adequate protection to public health and welfare and prevent detrimental effects on property and the environment. Parks and forests have been established and are maintained both to preserve unusual phenomena of nature and to provide the public with recreational and educational opportunities. Private forest owners are given incentives to observe scientific conservation practices so that new growth may replace cut timber. Hunting and fishing limits are set, and hunters and anglers licensed, to preserve the fish and wildlife from extinctive practices. Farming methods that preserve the quality and stability of the soil are encouraged.

Governmental activities for preserving and protecting the State's natural resources are largely the province of the Department of Natural Resources, but the Department of Agriculture, Trade and Consumer Protection is also actively involved.

The State has an elaborate system of highways. It consists of interstate highways financed from federal and State funds and of State highways, county trunk highways, town roads, city and village streets, and park and forest roads. Closely connected with the highway building functions of the State government and the aid granted to local units for streets and highways are the objects for which these roads are built—the motor vehicle and its occupants. While the State is concerned with the building and maintenance of an adequate number of roads of certain standards to meet the traffic demands, it is also concerned with the safety and convenience of the people who are using those roads. Over six million vehicles are currently registered.

The Department of Transportation also gives various forms of driver examination tests when driver licenses are issued or renewed to ensure drivers know the laws, are physically fit to drive, and have the required driving skills. Road building and motor vehicle regulation are also responsibilities of the Department of Transportation, which also has charge of the State's aeronautical activities, the administration of funds to assist mass transit, railroad preservation, and intermodal transportation planning.

Human Relations and Resources

Various State agencies have responsibilities to maximize human growth and development, including health, living standards, safety, and working relationships with each other.

Public health covers the prevention and detection of disease, health education programs, assistance in hospital construction, maintenance of institutions for the care and treatment of the mentally handicapped, the setting of standards of cleanliness of public facilities and safety in construction, and the maintenance of public health records.

Improving living standards for needy, aged, handicapped, and minors in need of assistance is also a goal of the State. Such health and welfare activities are primarily the work of DHS, including the State's BadgerCare Plus Program, which provides health insurance coverage for low- and moderate- income children under the age of 19 and low-income adults, and a prescription drug program for the elderly. The State has deferred to the federal government's insurance exchange under the Patient Protection and Affordable Care Act.

The Board of Aging and Long-Term Care makes recommendations on programs to benefit the aged and those individuals needing long term care services. The Department of Veterans Affairs operates additional assistance programs for military service veterans.

As a worker, the individual comes in contact with the State in many ways, mostly through the Department of Workforce Development:

- Minimum wages and maximum hours are set by law.
- State worker's compensation provides financial assistance if a worker is injured on the job.
- Unemployment compensation is provided to the worker if the worker's job is lost.

- Employment services are provided by the State (in partnership with the federal government) to help a worker find a job or to acquire the skills necessary for employment.
- Investigation of discrimination occurs if a worker suspects employment discrimination based on race, age, gender, creed, or handicap.

The State mediates or arbitrates labor disputes between workers and their employers, which is the task of the Employment Relations Commission. The State's agent in protecting and assisting the worker is the Department of Workforce Development, which is also responsible for the State's employment and training services.

The Department of Children and Families focuses exclusively on helping and protecting children and families within the State. It administers more than 30 services, including childcare assistance, child welfare, and the Wisconsin Works (W-2) program, which provides employment preparation services, case management, and cash assistance to eligible families.

To promote the general welfare of citizens and ensure peaceable relations among them, the State seeks to protect citizens from lawless elements in society by maintaining those conditions of stability and order necessary for a well-functioning society. Law enforcement is largely a local matter, but the Department of Corrections is responsible for the safe custody and supervision of offenders, as well as keeping citizens protected, helping offenders succeed in the community, and making efforts to reduce costs to taxpayers. The Department of Justice furnishes legal services to State agencies and provides technical assistance to local law enforcement agencies. The Office of the State Public Defender makes determinations of indigence and provides legal representation for specified defendants who are unable to afford private attorneys.

The State also provides an armed military force to protect the populace in times of State or national emergencies, natural or man-made, and to supplement the federal armed forces in time of war. These activities come under the jurisdiction of the Department of Military Affairs.

General Executive

The administrative or staff functions that support the direct services provided to Wisconsin residents and local governments are included in this functional group. Although each operating agency may conduct some staff functions, some agencies perform staff functions almost exclusively.

- *Department of Administration* duties include budgeting, information technology, data processing, personnel management, accounting, payroll, financial reporting, processing the receipt and disbursement of monies received or expended by the State, engineering, and facilities management and planning.
- *Elections Commission* administers and enforces Wisconsin election law, working with municipal clerks to carry out open, fair, and transparent elections.
- *Ethics Commission* administers and enforces the campaign finance, ethics, and lobbying laws.
- *Department of Revenue* collects the taxes imposed by Wisconsin Statutes, distributes that part of the revenue that is to be directed to the local units of government, calculates the equalized value of the property that has been assessed by local government, operates and distributes the proceeds of the State lottery, and serves as custodian of unclaimed property.
- *Department of Employee Trust Funds* manages the State's public employee retirement system and health and other group insurance contracts.
- *State of Wisconsin Investment Board* invests the assets of the Wisconsin Retirement System and various State and local government funds, including the State Investment Fund.

Information Technology and Cybersecurity

The Department of Administration's Division of Enterprise Technology, in conjunction with the Department of Military Affairs' State's Adjutant General and Homeland Security Advisor, is leading the State's cybersecurity efforts. To mitigate risks in cyberspace, the State has undertaken several efforts through a comprehensive strategy that provides a high-level overview of all major cybersecurity-related efforts of the State. This strategy was developed by a team of state and local government representatives, along with private sector critical infrastructure owners and operators. This comprehensive strategy includes improving the cybersecurity posture across the State; building the cybersecurity workforce in the State through a multi-agency coordinated cybersecurity education program; proactive cybersecurity assessments; and enabling secure connectivity for State agencies and State citizens to move to a more mobile cloud-based environment. The State has also created a Homeland Security Executive Cyber Committee to address threats and mitigations for the State. The State of Wisconsin Cybersecurity Strategy is another component of the State's cybersecurity efforts, as is hosting the annual Governor's Cybersecurity Summits, the latest of which was held in October 2022.

Additionally, the State's comprehensive strategy provides a framework to assist critical infrastructure owners and operators in the development of a public and private partnership to respond to cyber disruptions affecting the State, to limit the impact if the State had a cyber disruption, and in turn, maintain critical services to the public. The State also built a statewide cyber incident response capability including State agency cybersecurity teams and Cyber Response Teams that work towards a safer, stronger environment for users by responding to major incidents, analyzing threats, and exchanging critical cybersecurity information with trusted partners.

The Department of Administration's Division of Enterprise Technology has led several efforts to upgrade existing cybersecurity technology, provide security training throughout the state, coordinate security reviews for cities, counties, schools and agencies, coordinated with federal resources to improve our security posture and began cyber security classes in our K-12 environment while coordinating expanding university/college cybersecurity classes to develop the next generation of cybersecurity professionals in Wisconsin.

General Appropriations

The function of general appropriations is assigned those appropriations that do not fit easily into any of the other functions. Most general appropriations are for payments to local governments of taxes collected by the State but shared with local governments and for other payments intended to relieve local taxes.

The major portion of this reporting area relating to State operations is the funding of any planned adjustments to employee compensation, which is budgeted centrally but transferred to, and ultimately paid by, each agency.

Legislative

The legislative function provides for the operation of the Legislature, its committees, and service agencies.

STATE OF WISCONSIN BUILDING COMMISSION

The Commission supervises all matters relating to the State's issuance of general obligations, revenue obligations, and operating notes. The Commission also oversees the planning, improvement, major maintenance, and renovation of State facilities.

Limitations in the Wisconsin Constitution severely restricted the issuance of direct State debt until 1969, when the Wisconsin Constitution was amended to authorize the State to borrow money. Chapter 18 of the Wisconsin Statutes delegates powers to the Commission and establishes the procedures for the issuance of debt.

The Commission is composed of eight members. The Governor serves as the chairperson. Each house of the Legislature appoints three members. One citizen member is appointed by the Governor and serves at the Governor's pleasure. State law provides for the two major political parties to be represented in the membership from each house, and one member appointed from each house must be a member of the Legislative State Supported Program Study and Advisory Committee. The members act without liability except for misconduct.

The Administrator of the Division of Facilities Development serves as Secretary to the Commission with the concurrence of the Secretary of Administration. Nonvoting advisory members of the Commission include the Secretary of Administration and the ranking architect in the DOA Division of Facilities Development. Employees of the DOA Division of Executive Budget and Finance, including the Capital Finance Director, serve as staff responsible for managing the State's various borrowing programs.

The Commission's office is located at the Administration Building, 7th Floor, 101 East Wilson Street, its mailing address is P.O. Box 7866, Madison, Wisconsin 53707-7866, and its telephone number is (608) 261-0602.

STATE OBLIGATIONS

General Obligations

The State, acting through the Commission, may issue general obligation bonds and notes or enter into loans that are secured by the State's full faith, credit, and taxing power. There is irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for the timely payment of State general obligations. As of December 15, 2022, the State had $6.820 billion of outstanding general obligations.

The State has never defaulted in the punctual payment of principal or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments. The State has reserved no right to reduce or modify any terms with respect to security or source of payment of general obligation bonds or notes. See Part III of the 2022 Annual Report for additional information on general obligations.

Operating Notes

The Commission may issue operating notes to fund operating expenses upon the request of the Department of Administration if it determines that a deficiency will occur in the funds of the State that will not permit the State to pay its operating expenses in a timely manner. The Governor and the JFC must also approve the request for issuance.

Operating notes may be issued in an amount not exceeding 10% of budgeted appropriations of general purpose and program revenues in the year in which operating notes are issued and must be repaid no later than the last day of the fiscal year in which they are issued. Operating notes are not general obligations of the State and are not on parity with State general obligations. The General Fund may be pledged for the repayment of operating notes, and money of the General Fund may be impounded for future payment of principal and interest; however, any such repayment or impoundment must adhere to statutory requirements related to payment of the amounts due the Bond Security and Redemption Fund securing the repayment of State general obligation bonds. All payments and impoundments securing the operating notes are also subject to appropriation. Owners of the operating notes have a right to file suit against the State in accordance with procedures established in the Wisconsin Statutes.

The State has not issued, and does not intend to issue, operating notes in fiscal year 2022-23.

Master Lease Program

The State, acting by and through the DOA has entered into a master lease for the purpose of acquiring property and obtaining services (including, in limited situations, prepaid service contracts) for State agencies through installment payments. The State's obligation to make lease payments is subject to annual appropriation by the Legislature. The full faith and credit of the State are not pledged to the lease payments; the State is not obligated to levy or pledge any tax to pay the lease payments. The State's obligation to make the lease payments does not constitute debt for purposes of the Wisconsin constitutional debt limit, and there is no limit to the amount of such obligations that the State can incur. Although an effort is made to use the master lease program for all property acquired by the State through nonappropriation leases, it is possible that State agencies may separately incur such obligations through other lease arrangements. Certificates of participation have been issued that evidence proportionate interests in certain lease payments to be made by the State. As of December 15, 2022, the outstanding principal amount of the State's obligations under the master lease program was approximately $66 million. See Part IV of the 2022 Annual Report for additional information on master lease certificates of participation.

State Revenue Obligations

Subchapter II of Chapter 18 of the Wisconsin Statutes authorizes the State, acting through the Commission, to issue revenue obligations. Revenue obligations may be in one, or both, of the following forms:

- *Enterprise obligations*, secured by a pledge of revenues or property derived solely from the operation of a program funded by the issuance of the revenue obligations.
- *Special fund obligations*, secured by a pledge of revenues or property derived from any program or any pledge of revenues.

Any such program to be undertaken or obligations to be issued must be specifically authorized by the Legislature. The resulting obligations are not general obligations of the State.

Revenues pledged to the repayment of revenue obligations are deposited with a trustee for the obligations or in a separate fund in the State Treasury. These revenues are pledged to the owners of revenue obligations, who have a security interest on all such revenues until payment of the obligations has been made or provided for. Two such programs have been authorized and are currently outstanding:

- *Transportation revenue bond program.* This program finances a portion of the costs of the State highways and related transportation facilities. The obligations are secured by motor vehicle registration fees and other registration-related fees. The Commission has issued 39 series of bonds (which include refunding bond issues) and three series of commercial paper notes for this program, which were outstanding in the aggregate amount of $1.565 billion as of December 15, 2022. See Part V of the 2022 Annual Report for additional information on transportation revenue obligations.
- *Clean water fund program and safe drinking water loan program*. These programs make loans to municipalities in the State for the construction or improvement of their water pollution control or drinking water facilities. The Commission has authorized two revenue bond programs for funding the clean water fund program: clean water revenue bonds and environmental improvement fund revenue bonds. From 1991 through 2016, the Commission issued 28 series of clean water revenue bonds (including refunding bond issues). As of December 15, 2022, there are no outstanding State clean water revenue bonds and no further issuance of clean water revenue bonds is expected.

  In 2015, the Commission established the environmental improvement fund revenue bond program. The Commission has issued seven series of environmental improvement fund revenue bonds, of which two series refunded clean water revenue bonds. In 2019, the environmental improvement fund revenue bond program was expanded to include safe drinking water loans. As of December 15, 2022, the outstanding principal amount of the State's environmental improvement fund revenue bonds was $394 million. See Part VI of the 2022 Annual Report for additional information on environmental improvement fund revenue bonds.

In addition, a petroleum inspection fee revenue obligations program funded environmental remediation claims submitted under the Petroleum Environmental Cleanup Fund Award Program. Obligations issued for this program were secured by petroleum inspection fees. No obligations were outstanding as of December 15, 2022, and no further issuance is expected.

General Fund Annual Appropriation Bonds

The State has issued general fund annual appropriation bonds for the following purposes:

- To pay the State's unfunded accrued prior service (pension) liability and the State's unfunded accrued liability for sick leave conversion.
- To finance the purchase of tobacco settlement revenues that the State previously sold to the Badger Tobacco Asset Securitization Corporation (**BTASC**).

The general fund annual appropriation bonds are not a debt of the State, and the State's obligation to make debt service payments is subject to annual appropriation by the Legislature. The full faith and credit of the State are not pledged, and the State is not obligated to levy or pledge any tax, to make the debt service payments.

The State has issued nine series of general fund annual appropriation bonds (including refunding bond issues) to pay the State's unfunded accrued prior service (pension) liability, determined as of January 1, 2003, and the State's unfunded accrued liability for sick leave conversion, determined as of October 1, 2003. See "STATE OBLIGATIONS; Prior Service Pension Liabilities and Other Post-Employment Benefits". The general fund annual appropriation bonds issued for this purpose were outstanding in the aggregate amount of $1.244 billion as of December 15, 2022.

The State has issued six series of general fund annual appropriation bonds (including refunding bond issues) to finance the purchase of tobacco settlement revenues that the State previously sold to BTASC. The general fund annual appropriation bonds issued for this purpose were outstanding in the aggregate amount of $1.417 billion as of December 15, 2022.

See Part VII of the 2022 Annual Report for additional information on all general fund annual appropriation bonds.

Independent Authorities

State law creates and grants to three independent special purpose authorities the power to issue bonds and notes. None of these entities is a department or agency of the State, and none can issue bonds or notes that are legal obligations of the State.

Wisconsin Housing and Economic Development Authority

The Wisconsin Housing and Economic Development Authority (**WHEDA**) acts as a funding vehicle for the development of housing for low- and moderate-income families and economic development projects.

WHEDA is also authorized to administer the State's agricultural production loan guaranty program.

WHEDA may issue bonds and notes, which are general obligations of WHEDA (except for bonds for the housing rehabilitation loan program) unless WHEDA chooses to limit the obligation. The State is expressly not liable on WHEDA obligations. Repayment may be secured by capital reserve funds, which may be created for each bond issue in an amount that is appropriate for the type of projects being funded.

Invasion of this reserve triggers a moral obligation pledge on the part of the State and prevents further WHEDA borrowing until the reserve is replenished. In the event a capital reserve fund is not established for a particular bond issue, the moral obligation pledge would not be applicable. As of June 30, 2022, WHEDA had borrowing authority of approximately $800 million for programs secured by the capital reserve fund, excluding debt issued to refund other debt, the current outstanding balance for programs secured by the capital reserve fund was approximately $727 million, and in aggregate, WHEDA had $1.870 billion in outstanding notes and bonds. WHEDA has borrowing authority for several specific programs:

- *Programs secured by capital reserve fund.* Borrowing authority of $800 million, excluding debt issued to refund other debt, of which $106 million of borrowing authority was available on October 31, 2022.
- *Housing rehabilitation programs*. Borrowing authority of $100 million, of which $100 million of borrowing authority was available on October 31, 2022.
- *Single-family home ownership mortgage loan program.* WHEDA had issued $9.227 billion in such bonds as of October 31, 2022. In the year-to-date period ending October 31, 2022, one single-family issue in the amount of approximately $100 million was sold.
- *Residential facilities for the elderly and chronically disabled*. Borrowing authority of $99 million, of which $99 borrowing authority was available as of October 31, 2022.
- *Economic development and agriculture loans*. Current borrowing authority of $169 million. From current and previous borrowing authority, as of October 31, 2022, WHEDA had sold 143 series of bonds for economic development and agriculture totaling $125 million, which are not general obligations of WHEDA, and 58 series of bonds, totaling $93 million, which are general obligations of WHEDA.

WHEDA is directed by a twelve-member board comprising the Secretary of Administration, the chief executive officer of the Wisconsin Economic Development Corporation, two representatives to the Assembly and two State Senators who are appointed in the same manner as the members of standing committees in their respective houses and equally represent the two major political parties, and six public members serving staggered terms, nominated by the Governor and confirmed by the Senate. Financial reports may be obtained from the Wisconsin Housing and Economic Development Authority, 908 East Main Street, Madison, WI 53703. The telephone number is (608) 266-7884, the e-mail address is info@wheda.com, and the website address is www.wheda.com.

Wisconsin Health and Educational Facilities Authority

The Wisconsin Health and Educational Facilities Authority **(WHEFA)** provides revenue bond financing for any Wisconsin 501(c)(3) nonprofit organizations. It may finance any qualifying capital project and may refinance any qualifying outstanding indebtedness. As of June 30, 2022, WHEFA had outstanding 199 issues totaling approximately $9.341 billion. All bonds are limited obligations of WHEFA, payable only from revenues specified in the documents pertaining to each bond financing and are not State debt. There is no capital reserve fund or authorization for a moral obligation pledge. An annual program and financial report to the Legislature and the Governor is required. The State auditor is empowered to investigate WHEFA's financial affairs and prescribe methods of accounting. The governance of WHEFA is by a seven-member, staggered-term board nominated by the Governor and confirmed by the Senate. The Governor annually appoints the chairperson.

Financial reports may be obtained from Wisconsin Health and Educational Facilities Authority, 18000 West Sarah Lane, Suite 300, Brookfield, WI 53045-5841. The telephone number is (262) 792-0466, the e-mail address is info@whefa.com, and the website address is www.whefa.com.

University of Wisconsin Hospitals and Clinics Authority

The University of Wisconsin Hospitals and Clinics Authority **(UWHCA)** operates hospitals in Wisconsin, including the University Hospital, American Family Children's Hospital, and UW Health at the American Center Hospital, and hospitals in Illinois, including the Swedish American Hospital and the Swedish American Medical Center. UWHCA also operates a number of clinics in Wisconsin and Illinois. It provides instruction for medical and other health related professions, students, and sponsors. It also supports medical research and assists health care programs and personnel throughout the State. As of June 30, 2022, UWHCA had outstanding long-term debt totaling approximately $1.012 billion.

UWHCA may issue bonds and notes payable solely from the funds pledged in the bond resolution or any trust indenture or mortgage or deed of trust that secures the obligations. The State is not liable for the payment of principal or interest on the debt, nor is it liable for the performance of any pledge, mortgage, obligation, or agreement entered into by UWHCA.

UWHCA is directed by a sixteen-member board. Composition and selection of members are specified by Chapter 233 and Section 15.96 of the Wisconsin Statutes. Financial reports can be obtained from the University of Wisconsin Hospitals and Clinics Authority, Room H4/893, 600 Highland Avenue, Madison, WI 53792-8360. The telephone number is (608) 265-7131.

Local Districts

The Legislature has authorized the creation of the following types of local districts, which may be created by one or more local units of government:

- *Local exposition district*. This type of district is authorized to issue bonds for costs related to an exposition center and for costs related to sports and entertainment arena facilities. To date, one such district has been created (the Wisconsin Center District) and it has issued bonds for both purposes. For bonds related to an exposition center, if the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's debt service reserve fund that secures up to $300 million principal amount of bonds (which limit does not apply to refunding bonds) in the event that project revenues and tax revenues received by the district are inadequate to pay debt service on the bonds. Obligations issued for costs related to a sports and entertainment arena facilities are not subject to a moral obligation of the State.
- *Local professional baseball park district*. The territory of this type of district consists of each county with a population of more than 600,000 and all contiguous counties. A district is authorized to issue bonds for costs related to a baseball park. To date, one such district has been created (the Southeast Wisconsin Professional Baseball Park District). If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service.
- *Local professional football park district*. The territory of this type of district consists of any county with a population of more than 150,000 that includes the principal site of a stadium that is the home of a

professional football team. To date, one such district has been created (the Green Bay-Brown County Professional Football Stadium District). A district is authorized to issue revenue bonds for costs related to a football park. If the Secretary of Administration determines that certain conditions are met, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's reserve funds that secure up to $160 million principal amount of bonds in the event the project revenues and tax revenues received by the district are inadequate to pay debt service.

Moral Obligations

In certain situations where the State does not have a legal obligation to make a payment, the Legislature has recognized a moral obligation to make an appropriation for the payment and has expressed its expectation and aspiration that, if ever called upon to do so, it would. The following items describe these situations and the amount of outstanding obligations that are subject to the State's moral obligation:

- *Payments to reserve funds securing certain obligations of WHEDA.* As of June 30, 2022 there were fifteen bond issues outstanding in the aggregate amount of $727 million that carry a moral obligation of the State.

Name of WHEDA Issue Housing Revenue Bonds	Maturity Date	Principal Issued	Outstanding Balance
2003 Series A-E	5/1/2044	$41,975,000	$720,000
2005 Series A-F	11/1/2045	179,535,000	65,255,000
2006 Series A-D	5/1/2047	28,580,000	3,960,000
2007 Series A-G	11/1/2042	42,570,000	13,830,000
2009 Series A	5/1/2042	14,045,000	8,290,000
2010 Series A-B	11/1/2043	42,775,000	10,445,000
2012 Series A-B	5/1/2055	53,540,000	48,220,000
2013 Series A-C	5/1/2045	21,270,000	2,230,000
2015 Series A-C	5/1/2052	73,170,000	41,120,000
2016 Series A-C	5/1/2054	39,775,000	14,385,000
2017 Series A-C	11/1/2055	110,585,000	71,250,000
2018 Series A, B & C	11/1/2057	148,480,000	66,220,000
2019 Series A	11/1/2057	140,330,000	115,685,000
2021 Series A-B	11/1/2059	156,375,000	156,375,000
2021 Series C	11/1/2059	94,510,000	94,510,000
Total			$727,020,000

- *Payments to reserve funds securing certain obligations of different types of local districts*, subject to the Secretary of Administration's determination that certain conditions have been met. One local district, the Wisconsin Center District, is currently authorized to issue bonds for specific purposes, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's special debt service reserve fund. The Wisconsin Center District has the authority for up to $300.0 million in bonds for this purpose, plus refunding bonds. Currently the Wisconsin Center District has one outstanding series of bonds in the outstanding balance of $300.0 million and two outstanding refunding series with an outstanding balance of $106.2 million that are subject to the State's moral obligation pledge to appropriate moneys to make up deficiencies, if any, in the special debt service reserve funds for these series of bonds.

- *Payments for debt service on certain obligations issued by a local governmental unit in an electronics and information technology manufacturing zone*, subject to the Secretary of Administration's designation and determination that certain conditions have been met. This moral obligation is for up to 40 percent of a local governmental unit's aggregate municipal obligations issued to finance costs related to development occurring in, or for the benefit of, the electronics and information technology manufacturing zone. Currently there is one bond issue (by the Village of Mount Pleasant) that is outstanding in the amount of $120 million that carries the moral obligation of the State. In addition, the Secretary of Administration has entered into an agreement that allows this moral obligation to be designated, provided the required conditions are met, for other issuances. At this time, the Village has not indicated any plans to present other issuances to the State for the moral obligation designation.
- *Payments to reserve funds securing obligations issued by certain redevelopment authorities*, subject to the Secretary of Administration's determination that certain conditions have been met. Currently there is one bond issue by a redevelopment authority (the Redevelopment Authority of the City of Milwaukee) for the Milwaukee Public Schools Neighborhood Schools Initiative that are outstanding in the total amount of $9.9 million that carries a moral obligation of the State.
- *Payments required to be made by municipalities on loans from the clean water fund program*, if so designated by the State. Currently no clean water fund program loan carries a moral obligation of the State.

Employee Pension Funds

The State is part of the Wisconsin Retirement System (**WRS** or **System**), which is a hybrid pension plan with separate individual accounts maintained for all participants. Market-related risks are generally mitigated via regular changes in active employee contributions based on actuarial costs, and adjustment of benefits based on investment performance. A further description of the WRS and identification of the State's obligation follows; this is supplemented with additional statistical material in Tables II-19 through II-24.

The State's pension obligations are defined by formulas that establish monthly retirement benefits as a function of annual compensation and years of service. The State's current contributions to meet these pension obligations are established by a yearly actuarial determination of the value of the retirement benefits that have accrued to State employees and will have to be paid out in the future. The actuarial method used to determine the size of the contributions is known as "Frozen Initial Liability" for prior service liability and "Entry Age Normal" for current contributions. Actuarial assumptions that have been adopted in application of this method are shown in Tables II-25, II-26, and II-27.

The Department of Employee Trust Funds (**ETF**) administers the pension programs of both the State and local governments, and the SWIB is responsible for investment of all the funds. Although the State provides pension and investment management staff for its own and local government employees, the State has no financial obligation for payment of any local government contribution.

WRS covers eligible employees of the State. The total retirement contribution consists of a member (employee) contribution and an employer contribution, and an employer cannot fund any of the member's required contribution. As of June 2022, employee and employer contributions for calendar year 2023 were set at the following rates, expressed as percentages of salaries:

WISCONSIN RETIREMENT SYSTEM
STATE EMPLOYER CONTRIBUTION RATES[(a)]

Employee Classification	Employee Required	Employer Required
General, Executive & Elected Officials (including teachers)	6.50%	6.80%
Protective occupations with Social Security	6.50	13.20
Protective occupations without Social Security	6.50	18.10

(a) Effective date of January 1, 2023

Source: Department of Employee Trust Funds

The contributions are actuarially determined each year by an independent actuarial firm. In addition, the State is charged 0.03% of its protective payroll for special duty disability coverage. Prior to the enactment of 2011 Wisconsin Act 10, employers were permitted to fund all, or some of, the member's required contribution. Following the enactment of 2011 Wisconsin Act 10, the total retirement contribution must be split equally between the employee required contribution and the employer required contribution (except in certain circumstances).

Other changes to WRS as the result of 2011 Wisconsin Act 10 included the following:

- The employee required contribution for protective occupations with Social Security and for protective occupations without Social Security is the same as for general employees. The employer required contribution for these groups is the difference between the total required contribution and the employee required contribution.
- The benefit adjustment contribution, which was used to fund overall system benefit liabilities, was eliminated.
- All new participants after July 1, 2011 are subject to a five-year vesting requirement. Participants terminating before fully vesting are not eligible for a retirement benefit but can receive a separation benefit of member contributions and interest.
- The work requirement to be eligible to participate in the WRS increased from 33%, to 67%, of full-time employment.
- Employee required contributions may not be paid by the employer on behalf of the employee.
- The formula multiplier for State executives, judges, and elected officials was reduced from 2.0% to 1.6%.

Except for certain protective occupation employees and a few other minor exceptions, employees under the WRS are also covered by Social Security.

Monthly WRS benefits upon retirement at normal retirement age (65 for general employees, 62 for elected officials and for executive service retirement plan participants hired on or before December 31, 2016, and 55 for protective occupation participants) are computed on a formula basis (the formula varies by the particular class of participation). Some inactive members and a small number of currently active employees may have benefits computed on some other basis when they apply for benefits.

Contributions into the WRS are invested by the State of Wisconsin Investment Board, as provided by law, and are maintained in two separate funds: the Core Retirement Investment Trust **(Core Fund)** and the Variable

Retirement Investment Trust **(Variable Fund)**. Investments are recorded pursuant to the Wisconsin Statutes as follows:

- The assets of the Core Fund are carried by a hybrid method providing for the amortization of capital gains and losses as well as deferred items over a five-year period.
- The Variable Fund assets are recorded at market value with all market adjustments included in current operations.

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance. An increase (or decrease) in annuity payments may result when investment gains (or losses), together with other actuarial experience factors, create a surplus (or shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core Fund annuities, decreases may be applied only to previously granted increases. By law, Core Fund annuities cannot be reduced to an amount below the original, guaranteed amount set at retirement.

The Core Fund and Variable Fund annuity adjustments granted during the past 10 years are as follows:

WISCONSIN RETIREMENT SYSTEM
SUMMARY OF ANNUITY ADJUSTMENTS

Year	Core Fund	Variable Fund
2012	(7.0)%	(7.0)%
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0

Source: Department of Employee Trust Funds

Various reports and information relating to WRS and the ETF, including the Annual Comprehensive Financial Report for the year ended December 31, 2021 for the ETF (including WRS and other benefit plans and trust funds) are or will be available from the ETF website at: etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements.

Table II-19 provides comparative actuarial balance sheets for the most recent reporting periods. The unfunded accrued liability presented is solely the responsibility of local governments and is not an obligation of the State.

GASB Pension Accounting Standards

The Governmental Accounting Standards Board **(GASB)** pension accounting standards require uniform calculations of pension expense and liabilities. Under these standards each participating employer in the WRS is required to report its proportionate share of the net pension asset (or liability) on its financial statements if such statements are prepared in accordance with GAAP. The net pension asset of participating WRS employers as of December 31, 2021 was $8.06 billion. The WRS plan fiduciary net position as a percentage of the total pension liability was 106%.

Prior Service Pension Liabilities and Other Post-Employment Benefits

Pension Liabilities in Accompanying Financial Statements

Liabilities of WRS are reported in the following tables. While WRS covers most public employers and employees in the State, including local governments, as of December 31, 2021, the State and its participants accounted for 28% of active participants in the system. WRS tracks unfunded prior service liabilities in separate accounts for each employer. The unfunded prior service liabilities reported in the financial statements for WRS are entirely attributable to other units of government and not to the State.

Pension liabilities are calculated using the "Entry Age Normal with Frozen Initial Liability" actuarial cost method. Under this method, actuarial gains and losses are treated as future costs in the normal cost calculation and do not affect the past service liability. Investment losses, such as those experienced in 2018 and 2021, do not create an unfunded liability but do place upward pressure on future contribution rates.

Pension and Sick Leave Conversion Benefits

Prior to 2004, the State recognized for accounting and disclosure purposes an unfunded prior service liability for the State's account within WRS. The State also recognized for accounting and disclosure purposes an unfunded prior service liability for sick leave conversion, which permits employees, at retirement, to use the value of unused sick leave to pay for health insurance premiums. Proceeds from the State's issuance of General Fund Annual Appropriation Bonds in 2003 fully funded both of these prior service liabilities, and the State currently has no prior service liabilities associated with these benefits.

*Supplemental Health Insurance Conversion Credit Program (**SHICC**) and Other Post-Employment Benefits (**OPEB**)*

State employees earn sick leave hours and, depending on usage, may accumulate unused sick leave hours while employed with the State. Upon retirement, layoff, or death, the unused sick leave hours may be converted to sick leave credits and used to pay post-retirement state group health insurance premiums. If employees have at least 15 years of service, they may be credited additional sick leave hours (SHICC benefit) that increase their sick leave account balance. Similar to pension, GASB standards require uniform calculations of OPEB expense and liabilities. Under these standards, participating employers are required to report a net OPEB asset (or liability) on their financial statements, if such statements are prepared in accordance with GAAP. As of December 31, 2021, the net OPEB asset for the SHICC plan was $329 million. The plan fiduciary net position as a percentage of the total OPEB liability was 132%.

Retiree Life Insurance

The State provides post-retirement life insurance coverage to retired plan participants over the age of 65 at no cost to the employee. As of December 31, 2021, the net OPEB liability for the State Retiree Life Insurance plan was $948 million. The plan fiduciary net position as a percentage of the total OPEB liability was 25%.

Implied Subsidy of Retiree Health Insurance

The State Retiree Health Insurance program provides post-employment health insurance coverage to all eligible retired employees of the State. Through the program, the State offers certain retirees who are not yet eligible for Medicare benefits the option to continue participating in the State's Group Health Insurance program and to pay for coverage at the premium rate set for active State employees. Although the State does not directly pay any portion of the premium for retirees who choose to participate in the program, the State does pay higher premiums for its active employees than it otherwise would if retirees were excluded. Therefore, the State implicitly subsidizes the premiums paid by participating retirees by offering these individuals access to health insurance coverage at a lower rate than they might otherwise pay based upon their age. This subsidy, in turn, creates an OPEB liability, which the State must recognize and report under GASB standards. The State's net OPEB liability for Retiree Health Insurance as of June 30, 2022 was $633 million.

Table II-19

WISCONSIN RETIREMENT SYSTEM
ACTUARIAL STATEMENT OF ASSETS AND LIABILITIES
(Amounts in Millions)

	12/31/2021	12/31/2020	Increase (Decrease)
Assets and Employer Obligations:			
Net Assets			
Cash, Investments & Receivables			
Less: Payables & Suspense Items			
Core Division	$113,841.3	$104,729.6	$9,111.7
Variable Division	10,824.1	9,529.6	1,294.5
Totals	124,665.4	114,259.2	10,406.2
Obligations of Employers			
Unfunded Accrued Liability	5.8	5.8	-0.0-
TOTAL ASSETS	$124,671.2	$114,265.0	$10,406.2
Reserves and Surplus:			
Reserves			
Actuarial Present Value of Projected Benefits Payable to Terminated Vested Participants and Active Members:			
Member Normal Contributions	$22,469.3	$20,650.1	$1,819.2
Member Additional Contributions	268.2	234.3	33.9
Employer Contributions	26,405.0	24,620.8	1,784.2
Total Contributions	$49,142.5	$45,505.2	$3,637.3
Actuarial Present Value of Projected Benefits Payable to Current Retirees And Beneficiaries:			
Core Annuities	$65,085.4	$60,691.1	$4,394.3
Variable Annuities	4,866.0	4,383.0	483.0
TOTAL ANNUITIES	69,951.4	65,074.1	4,877.3
TOTAL RESERVES	$119,093.9	$110,579.3	$8,514.6
Surplus			
Core Annuity Reserve Surplus	$4,825.3	$3,114.7	$1,710.6
Variable Annuity Reserve Surplus	752.0	571.0	181.0
TOTAL SURPLUS	5,577.3	3,685.7	1,891.6
TOTAL RESERVES AND SURPLUS	$124,671.2	$114,265.0	$10,406.2

Source: Department of Employee Trust Funds

Notes to Wisconsin Retirement System

All eligible State of Wisconsin employees participate in the Wisconsin Retirement System **(System** or **WRS)**, a cost-sharing multiple-employer public employee retirement system **(PERS)**. The payroll for State employees covered by the System for the year ended December 31, 2021 was $5.2 billion, which includes various public authorities in the State.

Effective June 29, 2011, all permanent employees expected to work over 1,200 hours a year (880 hours a year for teachers) are eligible to participate in the System. General category and Executive/Elected employees are required by statute to contribute one-half of the actuarially determined contribution (6.50% of their salary) for calendar year 2022. Employers may not make these contributions to the plan on behalf of the employees. Protective occupation employees are required to contribute the same percentage of their salaries as General category employees. Employers are required to contribute the remaining amounts necessary to pay the projected cost of future benefits. The total required contribution for the year ended December 31, 2021 was $733 million, which consisted of $380 million, or 7.3% of payroll, from the employer and $353 million, or 6.8% of payroll, from employees.

Employees who retire at or after age 65 (62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016, and 54 for protective occupations) are entitled to receive a WRS retirement benefit. The benefit is calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations with social security and 2.5% for protective occupations without social security) of final average earnings for each year of creditable service after December 31, 1999. Service earned before January 1, 2000 accrues benefits at a rate of 1.765% (2.165% for Executives, Elected Officials, and Protective Occupations with social security and 2.665% for protective occupations without social security). The benefit multiplier for Executives and Elected Officials is reduced to 1.6% for service earned after June 29, 2011. Final Average Earnings is the average of the employee's three highest years' earnings. Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. For employees joining the System after June 29, 2011, five years of service are required to be eligible for a retirement benefit. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefit. The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes.

The System utilizes the "Entry Age Normal with Frozen Initial Liability" actuarial method in establishing employer contribution rates. Under this method, the Unfunded Accrued Actuarial Liability is affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any added liabilities caused by changes in benefit provisions. All actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost. The unfunded accrued actuarial liability is being amortized over a 40-year period beginning January 1, 1990. However, periodically, the Employee Trust Funds Board has reviewed and, when appropriate, adjusted the actuarial assumptions used to determine this liability. Changes in the assumptions affect the unfunded accrued actuarial liability, and the resulting actuarial gains or losses are credited or charged to employer's unfunded liability accounts. The State of Wisconsin, as of December 31, 2021, had no unfunded liability. The total System unfunded liability of $5.8 million, as of December 31, 2021, was attributable to local governments.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2021 Annual Comprehensive Financial Report.

The preceding table provides comparative actuarial balance sheets for the most recent reporting periods.

Table II-20
WISCONSIN RETIREMENT SYSTEM
FUNDING RATIO
(Amounts in Thousands)

Year	A Actuarial Value of Assets	B Unfunded Actuarial Liability	C Reserve Requirement (A+B)	D Funding Ratio (A/C)
2012	$78,613,000	$69,700	$78,682,700	99.9%
2013	85,276,100	52,600	85,328,700	99.9
2014	89,360,400	31,700	89,392,100	100.0
2015	91,502,400	24,100	91,526,500	100.0
2016	95,396,200	17,800	95,414,000	100.0
2017	100,802,500	16,800	100,819,300	100.0
2018	101,410,500	11,800	101,422,300	100.0
2019	106,524,500	8,000	106,532,500	100.0
2020	114,259,200	5,800	114,265,000	100.0
2021	124,665,400	5,800	124,671,200	100.0

Source: Department of Employee Trust Funds

Table II-21
WISCONSIN RETIREMENT SYSTEM
COVERED EMPLOYEES
(Amounts in Thousands)

Year	Active State	Active Local	Retired
2012	72,269	184,564	173,655
2013	73,091	183,697	180,056
2014	73,893	183,362	185,605
2015	73,036	183,041	191,795
2016	73,514	183,771	197,647
2017	74,085	183,328	203,300
2018	73,897	184,014	209,059
2019	74,760	185,491	215,070
2020	74,632	184,617	221,019
2021	73,476	185,171	226,605

Source: Department of Employee Trust Funds

Table II-22
WISCONSIN RETIREMENT SYSTEM
REQUIRED CONTRIBUTIONS BY SOURCE[(a)]
(Amounts in Thousands)

	State		Local		Total	
Year	**Employee**	**Employer**	**Employee**	**Employer**	**Employee**	**Employer**
2012	$213,447	$263,731	$398,207	$697,435	$611,654	$961,166
2013	249,681	305,657	511,329	704,475	761,010	1,010,132
2014	279,067	328,856	612,781	689,606	891,848	1,018,462
2015	293,397	305,518	615,017	677,349	908,414	982,867
2016	286,523	301,931	609,879	662,244	896,402	964,175
2017	302,292	322,463	638,505	701,532	940,797	1,023,995
2018	304,815	326,006	646,624	709,717	951,439	1,035,723
2019	313,533	335,692	652,046	715,605	965,579	1,051,297
2020	338,303	368,383	693,092	769,128	1,031,395	1,137,511
2021	351,622	381,113	708,940	786,990	1,060,562	1,168,103

(a) Employer contributions include employer pick-up, if any, of employee contributions.

Source: Department of Employee Trust Funds

Table II-23
WISCONSIN RETIREMENT SYSTEM
REVENUES BY TYPE[a]
(Amounts in Thousands)

Year	Employee Contributions[b]	Employer Contributions[c]	Investment Income	Other Income	Total Revenues
2012	$757,151	$799,350	$9,858,710	$678	$11,415,889
2013	871,260	914,698	11,343,231	532	13,129,721
2014	906,499	1,023,197	4,888,240	642	6,818,578
2015	937,225	977,734	(674,988)	248	1,240,219
2016	921,864	963,122	7,271,531	341	9,156,858
2017	965,453	1,017,559	14,868,726	5,558	16,857,296
2018	972,950	1,030,508	(4,050,510)	382	(2,046,670)
2019	987,662	1,046,942	19,048,821	195	21,083,620
2020	1,053,243	1,133,316	16,698,111	64	18,884,734
2021	1,086,782	1,164,586	21,056,192	—	23,307,560

(a) Employee required contributions made in accordance with statutory requirements. Employer required contributions were made in accordance with actuarially-determined contribution requirements.
(b) Employee contributions include all employee required, employee additional and benefit adjustment contributions, including those paid by the employer on behalf of the employee.
(c) Employer contributions include all employer required contributions, including contributions for unfunded actuarial accrued liability.

Source: Department of Employee Trust Funds

Table II-24
WISCONSIN RETIREMENT SYSTEM
BENEFIT EXPENDITURES BY TYPE
(Amounts in Thousands)

Year	Separations	Death	Annuities	Supplemental[a]	Misc.	Total
2012	$26,563	$24,800	$4,182,881	$470	$21,542	$4,256,256
2013	33,271	37,972	4,186,386	342	22,858	4,280,829
2014	34,401	33,480	4,411,169	265	119,371	4,598,686
2015	37,642	31,746	4,748,334	210	66,005	4,883,937
2016	39,276	30,366	4,921,126	158	91,697	5,082,623
2017	38,358	31,302	5,179,965	112	26,133	5,275,870
2018	40,235	41,513	5,474,675	81	31,612	5,588,116
2019	44,106	32,701	5,613,563	68	34,198	5,724,636
2020	38,858	33,368	5,905,998	56	33,251	6,011,531
2021	42,042	35,743	6,316,966	45	31,625	6,426,421

(a) Supplemental benefits were granted to certain employees by the Legislature in 1974. These benefits are paid out of the State General Fund.

Source: Department of Employee Trust Funds

Actuarial Assumptions

Tables II-25, II-26, and II-27 set forth the actuarial assumptions that are applied in the determination of contribution levels required for the funding of the WRS effective January 1, 2022.

Table II-25
WISCONSIN RETIREMENT SYSTEM
SEPARATION BEFORE AGE AND SERVICE RETIREMENT

Select and Ultimate Withdrawal
% of Active Participants Terminating

		General Non-State		General State		Executive / Elected	Executive / Elected	University State	
Age	Service	Male	Female	Male	Female	Non-State	State	Male	Female
	0-1	17.7%	20.0%	17.2%	19.5%	25.0%	19.0%	14.0%	14.1%
	1-2	12.5	15.0	12.9	15.5	20.0	16.0	13.8	14.0
	2-3	9.0	11.5	9.5	12.5	17.0	13.0	12.6	12.7
	3-4	7.1	9.6	7.4	10.0	16.0	12.5	11.0	10.0
	4-5	6.6	9.0	7.3	8.7	13.0	12.0	8.6	9.3
	5-6	5.3	7.4	6.1	7.8	4.0	6.0	8.5	8.1
	6-7	4.8	6.3	5.2	6.9	4.0	6.0	7.0	7.0
	7-8	4.6	6.0	5.1	6.0	4.0	6.0	5.6	5.6
	8-9	4.1	5.7	4.5	5.6	4.0	6.0	4.6	4.9
	9-10	4.0	5.0	3.6	5.5	4.0	6.0	4.3	4.3
Under 30	10 & Up	3.2	4.9	3.1	4.8	4.5	4.5	4.2	4.0
35		2.8	4.1	2.7	3.9	4.5	4.5	4.0	4.0
40		2.4	3.2	2.6	3.0	4.2	4.5	3.4	3.7
45		2.0	2.9	2.4	2.7	3.7	4.2	2.8	3.2
50		1.7	2.5	1.9	2.1	3.2	3.7	2.3	2.7
54		1.6	2.2	1.7	1.8	3.0	3.5	2.2	2.5

Disability Rates

	General Non-State		General State		Executive / Elected	Executive / Elected	University State	
Age	Male	Female	Male	Female	Non-State	State	Male	Female
20	0.01%	0.00%	0.01%	0.01%	0.00%	0.00%	0.00%	0.01%
25	0.01	0.00	0.01	0.01	0.00	0.00	0.00	0.01
30	0.01	0.02	0.01	0.04	0.00	0.00	0.00	0.01
35	0.01	0.02	0.01	0.05	0.01	0.01	0.00	0.03
40	0.03	0.03	0.03	0.07	0.01	0.01	0.01	0.04
45	0.06	0.05	0.06	0.10	0.01	0.01	0.02	0.04
50	0.13	0.07	0.13	0.16	0.02	0.02	0.03	0.07
55	0.24	0.13	0.24	0.29	0.09	0.09	0.08	0.11
60	0.43	0.18	0.43	0.41	0.11	0.11	0.11	0.17

Note: In 2021, ETF's actuary adjusted this table between State and non-State employees.

Source: Department of Employee Trust Funds

Table II-26
WISCONSIN RETIREMENT SYSTEM
RETIREMENT PATTERNS

Rates of Retirement for Those Eligible to Retire
(Normal Retirement Pattern)

	% Retiring Next Year							
	General Non-State		General State		Executive / Elected	Executive / Elected	University State	
Age	Male	Female	Male	Female	Non-State	State	Male	Female
50	0%	0%	0%	0%	0%	0%	0%	0%
51	0	0	0	0	0	0	0	0
52	0	0	0	0	0	0	0	0
53	0	0	0	0	0	0	0	0
54	0	0	0	0	0	0	0	0
55	0	0	0	0	0	0	0	0
56	0	0	0	0	0	0	0	0
57	20	17	19	19	10	12	12	10
58	20	18	19	19	10	12	16	20
59	20	14	19	19	10	12	9	12
60	20	20	19	21	10	12	15	14
61	20	18	19	25	10	12	9	13
62	30	24	28	29	10	18	10	15
63	30	29	30	28	10	18	11	19
64	30	23	25	31	15	18	16	17
65	30	35	27	31	15	18	16	21
66	40	39	35	36	15	18	21	25
67	32	33	32	33	15	18	18	25
68	32	30	21	25	10	18	19	18
69	28	22	21	27	10	18	14	17
70	28	26	21	29	10	18	21	22
71	28	28	21	34	10	15	24	17
72	28	30	21	33	10	15	24	17
73	18	30	30	24	20	15	24	21
74	18	16	30	18	20	15	24	14
75	100	100	100	100	100	100	100	100

Note: In 2021, ETF's actuary adjusted this table between State and non-State employees.

Source: Department of Employee Trust Funds

Table II-27
WISCONSIN RETIREMENT SYSTEM
OTHER ASSUMPTIONS

Mortality Table
Non-disabled Participants Future Life Expectancy

Sample Attained Ages	Future Life Expectancy (Years) Males	Females
40	47.0	49.1
45	41.8	43.9
50	36.6	38.7
55	31.5	33.5
60	26.6	28.6
65	21.9	23.9
70	17.5	19.2
75	13.3	14.9
80	9.7	11.0
85	6.7	7.7

Salary Scale
Merit & Longevity Increase in Next Year

General Non-State (Not including Schools)	General State (Not Including Schools)	Executive/ Elected Non-State	Executive/ Elected State	University Teachers State	Public School Teachers Non-State	Protective Occupation With SS Non-State	Protective Occupation With SS State	Protective Occupation Without SS Non-State
3.5%	3.5%	2.5%	2.5%	3.0%	5.6%	4.8%	4.8%	5.5%
3.5	3.5	2.5	2.5	3.0	5.6	4.8	4.8	5.5
3.1	3.1	2.0	2.0	2.9	5.2	4.1	4.1	4.7
2.8	2.8	1.6	1.6	2.8	4.7	3.5	3.5	3.8
2.5	2.5	1.1	1.1	2.7	4.3	2.8	2.8	3.0
1.5	1.5	0.2	0.2	2.2	2.6	1.1	1.1	0.9
1.1	1.1	0.2	0.2	1.7	1.4	0.8	0.8	0.5
0.9	0.9	0.2	0.2	1.2	0.6	0.7	0.7	0.4
0.6	0.6	0.2	0.2	0.9	0.3	0.6	0.6	0.3
0.4	0.4	0.2	0.2	0.7	0.2	0.5	0.5	0.2

In addition to the above Merit and Longevity increase assumptions, there is a 3.0% wage inflation assumption for each year.
For purposes of the above tables, the future annual investment return is assumed to be 7.0%.
For benefit calculation purposes, an assumed benefit rate of 5.0% is used.

Source: Department of Employee Trust Funds

STATE OF WISCONSIN INVESTMENT BOARD

SWIB invests the assets of the State Investment Fund, WRS, and several smaller trust funds established by the State. Overall policy direction for SWIB is established by an independent, nine-member Board of Trustees

(**Trustees**). The Trustees establish long-term investment policies, set guidelines for each investment portfolio, and monitor investment performance.

The nine members of the Board of Trustees include:

- The Secretary of Administration or a designee.
- Two participants in the WRS. One of these is a teacher who is appointed by the Teacher Retirement Board. The other represents non-teacher participants and is appointed by the Wisconsin Retirement Board.
- Six public members, who are appointed by the Governor. Of these public members, four are required to have at least ten years of investment experience, and one is required to be an individual with a minimum of ten years of financial experience who holds a nonelected finance position with a local government that participates in the Local Government Investment Pool.

All appointed members serve six-year terms. During calendar year 2022, the Trustees met seven times.

The Trustees appoint SWIB's Executive Director/Chief Investment Officer. The Executive Director/Chief Investment Officer is responsible for oversight of staff activities and developing and recommending policies for adoption by the Trustees. Portfolio managers and analysts are all responsible for daily investment decisions in their markets.

Pursuant to Wisconsin Statutes, the State Investment Fund consists of cash balances of the General Fund, State agencies and departments, and WRS reserves. The State Investment Fund also includes investment deposits from elective participants consisting of over 1,000 municipalities and other public entities, which are accounted for in the LGIP, a subset of the State Investment Fund. This fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses.

The objectives of the State Investment Fund are to provide (in order of priority):

- Safety of principal
- Liquidity
- Competitive rate of return

The State Investment Fund is strategically managed similar to a money market fund but has the ability to have a longer average maturity than a registered money market fund. Because of the role played by the State Investment Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from the funds.

The Wisconsin Statutes establish parameters for investments of the State Investment Fund, and the Trustees establish and monitor policies covering:

- Types of assets and the amount that can be acquired
- Delegation of powers to purchase and sell and specific guidelines for various types of investments
- Emergency powers in the event the Trustees are unable to meet
- Guidelines that govern the use of derivatives, financial futures, and related options

The policies seek to achieve safety of principal and liquidity by attention to quality standards, maturity, and marketability. The policies seek to enhance return through portfolio management that considers, among other things, anticipated changes in interest rates and the yield curve.

As a public agency, SWIB is not registered under the Investment Company Act of 1940, the Investment Advisers Act of 1940, or the Commodity Exchange Act. However, a description of risk factors, guidelines, and investment objectives concerning the LGIP and the State Investment Fund may be obtained from the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842. The telephone number is (608) 266-2381, the e-mail address is info@swib.state.wi.us, and the website address is www.swib.state.wi.us. Neither the preceding website nor the summaries available at such website are incorporated by reference into this Part II of the 2022 Annual Report.

Table II-28 presents unaudited financial and statistical information for the State Investment Fund. A copy of SWIB's annual report or information on the LGIP and the State Investment Fund may be obtained from SWIB but are not part of the 2022 Annual Report.

Table II-28
STATE INVESTMENT FUND
(As of October 31, 2022)
HOLDINGS DETAIL REPORT

	Amortized Cost	Percent of Portfolio at Amortized Cost
U.S. Governments & Agencies	$8,723,779,701	40.68%
U.S. Repurchase Agreements	8,908,921,515	41.54
Commercial Paper and Corporate Notes	3,194,959,702	14.90
Certificates of Deposit & Bankers Acceptances	618,511,701	2.88
	$21,446,172,619	**100.00%**

AVERAGE MATURITY FOR THE LAST SIX MONTHS

Reporting Date	Average Maturity (Days)	Reporting Date	Average Maturity (Days)
10/31/2022	12	7/31/2022	21
9/30/2022	18	6/30/2022	23
8/31/2022	22	5/31/2022	25

Summary of Investment Fund Participants
(As of October 31, 2022)

Participants	Par Amount ($000)	Percent of Portfolio
Mandatory Participants		
State of Wisconsin and Agencies	$13,877,824	65.32%
Wisconsin Retirement System	$2,788,191	13.12
Elective Participants		
Local Government Investment Pool	$4,578,547	21.55
TOTAL	$21,244,562	100.00%

The difference between the total of participant's unit shares ($21,244,562,000) and the total of the investments ($21,446,172,619) is the result of check float (checks written and posted at DOA that have not yet cleared the bank) and a timing delay in posting bank receipts at DOA that have already been invested by SWIB.

Source: State of Wisconsin Investment Board

STATISTICAL INFORMATION

This section presents information pertaining to the State's economic condition, including property value, population, income, and employment.

Table II-29
STATE ASSESSMENT
(EQUALIZED VALUE)
OF TAXABLE PROPERTY

Calendar Year	Value of Taxable Property	Rate of Increase (Decrease)
2013	$467,502,564,000	(0.8)%
2014	479,023,957,200	2.5
2015	490,602,544,050	2.4
2016	505,124,328,250	3.0
2017	525,984,545,850	4.1
2018	549,532,691,500	4.5
2019	580,872,723,300	5.7
2020	613,136,907,500	5.6
2021	654,820,375,856	6.8
2022	745,161,539,100	13.8

Source: Department of Revenue

Table II-30
DELINQUENCY RATE:
INCOME, FRANCHISE, GIFT, AND SALES AND USE TAXES

Fiscal Year	Total Revenues Expected (Amounts in Thousands)	Delinquent Balance[(a)] (Amounts in Thousands)	Delinquent Balance as Percent of Total Revenues Expected
2013	$12,832,365	$971,303	7.57%
2014	12,656,911	975,512	7.71
2015	13,222,872	928,244	7.02
2016	13,762,689	950,356	6.90
2017	14,184,390	1,019,961	7.19
2018	14,820,792	1,037,558	7.00
2019	16,028,118	1,080,556	6.74
2020	16,186,353	1,137,298	7.03
2021	18,217,019	1,057,377	5.80
2022	18,957,060	1,052,230	5.55

(a) The collectible delinquent balance is generally less than shown. The collectible delinquent balance is determined by decreasing the delinquent balance by various factors to address amounts owed by taxpayers in bankruptcy, amounts owed by deceased taxpayers, amounts owed by defunct corporations, and amounts owed by accounts assigned to field revenue agents.

Source: Department of Revenue

Table II-31
POPULATION TRENDS

			% Change		Population Per Sq. Mile	
Year	Wisconsin Total (In Thousands)	Rank	Wisconsin	U.S.	Wisconsin	U.S.
1910	2,334	13	12.8	21.0	42.2	26.0
1920	2,632	13	12.8	15.0	47.6	29.9
1930	2,939	13	11.7	16.2	53.7	34.7
1940	3,138	13	6.8	7.3	57.3	37.2
1950	3,435	14	9.5	14.5	62.8	42.6
1960	3,952	15	15.1	18.5	72.6	50.6
1970	4,418	16	11.8	13.3	81.1	57.5
1980	4,706	16	6.5	11.4	86.5	64.0
1990	4,892	16	4.0	9.8	90.1	70.3
2000	5,364	18	9.6	13.2	98.8	79.6
2010	5,690	20	6.1	0.4	105.1	87.6
2011	5,705	20	0.3	0.7	105.3	88.2
2012	5,720	20	0.3	0.7	105.6	88.8
2013	5,737	20	0.3	0.7	105.9	89.4
2014	5,752	20	0.3	0.7	106.2	90.1
2015	5,761	20	0.2	0.7	106.4	90.8
2016	5,773	20	0.2	0.7	106.6	91.4
2017	5,790	20	0.3	0.6	106.9	92.0
2018	5,807	20	0.3	0.5	107.2	92.5
2019	5,822	20	0.3	0.5	107.5	92.9
2020	5,892	20	n/a[a]	n/a[b]	108.8	93.8
2021	5,896	20	0.1	0.1	108.8	93.9

(a) Available Wisconsin 2020 estimates and available 2019 estimates are not suitable for direct comparisons.
(b) Available U.S. 2020 estimates and available 2019 estimates are not suitable for direct comparisons.

Source: U.S. Census Bureau Population estimates https://www.census.gov/programs-surveys/popest.html

Table II-32
POPULATION CHARACTERISTICS

	Wisconsin	U.S.
% Urban (2010)	70.2%	80.7%
% Rural (2010)	29.8	19.3
% Foreign-born (2021)	5.1	13.6
Dependency Ratio (2021)[a]	65.3	63.9

(a) $Dependency\ ratio = \frac{(Population\ aged\ under\ 18) + (Population\ aged\ 65+)}{(Population\ aged\ 18\text{-}64)}$

YEARS OF SCHOOL COMPLETED
(as % of population age 25 and over)

	Wisconsin	U.S.
Grade School - 8 years	97.6%	95.2%
High School/equivalent	92.8	89.4
Bachelor's Degree	32.5	35.0

Source: All U.S. Census Bureau website, data.census.gov
Urban/Rural: 2010 Census Summary File 1 Table P2
Foreign-Born: 2021 American Community Survey 1-Year Estimates Table S0501
Dependency Ratio: 2021 American Community Survey 1-Year Estimates Table S0101
Educational Attainment: 2021 American Community Survey 1-Year Estimates Table S1501

Table II-33
POPULATION BY AGE GROUP
(2021)

Age Group	Wisconsin	U.S.
Under 5	5.3%	5.6%
5-14	12.4	12.6
15-44	38.4	39.8
45-59	18.9	18.6
60 and over	25.0	23.4
Total	100.0%	100.0%

Note: The sum of entries in this table may not equal 100% due to rounding.

Source: 2021 American Community Survey 1-Year Estimates Table S0101

Table II-34
ESTIMATED PERSONAL INCOME[(a)]

Year	Amount Total ($ in Millions)	Per Capita Wisconsin	Per Capita U.S.	Percentage Wisconsin to U.S.
2012	$246,151	$43,034	$44,605	96.5%
2013	247,745	43,186	44,860	96.3
2014	258,489	44,943	47,071	95.5
2015	269,952	46,859	49,019	95.6
2016	274,765	47,598	50,015	95.2
2017	285,250	49,264	52,118	94.5
2018	299,827	51,628	54,606	94.5
2019	309,909	53,227	56,490	94.2
2020	323,635	55,487	59,729	92.9
2021	351,551	59,626	64,143	93.0

(a) All dollar estimates are in current dollars (not adjusted for inflation).

Source: Table SAINC1 Personal Income Summary: Personal Income, Population, Per Capita Personal Income, Bureau of Economic Analysis, U.S. Department of Commerce

Table II-35
MEDIAN FAMILY INCOME FOR FOUR-PERSON FAMILY[(a)]

Year[(b)]	Wisconsin	U.S.	Percentage WI to U.S.
2012	$80,198	$76,049	105.5%
2013	82,350	77,953	105.6
2014	85,859	80,545	106.6
2015	88,133	82,508	106.8
2016	93,500	86,877	107.6
2017	96,972	90,748	106.9
2018	98,317	94,593	103.9
2019	103,708	99,048	104.7
2020[(c)]	84,243	84,394	99.8
2021	109,665	105,901	103.4

(a) The values provided are based on the estimated "Median Income for Four-Person Family". Data included in prior continuing disclosure annual reports may have included a mix of family households and non-family households.

(b) Annual values are not adjusted for inflation.

(c) Due to the impact of COVID-19 pandemic, the Census Bureau changed the 2020 American Community Survey release schedule. Instead of providing the standard 1-year data compilations, the Census Bureau released experimental estimates from the 1-year data. The 2020 American Community Survey 1-Year Experimental Estimates Tables use an experimental estimation methodology and should not be compared with other American Community Survey data. The Census Bureau urges data users to exercise caution when using the 2020 experimental data and to determine whether the data are suitable for their particular use. Value was adjusted for inflation.

Source: For year 2020, the American Community Survey 1-Year Experimental Estimates Table XK201904. For years 2019 and prior, the American Community Survey 1-Year Estimates Table B19119. The 2020 data is from the 2020 1-year experimental estimates, the 2019 data is from the 2019 1-year estimates, the 2018 data is from the 2018 1-year estimates, and so forth.

Table II-36
DISTRIBUTION OF EARNINGS BY INDUSTRY
(By Place of Work)

	Wisconsin Distribution		U.S. Distribution	
	2020	2021	2020	2021
Farm Wage and Salary Disbursements	0.6%	0.5%	0.3%	0.2%
Forestry, Fishing, and Related Activities	0.2	0.2	0.3	0.2
Mining	0.1	0.1	0.6	0.6
Utilities	0.6	0.6	0.7	0.6
Construction	5.6	5.4	5.4	5.2
Manufacturing	18.4	18.5	9.5	9.3
Durable Goods Manufacturing	11.0	11.1	6.2	6.2
Nondurable Goods Manufacturing	7.5	7.4	3.3	3.2
Wholesale Trade	5.9	6.0	5.1	5.1
Retail Trade	5.9	6.0	5.9	6.1
Transportation & Warehousing	3.4	3.5	3.6	3.6
Information	2.7	2.6	4.0	4.3
Finance and Insurance	7.2	7.2	8.2	8.4
Real Estate and Rental & Leasing Services	0.9	0.9	1.6	1.6
Professional, Scientific, and Technical Services	6.0	6.2	10.9	11.2
Management of Companies and Enterprises	4.5	4.5	3.3	3.3
Administrative and Waste Management	3.2	3.3	4.4	4.6
Educational Services	1.5	1.5	1.8	1.8
Health Care and Social Assistance	13.8	13.6	11.9	11.6
Arts, Entertainment, and Recreation	0.9	0.9	1.0	1.0
Accommodation and Food Services	2.7	2.9	3.2	3.6
Other Services, Except Public Administration	3.1	3.0	3.0	3.0
Government and Government Enterprises	12.8	12.7	15.3	14.8
Federal, Civilian	1.4	1.3	2.7	2.6
Military	0.3	0.3	1.1	1.0
State and Local	11.1	11.2	11.4	11.2

Note: This table reflects 2017 NAICS .0.5

Source: Bureau of Economic Analysis, U.S. Department of Commerce Table SAINC7

Table II-37
ESTIMATED EMPLOYEES IN WISCONSIN ON NONAGRICULTURAL PAYROLLS
(2020 Annual Average)

	Wisconsin		U.S.	
	(Amounts in Thousands)	%	(Amounts in Thousands)	%
Mining and Logging	4	0.1	566	0.4
Construction	126	4.4	7,413	5.1
Manufacturing	466	16.2	12,346	8.4
Trade, Transportation, & Utilities [(a)]	531	18.5	27,707	19
Information	45	1.6	2,831	1.9
Financial Activities	154	5.3	8,777	6.1
Professional & Business Services	316	11.0	21,250	14.5
Educational & Health Services	453	15.7	23,673	16.2
Leisure & Hospitality	251	8.7	14,101	9.6
Other Services	143	5.0	5,456	3.7
Government	290	13.5	22,005	15.1
Total	2,779	100.0	146,125	100.0

Note: Numbers may not sum to total due to rounding.
(a) Bureau of Labor Statistics combined prior Wholesale Trade, Retail Trade, and Transportation, Warehousing & Utilities into this new category.

Source: Current Employment Statistics (CES)

Table II-38
TOTAL NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED IN PERMIT ISSUING PLACES

		Percent Change	
Year[(a)]	Wisconsin	Wisconsin	U.S.
2012	12,041	21.1%	32.9%
2013	13,869	15.2	19.4
2014	14,741	6.3	6.2
2015	16,793	13.9	12.4
2016	19,274	14.8	2
2017	19,545	1.4	6.2
2018	19,113	(2.2)	3.7
2019	17,480	(8.5)	4.3
2020	21,226	21.4	6.1
2021	25,444	19.9	18

(a) Data from 2014 forward is discontinuous with data from 2013 and earlier, due to revised count methodology.
Source: U.S. Bureau of the Census, Building Permits Survey

Table II-39
UNEMPLOYMENT RATE COMPARISON[(a)(b)]
2017 to 2022

	2022		2021		2020		2019		2018		2017	
	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.	Wis.	U.S.
January	3.2	4.4	4.7	6.8	3.3	4.0	3.3	4.4	3.1	4.5	3.9	5.1
February	3.4	4.1	5.0	6.6	3.3	3.8	3.4	4.1	3.4	4.4	4.0	4.9
March	3.4	3.8	4.8	6.2	3.8	4.5	3.5	3.9	3.3	4.1	3.6	4.6
April	3.1	3.3	4.3	5.7	14.1	14.4	3.0	3.3	2.9	3.7	3.1	4.1
May	2.9	3.4	4.1	5.5	10.5	13.0	3.1	3.4	2.8	3.6	3.1	4.1
June	3.5	3.8	4.5	6.1	8.7	11.2	3.7	3.8	3.6	4.2	3.7	4.5
July	3.3	3.8	3.9	5.7	7.9	10.5	3.5	4.0	3.1	4.1	3.4	4.6
August	3.3	3.8	3.7	5.3	6.0	8.5	3.3	3.8	3.0	3.9	3.4	4.5
September	3.2	3.3	3.1	4.6	5.3	7.7	2.9	3.3	2.6	3.6	2.9	4.1
October			2.7	4.3	4.5	6.6	2.8	3.3	2.6	3.5	2.7	3.9
November			2.4	3.9	4.4	6.4	2.8	3.3	2.6	3.5	2.7	3.9
December			2.3	3.7	4.4	6.5	2.8	3.4	2.7	3.7	2.7	3.9
Annual Average			3.8	5.4	6.4	8.1	3.2	3.7	3.0	3.9	3.3	4.4

(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 Statistics

APPENDIX A
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

The following material is a reprint of the "General Purpose External Financial Statements" section of the audited ACFR for the fiscal year ended June 30, 2022. Any websites listed in the General Purpose External Financial Statements are not incorporated by reference into this Part II of the 2022 Annual Report.

The entire ACFR is available from the State Controller's Office, Department of Administration, P.O. Box 7864, Madison, WI 53707-7864. The entire ACFR has also been filed with the MSRB through its EMMA system and is available on the following web sites managed by the Capital Finance Office:

doa.wi.gov/capitalfinance
wisconsinbonds.com

{This page number is the last sequential page number of the 2022 Annual Report to be used in this Part II of the 2022 Annual Report. The following uses page numbers from the General Purpose External Financial Statements. The sequential page numbers for the 2022 Annual Report continue in Part III.}

STATE OF
WISCONSIN

General Purpose External Financial Statements

For the fiscal year ended June 30, 2022

Tony Evers, Governor

Department of Administration
Kathy Blumenfeld, Secretary - Designee
Angela Thomas, State Controller

Prepared by the State Controller's Office

Table of Contents

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary - Designee
Brian Pahnke, Administrator

December 21, 2022

The Honorable Tony Evers
The Honorable Members of the Legislature
Citizens of the State of Wisconsin

We are pleased to submit the General Purpose External Financial Statements of the State of Wisconsin for the fiscal year ended June 30, 2022. They are part of the audited Annual Comprehensive Financial Report and present financial information in conformity with generally accepted accounting principles.

The General Purpose External Financial Statements include management's discussion and analysis (MD&A), the basic financial statements, and required supplementary information (RSI).

- MD&A presents a discussion and analysis of the State's financial performance during the fiscal year.
- The basic financial statements include an overview of the government as a whole (excluding the State's fiduciary activities) as well as detailed information on all governmental, proprietary, and fiduciary fund activity. Notes, which are considered part of the basic financial statements, provide additional information and should be used in conjunction with the financial statements.
- RSI includes information on post-employment health insurance benefits, the State's proportionate share of the net pension liability, the State's pension contribution, infrastructure and the budgetary comparison schedule with accompanying notes.

The General Purpose External Financial Statements, as well as the Annual Comprehensive Financial Report, are on file at the office of the State Controller and will benefit users requiring summary information about our State's finances. The Annual Comprehensive Financial Report is available on the Department of Administration's website.

Sincerely,

Kathy K. Blumenfeld Angela C. Thomas

Kathy Blumenfeld	Angela Thomas, CPA
Secretary - Designee	State Controller

Executive Budget and Finance, State Controller's Office, PO Box 7932, Madison, WI 53707-7932
Phone: (608) 266-1694 | DOA.WI.GOV

STATE OF WISCONSIN
Legislative Audit Bureau

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State Auditor

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www.legis.wisconsin.gov/lab
AskLAB@legis.wisconsin.gov

Independent Auditor's Report on the Financial Statements and Other Reporting Required by *Government Auditing Standards*

Honorable Members of the Legislature The Honorable Tony Evers, Governor

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State of Wisconsin's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Wisconsin as of June 30, 2022, the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements for the Environmental Improvement Fund, which is a major fund and represents 14.2 percent of the assets of the business-type activities, and the Deferred Compensation Fund, which represents 3.5 percent of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these funds, are based solely on the reports of the other auditors. In addition, we did not audit the financial statements of the Wisconsin Housing and Economic Development Authority, the University of Wisconsin (UW) Hospitals and Clinics Authority, and the UW Foundation, which represent 98.9 percent of the total assets and deferred outflows of resources of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the aggregate discretely presented component units is based solely upon these audit reports.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, which is issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Wisconsin, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements for the Environmental Improvement Fund, UW Hospitals and Clinics Authority, and the Wisconsin Housing and Economic Development Authority were audited by other auditors in accordance with these standards. The financial statements of the Deferred Compensation Fund and the UW Foundation were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Emphases of Matter

As discussed in Note 5B, the financial statements include investments that do not have readily ascertainable market prices and are valued based on a variety of third-party pricing methods. However, because of the inherent uncertainty of valuation, those estimated values may differ from the values that would have been used had a ready market for the investments existed.

As discussed in Note 5B to the financial statements, as of June 30, 2022, the State Investment Fund held $4.7 billion in a repurchase agreement with the Wisconsin Retirement System (WRS). The investments of the State Investment Fund and the WRS are both administered by the State of Wisconsin Investment Board.

Certain account balances cannot be measured precisely but must be estimated, particularly actuarially accrued liabilities and infrastructure assets reported in the financial statements and notes. Notes 14, 17, 18, and 20 include a discussion of estimates used by funds that accrue liabilities based upon actuarial information, including assumptions used in their calculation, and other sources. Note 1E includes information related to the estimated historical cost of infrastructure assets constructed prior to July 1, 2000. Because estimates are based upon information available when the financial statements are prepared, actual values may differ from the estimated amounts. These differences cannot be quantified.

As discussed in Note 1D to the financial statements, the State of Wisconsin implemented Governmental Accounting Standards Board (GASB) Statement Number 87, *Leases*, which changed accounting and financial reporting for leases. As reported in Note 23 to the financial statements, some beginning net position amounts were restated to reflect implementation of this new standard.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Wisconsin's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance. Therefore, reasonable assurance is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercised professional judgment and maintained professional skepticism throughout the audit. We also identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

In addition, we obtained an understanding of internal control relevant to the audit in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin's internal control. Accordingly, no such opinion is expressed. We also evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluated the overall presentation of the financial statements. We also concluded, in our judgment, there were no conditions or events, considered in the aggregate, that raise substantial doubt about the State of Wisconsin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the following items in the required supplementary information section, as listed in the table of contents—Postemployment Benefits–State Health Insurance Program, Postemployment Benefits–State Life Insurance Program, Postemployment Benefits–Supplemental Health Insurance Conversion Credit Program, State's Proportionate Share of Net Pension Liability or Net Pension (Asset), State's Pension Contributions, Infrastructure Assets Reported Using the Modified Approach, Budgetary Comparison Schedule–General Fund, Budgetary Comparison Schedule–Transportation Fund, and Notes to Required Supplementary Information–Budgetary Information—be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, and published in report 22-26, on our consideration of the State of Wisconsin's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State of Wisconsin's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering the State of Wisconsin's internal control over financial reporting and compliance.

LEGISLATIVE AUDIT BUREAU

Legislative Audit Bureau

December 20, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the State of Wisconsin's Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2022. It should be read in conjunction with the transmittal letter located at the front of this ACFR, and the State's financial statements, including the note disclosures which are an integral part of the statements, that follow this part of the ACFR.

FINANCIAL HIGHLIGHTS -- PRIMARY GOVERNMENT

Government-wide (Tables 2 and 3 on Pages 11 and 12)

- *Net Position*. The assets plus deferred outflows of resources of the State of Wisconsin exceeded its liabilities plus deferred inflows of resources at the close of Fiscal Year 2022 by $36.9 billion (reported as "net position"). Of this amount, $(2.8) billion was reported as "unrestricted net position". A positive balance in unrestricted net position would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Position*. The State's total net position increased by $5.7 billion in Fiscal Year 2022. Net position of governmental activities increased by $5.2 billion or 26.4 percent, while net position of the business-type activities showed a increase of $558.8 million or 4.8 percent.
- *Excess of Revenues over (under) Expenses -- Governmental Activities*. During Fiscal Year 2022, the State's total revenues for governmental activities of $43.7 billion were $6.6 billion more than total expenses (excluding transfers) for governmental activities of $37.1 billion. Of these expenses, $20.1 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $23.5 billion.

Fund

- *Governmental Funds -- Fund Balances*. As of the close of Fiscal Year 2022, the State's governmental funds reported combined ending fund balances of $8.1 billion, an increase of $3.7 billion in comparison with the prior year. Of this total amount, $2.2 billion represents the unassigned fund balances.
- *General Fund -- Fund Balance*. At the end of Fiscal Year 2022, total fund balance was $4.6 billion, a change of $3.5 billion from $1.2 billion in the prior year. The unassigned fund balance for the General Fund was $2.2 billion, or 6.7 percent of total General Fund expenditures.

Additional information regarding individual funds begins on page 16.

Long-term Debt

- The State's total long-term debt obligations (bonds, notes, and certificates of participation payable) decreased by $365.7 million during the current fiscal year which represents the net difference between new issuances, payments and refundings of outstanding debt. Decreases in debt resulted primarily from repayments in excess of new debt issued. During the year repayments of general obligation debt exceeded new issuances by $102.1 million. Repayments of certificates of participation exceeded new issuances by $1.5 million. Revenue bonds outstanding decreased by $78.8 million. Annual appropriation bonds outstanding decreased by $183.3 million.

Additional detail regarding these activities begins on page 21.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this ACFR consists of four parts: (1) **management's discussion and analysis** (this section), (2) **basic financial statements**, (3) additional **required supplementary information**, and (4) optional **other supplementary information**. Parts (2), (3), and (4) are briefly described on the following pages:

Basic Financial Statements

The basic financial statements include two sets of statements that present different views of the State -- the ***government-wide financial statements*** and the ***fund financial statements***. These financial statements also include notes that explain some of the information in the financial statements and provide more detail.

- The *government-wide financial statements* provide a broad view of the State's operations. The statements provide both short-term and long-term information about the State's financial status, which assists in assessing the State's financial condition at the end of the fiscal year.

- The *fund financial statements* focus on individual parts of the State government, reporting the State's operations in greater detail than the government-wide statements. The basic fund financial statements provide more detailed information on the State's most significant funds.

Table 1, below, summarizes the major features of the financial statements.

Table 1

Major Features of State of Wisconsin's Government-wide and Fund Financial Statements

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units, reported as follows: • *Governmental Activities* – Most services generally associated with State government fall into this category, including commerce, education, transportation, environmental resources, human relations and resources, general executive, judicial and legislative. • *Business-Type Activities* – Those operations for which a fee is charged to external users for goods and services are reported in this category. • *Discretely Presented Component Units* – These are operations for which the State has financial accountability but that have certain independent qualities. The State's discretely presented component units are discussed in Note 1-B to the financial statements.	These funds report activities of the State that are not proprietary or fiduciary in nature. Most of the basic services provided by the State, which are primarily financed through taxes, intergovernmental revenues, and other nonexchange revenues, are reported as governmental funds. Examples of the State's governmental funds (including the State's two major governmental funds), as reported within their respective fund types, follow: • *General Fund* (major fund) • *Special Revenue:* – Transportation (major fund) • *Debt Service:* – Bond Security and Redemption • *Capital Projects:* – Capital Improvement • *Permanent:* – Common School	The activities the State operates similar to private business. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the State. Examples of the State's proprietary funds, including the State's three major enterprise funds, follow: • *Enterprise:* – Environmental Improvement (major fund) – University of Wisconsin System (major fund) – Unemployment Reserve (major fund) – Lottery • *Internal services:* – Technology Services – Facilities Operations and Maintenance	These funds are used to show assets held by the State as trustee or agent for others and cannot be used to support the State's own programs. Examples of the State's fiduciary funds, as reported within their respective fund types, follow: • *Pension and Other Employee Benefit Trust Funds:* – Wisconsin Retirement System • *Investment Trust:* – Local Government Pooled Investment • *Private Purpose Trust:* – Tuition Trust • *Custodial:* – Support Collection Trust
Required financial statements	• Statement of net position – Presents all of the government's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as "net position". Over time, increases or decreases in the State's net position is an indicator of whether its financial health is improving or weakening, respectively. • Statement of activities – Presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for different identifiable business-type activities of the State.	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed in the left column.

(Table 1, continued)

Table 1 (Continued)

Major Features of State of Wisconsin's Government-wide and Fund Financial Statements

	GOVERNMENT-WIDE STATEMENTS	FUND STATEMENTS		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Accounting basis and measurement focus	Accrual accounting and economic resource focus The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses associated with the fiscal year even if cash involved has not been received or paid.	Modified accrual accounting and current financial resource focus These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided on the subsequent page of the governmental fund statements.	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflows of resources, liability, deferred inflows of resources information	All assets and liabilities, both financial and capital, and short-term and long-term. Deferred inflows/outflows of resources reported only in limited instances as required by GASB standards.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short- term and long-term
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	• Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Additional Required Supplementary Information

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. The required supplementary information includes:

- Postemployment Benefits - State Health Insurance Program, State Life Insurance Program and Supplemental Health Insurance Conversion Credit Program,
- State's Proportionate Share of the Net Pension Liability or Net Pension Asset,
- State's Pension Contributions,
- Infrastructure Assets Reported Using the Modified Approach, and
- Budgetary Comparison Schedule of the General and the Transportation funds (includes reconciliations between the statutory and GAAP fund balances at fiscal year-end).

Other Supplementary Information

The Other Supplementary Information includes combining financial statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Tables 2 and 3 present summary information of the State's net position and changes in net position.

Net Position

As presented in Table 2, total assets of the State on June 30, 2022 were $65.8 billion and deferred outflows of resources were $5.3 billion, while total liabilities were $28.2 billion and deferred inflows of resources were $6.0 billion, resulting in combined net position (governmental and business-type activities) of $36.9 billion. The largest component of the State's total net position consists of $26.5 billion invested in capital assets (i.e., land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Approximately $13.2 billion of net position was restricted by external sources or the State Constitution or Statutes and was not available to finance the day-to-day operations of the State.

The unrestricted net position, which, if positive, could be used at the State's discretion, showed a negative balance of $(2.8) billion. Therefore, based on this measurement, no funds were available for discretionary purposes. A contributing factor to the negative balance is that governments recognize a liability on the government-wide statement of net position as soon as an obligation is incurred. While financing focuses on when a liability will be paid, accounting is primarily concerned with when a liability is incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, compensated absences, other postemployment benefits and future benefits and loss liabilities – listed in Note 10 to the financial statements) on the statement of net position.

During Fiscal Year 2022, the State issued $1.0 billion of general obligation bonds, primarily for the acquisition or improvement of land, water, property, highways, buildings, and equipment. At June 30, 2022 general obligation bonds and long-term general obligation notes outstanding totaled $7.5 billion. Certificates of participation, annual appropriation bonds, and revenue bonds are not considered general obligation debt of the State. The outstanding amount of these totaled $67.7 million of certificates of participation, $2.7 billion of annual appropriation bonds, and $2.3 billion of revenue bonds.

TABLE 2 - Net Position (in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2022	2021*	2022	2021*	2022	2021*	2022-2021
Current and Other Assets	$ 20,433.9	$ 16,966.8	$ 12,265.4	$ 11,710.5	$ 32,699.3	$ 28,677.3	14.0 %
Capital Assets	26,902.7	26,075.0	6,185.2	5,989.7	33,087.9	32,064.8	3.2
Total Assets	47,336.6	43,041.8	18,450.6	17,700.2	65,787.2	60,742.0	8.3
Deferred Outflows of Resources	2,596.6	1,848.0	2,699.0	1,794.8	5,295.6	3,642.7	45.4
Long-term Liabilities	14,070.0	14,117.4	4,585.9	4,339.0	18,655.8	18,456.4	1.1
Other Liabilities	8,309.3	9,147.1	1,213.9	1,231.5	9,523.2	10,378.6	(8.2)
Total Liabilities	22,379.2	23,264.5	5,799.8	5,570.5	28,179.0	28,835.1	(2.3)
Deferred Inflows of Resources	2,822.0	2,064.0	3,202.1	2,335.6	6,024.1	4,399.6	36.9
Net Position:							
Net investment In							
Capital Assets	22,367.6	21,717.4	4,128.8	3,956.0	26,496.4	25,673.4	3.2
Restricted	4,889.6	4,103.2	8,305.9	7,898.3	13,195.5	12,001.4	9.9
Unrestricted (deficit)	(2,525.2)	(6,259.4)	(286.9)	(265.4)	(2,812.2)	(6,524.8)	56.9
Total Net Position	$ 24,732.0	$ 19,561.2	$ 12,147.7	$ 11,588.9	$ 36,879.6	$ 31,150.1	18.4 %

* Amounts for the prior fiscal year include restatements of prior year's balances.

Changes in Net Position

The revenues and expenses information, as shown in Table 3, was derived from the government-wide statement of activities and reflects how the State's net position changed during the fiscal year. The State earned program revenues of $28.7 billion and general revenues of $23.5 billion for total revenues of $52.2 billion during Fiscal Year 2022. Expenses for the State during Fiscal Year 2022 were $46.5 billion. As a result of the excess of revenues over expenses, the total net position of the State increased $5.7 billion, net of contributions and transfers.

TABLE 3 - Changes in Net Position (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2022	2021*	2022	2021*	2022	2021*	2022-2021
Program Revenues:							
Charges for Services	$ 2,620.0	$ 2,538.0	$ 7,353.8	$ 6,910.7	$ 9,973.8	$ 9,448.7	5.6 %
Operating Grants and Contributions	16,527.0	14,724.5	1,206.2	3,770.6	17,733.2	18,495.1	(4.1)
Capital Grants and Contributions	1,002.7	917.5	18.9	103.0	1,021.6	1,020.5	0.1
General Revenues:							
Income Taxes	12,902.6	10,942.7	—	—	12,902.6	10,942.7	17.9
Sales and Excise Taxes	7,827.2	7,206.1	—	—	7,827.2	7,206.1	8.6
Public Utility Taxes	378.2	365.5	—	—	378.2	365.5	3.5
Motor Fuel Taxes	1,120.0	1,079.3	—	—	1,120.0	1,079.3	3.8
Other Taxes	501.4	467.6	—	—	501.4	467.6	7.2
Other General Revenues	791.9	759.6	(14.9)	1.3	777.0	760.9	2.1
Total Revenues	43,671.0	39,000.8	8,564.0	10,785.6	52,235.0	49,786.4	4.9
Program Expenses:							
Commerce	516.4	491.7	—	—	516.4	491.7	5.0
Education	9,102.3	8,376.2	—	—	9,102.3	8,376.2	8.7
Transportation	2,577.4	2,399.7	—	—	2,577.4	2,399.7	7.4
Environmental Resources	500.0	522.2	—	—	500.0	522.2	(4.3)
Human Relations and Resources	19,470.0	17,653.8	—	—	19,470.0	17,653.8	10.3
General Executive	1,723.0	2,098.0	—	—	1,723.0	2,098.0	(17.9)
Judicial	146.9	147.3	—	—	146.9	147.3	(0.2)
Legislative	76.2	69.2	—	—	76.2	69.2	10.2
Tax Relief and Other General Expenditures	1,591.2	1,639.5	—	—	1,591.2	1,639.5	(2.9)
Intergovernmental - Shared Revenue	1,074.9	1,064.3	—	—	1,074.9	1,064.3	1.0
Interest on Long-term Debt	313.3	355.3	—	—	313.3	355.3	(11.8)
Injured Patients and Families Compensation	—	—	50.3	116.8	50.3	116.8	(57.0)
Environmental Improvement	—	—	66.0	41.0	66.0	41.0	60.9
University of Wisconsin System	—	—	5,377.2	5,051.7	5,377.2	5,051.7	6.4
Unemployment Reserve	—	—	684.5	3,488.5	684.5	3,488.5	(80.4)
Lottery	—	—	973.5	912.4	973.5	912.4	6.7
Health Insurance	—	—	1,691.3	1,661.0	1,691.3	1,661.0	1.8
Care and Treatment Facilities	—	—	408.1	398.2	408.1	398.2	2.5
Other Business-type	—	—	176.2	113.9	176.2	113.9	54.7
Total Expenses	37,091.6	34,817.2	9,427.0	11,783.6	46,518.6	46,600.8	(0.2)
Excess (deficiency) before Contributions, Special Items and Transfers	6,579.4	4,183.6	(863.0)	(998.0)	5,716.4	3,185.7	
Endowments	—	—	1.1	11.5	1.1	11.5	
Contributions to Permanent Fund Principal	12.1	11.0	—	—	12.1	11.0	
Transfers	(1,420.7)	(1,313.8)	1,420.7	1,313.8	—	—	
Increase (decrease) in Net Position	5,170.8	2,880.8	558.8	327.3	5,729.6	3,208.1	
Net Position - Beginning (Restated)	19,561.2	16,680.4	11,588.9	11,261.6	31,150.1	27,941.9	
Net Position - Ending	$ 24,732.0	$ 19,561.2	$ 12,147.7	$ 11,588.9	$ 36,879.6	$ 31,150.1	18.4 %

* Amounts for the prior fiscal year include restatements of prior year's balances.

Governmental Activities

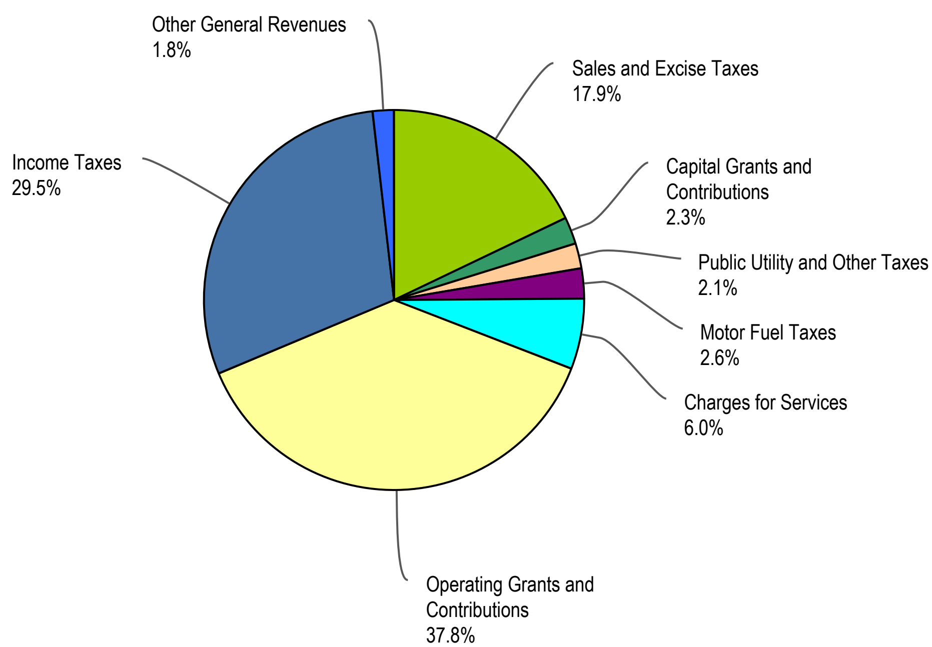
The net position of governmental activities increased $5.2 billion in Fiscal Year 2022. Revenues for the governmental activities (including contributions to permanent fund principal) totaled $43.7 billion, while expenses and net transfers totaled $38.5 billion in Fiscal Year 2022.

General and program revenues of governmental activities increased $4.7 billion during Fiscal Year 2022. Tax revenues increased $2.7 million primarily due to enhanced income taxes and sales and excise taxes of $2.0 billion and $621.1 million, respectively. Motor fuel taxes, other taxes and public utility taxes also increased $40.7 million, $33.7 million and $12.7 million, respectively, from the prior year. Operating grants and capital grants increased by $1.8 billion and $85.2 million, respectively. In addition charges for services and other revenues increased $82.0 million and $33.4 million, respectively.

The State's governmental activities program expenses increased $2.3 billion to $37.1 billion during Fiscal Year 2022. Human relations and resources expenses increased by $1.8 billion (10.3 percent) to a total of $19.5 billion, due to increases in medical costs. General executive expenses decreased $(375.0) million (17.9 percent) to a total of $1.7 billion, due to decreased CARES and ARPA expenditures compared to Fiscal Year 2021. Education expenses increased by $726.1 million (8.7 percent) to $9.1 billion, due to increases in general equalization aids, parental choice program for eligible school districts, per pupil aid and aids for special education and school-age parents programs. Commerce, intergovernmental, and legislative expenses increased $24.6 million, $10.6 million, and $7.1 million, respectively. Conversely, tax relief and other general expenses, environmental resource and judicial expenses decreased $48.3 million, $22.2 million, and $0.4 million, respectively. Interest on long-term debt also decreased $42.1 million.

As shown in Table 4, below, approximately 52.0 percent of revenues from all sources earned came from taxes (sales and excise, income, public utility, motor fuel, and other taxes). Operating grants and contributions represent amounts received from other governments/entities – primarily the federal government. Operating grants and contributions for non-capital purposes provided 37.8 percent of total revenues. Capital grants and contributions provided 2.3 percent, charges for services contributed 6.0 percent, while various other revenues provided 1.8 percent of the remaining governmental activity revenue sources.

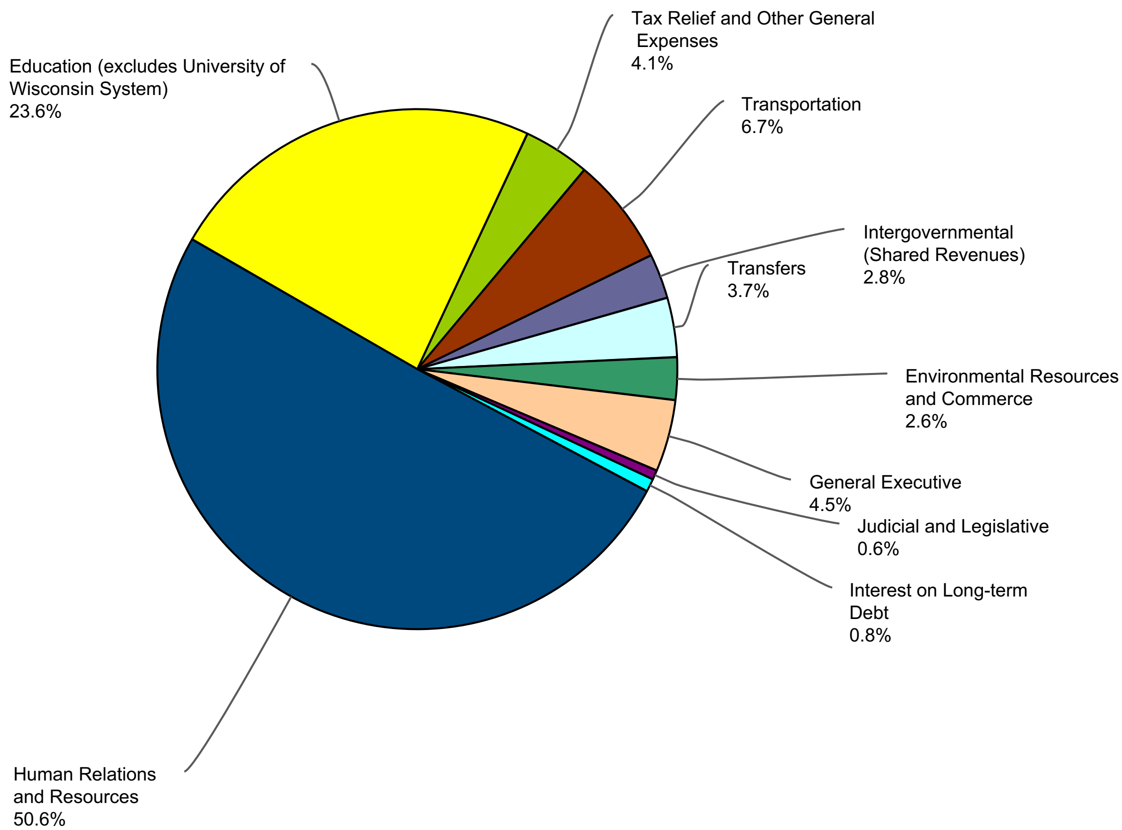
TABLE 4
Governmental Activities - 2022 Revenues



As shown in Table 5, below, expenses for human relations and resources programs make up the largest portion – 50.6 percent – of total governmental expenses and transfers. Included in this cost function are programs such as Medical Assistance and Temporary Assistance for Needy Families as well as costs for state correctional facilities and services.

Educational expenses, which include various school aids but exclude expenses of the University of Wisconsin System, make up 23.6 percent of total expenses. Tax relief and other general expenses and the intergovernmental-shared revenue program represent 6.9 percent of the total, while transportation expenses and general executive expenses represent 6.7 percent and 4.5 percent, respectively. Net transfers to business-type activities, which include a general purpose revenue subsidy to the University of Wisconsin System, make up 3.7 percent of the total expenses and transfers. Remaining functional expenses totaled 3.2 percent while interest on long-term debt totaled 0.8 percent.

TABLE 5
Governmental Activities - 2022 Expenses



Business-Type Activities

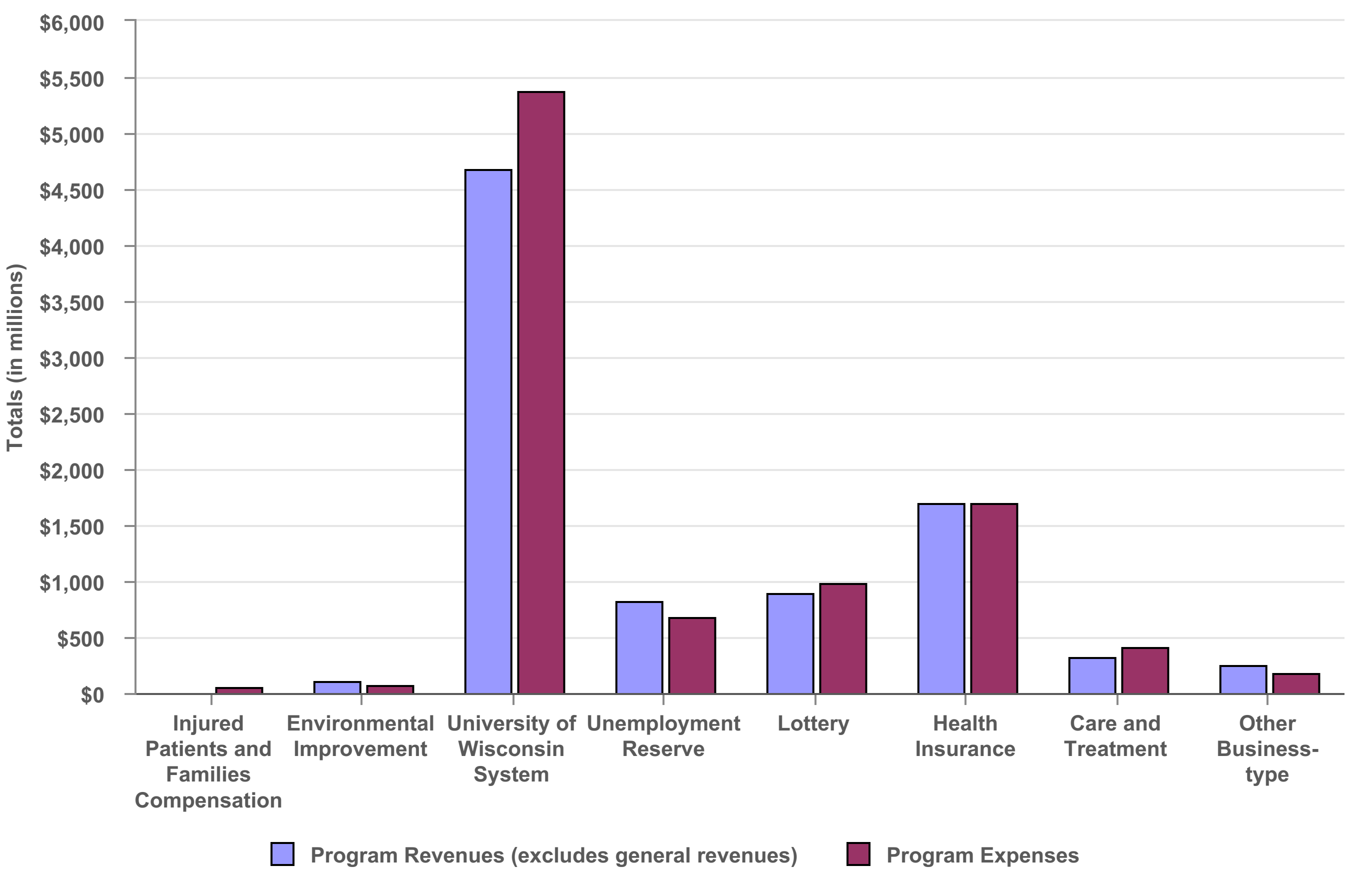
Net position of the State's business-type activities increased $558.8 million in Fiscal Year 2022.

Revenues of business-type activities totaled $8.6 billion for Fiscal Year 2022, a decrease of $2.2 billion from the prior year. Program revenues consisted of $7.4 billion of charges for services, $1.2 billion of operating grants and contributions, and $18.9 million of capital grants and contributions. General revenues, contributions to endowments and permanent fund principal and net transfers totaled $(14.9) million, $1.1 million, and $1.4 billion, respectively.

The total expenses for business-type activities were $9.4 billion, a decrease of $2.4 billion from the prior fiscal year. The largest decrease in program expenses, $2.8 billion, related to decreased expenses for the Unemployment Insurance Reserve. Expenses for Injured Patients and Family Compensation also decreased $66.5 million. Offsetting those decreases were increases in University of Wisconsin System, other business-type expenses, Lottery, Health Insurance, Environmental Improvement and Care and Treatment Facilities of $325.5 million, $62.3 million, $61.1 million, $30.3 million, $25.0 million and $10.0 million, respectively.

Table 6, below, compares the program revenues and program expenses of the various State business-type activities. This table does not include the transfer in (subsidy) from the General Fund to the University of Wisconsin System or other business-type activities.

TABLE 6
Fiscal Year 2022
Business-Type Activities
Comparison of Program Revenues to Program Expenses



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds

At the end of Fiscal Year 2022, the State's governmental funds reported a combined fund balance of $8.1 billion. Funds with significant changes in fund balance are discussed below:

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2022, the State's General Fund reported a total fund balance of $4.6 billion. The net change in fund balance during Fiscal Year 2022 was $3.5 billion, in contrast to $1.2 billion in Fiscal Year 2021. Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $39.3 billion in Fiscal Year 2022, an increase of $4.8 billion (13.8 percent) from the prior year. Factors contributing to this change included the following:

- Revenues from taxes increased $2.6 billion. The increase primarily relates to income and sales taxes, which increased $1.9 billion and $663.2 million, respectively, from Fiscal Year 2021. The income tax increase was the result of growth in personal income, while sales tax revenue increases were driven by increased consumer expenditures for taxable goods.

- Intergovernmental revenues (i.e., federal assistance) increased $2.0 billion to $16.2 billion in Fiscal Year 2022. Human relations and resources programs (e.g., Medicaid) reported increased revenues of $2.4 billion. Federal reimbursements for grant expenditures increased due to COVID-19 along with a general increase in medical assistance costs. At the end of Fiscal Year 2021, the State recorded unearned revenue of $1.6 billion for unspent American Rescue Plan Act (ARPA) and Coronavirus Relief Funds. In Fiscal Year 2022, $766.3 million of that amount was spent and subsequently earned and recorded as intergovernmental revenue. During Fiscal Year 2022, the State received an additional $1.3 billion under ARPA. The remaining unspent amount was recorded as unearned revenue by the State and will be recorded as intergovernmental revenue in future years as the funds are spent.

Expenditures

2021 Wisconsin Act 58 established spending authority for the State of Wisconsin for Fiscal Year 2022. Expenditures of the General Fund totaled $33.6 billion in Fiscal Year 2022, an increase of $2.2 billion from Fiscal Year 2021. Factors contributing to the change include the following:

- Human relations and resources expenditures increased by $1.8 billion to $19.4 billion, primarily the result of increased grants and aids to individuals and organizations, in part for coronavirus relief and other medical assistance costs. These costs comprise 57.7 percent of General Fund expenditures.

- Education expenditures increased $718.7 million to 9.0 billion, due in part to increases in parental choice program for eligible school districts, per pupil aid, special needs scholarship program and aids for special education and school-age parents programs in Fiscal Year 2022. These costs comprise 26.8 percent of General Fund expenditures.

Other Financing Sources and Uses

Other financing sources/(uses) totaled a net $(2.3) billion in Fiscal Year 2022, a $262.1 million decrease from Fiscal Year 2021. The components of this included the following:

- Transfers out of the General Fund totaled $2.4 billion, an increase of $285.3 million from the prior year.
    - The GPR supplement comprises a large portion of the transfers out and is provided to various enterprise funds. The supplement totaled $1.1 billion, an increase of $37.4 million from the prior year. The University of Wisconsin System, which receives the majority of the GPR supplement, had $998.2 million in GPR expenses in Fiscal Year 2022, an increase of $36.6 million.

- ◦ Transfers out for debt service payments to the Bond Security and Redemption Fund totaled $425.0 million in Fiscal Year 2022 compared to $429.2 million in Fiscal Year 2021. Transfers out to other nonmajor governmental funds were $417.1 million in Fiscal Year 2022 compared to $398.8 million in Fiscal Year 2021.

- ◦ Transfers out to nonmajor enterprise funds, Transportation Fund and Unemployment Reserve were $205.8 million, $205.2 million and $60.0 million, respectively.

- Transfers in to the General Fund increased $2.5 million (from $61.4 million in Fiscal Year 2021 to $63.9 million in Fiscal Year 2022). The University of Wisconsin System transferred $23.9 million, while nonmajor governmental funds and nonmajor enterprise funds transferred $22.1 million and $13.9 million, respectively.

Note 9D provides additional information on transfers in and out of the General Fund.

As of June 30, 2022, the General Fund reported an unassigned fund balance of $2.2 billion, a change of $3.2 billion from the prior year, which had a deficit of $(912.0) million. This is the first year the State's General Fund has ended with a positive unassigned fund balance since the State began issuing an ACFR in Fiscal Year 1990.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were significant and included a $15.0 billion increase in appropriations. Contributing to the variance is the fact that several of the State's programs and various transfers (see the items denoted with *, below) are not included in the original budget. In addition, numerous adjustments to spending estimates were needed as the year progressed because of changing circumstances (spending needs can change dramatically over a one-year period). The largest variances occurred in the following appropriations (in millions):

Program	Variance
Federal Aid CRF and ARPA*	$2,939.8
Food Stamps, Electronic Benefit Transfer*	2,529.8
UW System, General Program Operations (part of Statutory General Fund)	1,127.7
Federal Aid Medical Assistance	1,119.2
UW Federal Aid	775.0
DOR Grants	535.4
UW System, Gifts and Nonfederal Grants and Contracts	357.3
Inter agency CRF and ARPA Transfer*	345.9

Actual charges to appropriations (expenditures) were $8.7 billion below the final budgeted estimates. Large positive expenditure variances were reported in the the Federal Aid CRF and ARPA ($1.8 billion) appropriations, UW program operations and Federal Aid ($1.7 billion), DCF Medical Assistance Program Benefits ($450.4 million) and DHS Medical Assistance Federal Aid ($426.8 million).

During the past fiscal year, the budgetary-based fund balance increased $2.5 billion for the statutory General Fund, mainly the result of federal funds received under the American Rescue Plan Act (ARPA) which the State has until 2024 to spend and an increase in tax revenues. Net transfers from other funds totaled $(442.3) million in Fiscal Year 2022 compared to $(972.6) million in the prior fiscal year.

Transportation Fund

In Fiscal Year 2022, the Transportation Fund's fund balance increased $275.2 million (26.4 percent) from $1.0 billion to $1.3 billion. The State constitutionally restricts use of state resources deposited into the Fund for transportation purposes. As such, $1.3 billion or 96.7 percent of fund balance is reported as restricted for Fiscal Year 2022. Remaining fund balance is reported as nonspendable and correlates to prepaid and inventory assets.

Primary revenue sources of the fund include motor fuel taxes, intergovernmental, and license and permit revenue sources, as well as interfund transfers in. In Fiscal Year 2022 revenues of the fund increased $103.9 million (3.5 percent) to a total of $3.1 billion. Intergovernmental revenues increased $66.5 million; use of external sources of funding for projects, rather than state resources regularly contributes to revenue fluctuations in this category between years. License and permit revenues decreased $13.9 million in Fiscal Year 2022 due to decline in vehicle titles registrations, while taxes increased $44.2 million due mainly to an increase in fuel taxes.

Transportation expenditures of $2.9 billion increased 8.1 percent or $215.6 million, including a 16.4 percent or $57.8 million increase in capital outlay expenditures. The increase in capital outlay expenditures was the result of increased funding from the Infrastructure Investment and Jobs Act. In addition to the expenditures reported in the Transportation Fund, long-term debt-funded transportation expenditures of $72.6 million and $72.6 million were reported in the Capital Improvement Fund and Transportation Revenue Bonds Fund, respectively. In the current year, transportation-related expenditures decreased $35.8 million in the Capital Improvement Fund, and $1.0 million in the Transportation Revenue Bonds Fund.

Transfers in increased from $62.7 million to $228.6 million in Fiscal Year 2022. This increase is mainly due to a one time transfer from the General Fund of $134.2 million. An on-going transfer equal to 0.25 percent of General Fund taxes as published in the General Fund condition statement is made annually with that amount being $44.7 million in Fiscal Year 2022. In addition, $23.3 million was transferred from the Petroleum Inspection Special Revenue Fund, compared to $16.2 million transferred in Fiscal Year 2021. Transfers out decreased $20.4 million to $175.0 million. Transfers out to the Bond Security and Redemption Fund for debt service were $134.5 million, while transfers out to the Conservation Fund were $21.6 million in Fiscal Year 2022.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Significant changes to balances of major proprietary funds from Fiscal Year 2021 to Fiscal Year 2022 include the following:

Environmental Improvement

Fund net position of the Environmental Improvement Fund increased $34.6 million to $2.2 billion. Total assets of the Fund increased by $108.9 million, while total liabilities also increased by $74.2 million. Assets increased to $2.6 billion as the result of loans to local governments increasing $147.4 million, while cash decreased $37.2 million. Liabilities increased to $402.6 million due to a $73.4 million increase in revenue bonds payable.

Operating income of the Fund increased by $1.8 million to $27.4 million in Fiscal Year 2022. Operating revenue of $46.7 million, which consists primarily of investment and interest income, remained steady in Fiscal Year 2022. Operating expenses increased $0.2 million in Fiscal Year 2022, the result of a $1.3 million increase in interest expense and a $0.8 million decrease in salaries and benefits.

Unemployment Reserve

Net position of the Unemployment Reserve Fund increased by $203.0 million during Fiscal Year 2022 from $1.2 billion at June 30, 2021 to $1.4 billion at June 30, 2022. Benefit expenses decreased from $3.5 billion in Fiscal Year 2021 to $683.0 million in Fiscal Year 2022, a decrease of $2.8 billion (80.4 percent). This decrease is attributed to the average unemployment rate decreasing from 4.9 percent during Fiscal Year 2021 to 3.1 percent during Fiscal Year 2022, along with pandemic-related unemployment programs ending on September 4, 2021.

Total operating revenues decreased by $2.1 billion from $2.9 billion in Fiscal Year 2021 to $811.2 million in Fiscal Year 2022. This decrease is mainly the result of Federal aids revenue for the unemployment program decreasing from $2.5 billion in Fiscal Year 2021 to $334.1 million in Fiscal Year 2022, a decrease of $2.1 billion (86.1 percent). Employer contributions decreased from $463.6 million in Fiscal Year 2021 to $451.3 million in Fiscal Year 2022, a decrease of $12.3 million (2.7 percent). The average tax rate on taxable wages decreased from 1.4 percent during Calendar Year 2021 to an estimated 1.1 percent in Calendar Year 2022. Reimbursements of $20.4 million in Fiscal Year 2022 represented an increase of $14.7 million (259.5 percent) from Fiscal Year 2021.

University of Wisconsin System

Fund net position increased $435.7 million to $6.4 billion. Assets, which consist primarily of capital assets and cash, increased $650.6 million to $10.7 billion. The Fund reported a restricted net pension asset of $1.1 billion in Fiscal Year 2022, an increase of $253.4 million from Fiscal Year 2021, along with a restricted net OPEB asset of $148.3 million, which was an increase of $23.8 million from $124.5 million in Fiscal Year 2021. The Fund also reported an increase of $418.2 million in investments and a decrease of $328.7 million in cash in Fiscal Year 2022. Total liabilities, which consists primarily of bonds payable and OPEB, increased by $220.3 million to $3.8 billion. Deferred outflows of resources increased $784.4 million to $2.3 billion and deferred inflows of resources also increased $778.9 million to $2.9 billion in Fiscal Year 2022. The changes in deferred outflows and inflows were primarily related to changes in pension related amounts.

Operating revenues increased $419.6 million or 12.2 percent to $3.9 billion. Student tuition, and federal grants and contracts of $1.4 billion and $917.9 million, respectively, comprise 60.8 percent of operating revenues. Increases of $141.7 million, $87.4 million and $86.8 million were reported for sales and services of auxiliary enterprises, sales and services of educational activities, federal grants and contracts, respectively. Local and private grants and contracts and sales and services to UW Hospital Authority reported increases of $6.6 million and $3.7 million, respectively. Other income revenues also increased by $73.9 million (19.8 percent). Operating expenses increased $417.1 million or 8.5 percent. Personal services, supplies and services, scholarship and fellowships, depreciation and other expenses increased by $156.9 million, $125.1 million, $83.8 million, $44.6 million and $6.7 million, respectively. Offsetting those changes were decreases in nonoperating investment and interest income, gifts and donations and miscellaneous revenues of $192.7 million, $22.3 million, and $10.1 million, respectively, while operating grants increased $44.8 million.

Transfers in to the University of Wisconsin System totaled $1.3 billion in Fiscal Year 2022. The general purpose revenue supplement received from the State's General Fund was $998.2 million an increase of $36.6 million. The Capital Improvement Fund also transferred $191.3 million of bond and note proceeds to the University of Wisconsin System, an increase of $2.7 million from the prior year. Bond proceeds transferred in are a function of on-going capital projects funded with those bonds. Capital contributions decreased $36.5 million from the prior year to $18.7 million in Fiscal Year 2022.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the close of Fiscal Year 2022, the State reported $33.1 billion invested in capital assets, net of accumulated depreciation of $9.6 billion. This represents an increase of $1.0 billion, or 3.2 percent, from Fiscal Year 2021. Depreciation and amortization charges totaled $202.9 million and $414.3 million for governmental and business-type activities, respectively, in Fiscal Year 2022. The details of these assets are presented in Table 7, below. Additional information about the State's capital assets is presented in Note 7 to the financial statements.

TABLE 7 - Capital Assets, Net of Depreciation, as of June 30 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021*	2022	2021*	2022	2021*
Land and Land Improvements	$ 3,066	$ 3,029	$ 188	$ 184	$ 3,254	$ 3,213
Buildings and Improvements	1,390	1,418	4,587	4,479	5,977	5,896
Library Holdings	60	60	151	150	210	209
Machinery and Equipment	318	323	350	342	668	665
Infrastructure	19,392	18,839	—	—	19,392	18,839
Construction and Software in Progress	2,357	2,407	641	547	2,998	2,954
Right to Use Land	—	—	1	1	1	1
Right to Use Buildings	317	—	262	280	579	280
Right to Use Equipment	3	—	5	8	8	8
Totals	$ 26,903	$ 26,075	$ 6,185	$ 5,990	$ 33,088	$ 32,065

*Amounts for the prior fiscal year have been restated

The major capital asset additions completed or acquired during Fiscal Year 2022 included the:

- I39/90: USH 12 to Illinois (Completion 2021) $1.2 billion
- UW Madison Chemistry Addition and Renovation $119.2 million
- UW Madison Babcock Hall Renovation $62.0 million
- UW Whitewater Chiller Plant Upgrade $32.8 million
- UW Madison BSM Hill Lathrop Dr Utility Replacement $12.1 million

In addition to these completed projects, construction and software in progress as of June 30, 2022 for governmental and business-type activities totaled $2.4 billion and $641.1 million, respectively. A list of those projects is provided in Note 7. The State's continuing or proposed major capital projects for Fiscal Year 2022 and future years include:

- Zoo Interchange (Completion in 2023) $1.5 billion
- I41 State Highway 96 to Scheuring Road (Completion in 2029) $1.2 billion
- I43 Silver Spring to STH 60 (Completion in 2024) $535.9 million
- STH 51 I39/90 to US 12 (Completion in 2029) $195.7M
- STH 23 State Highway 67 / US 41 (Completion in 2022) $173.4 million
- I39/90/94 Bridges over Wisconsin River (Completion in 2027) $146.9 million
- STH 15 STH 76 New London (Completion in 2024) $138.0 million
- STH 50 I94 43rd Avenue (Completion in 2023) $119.1 million
- USH 53 La Crosse Corridor (Completion and total estimated cost TBD)

Debt Administration

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. The total general obligation debt outstanding for the State as of June 30, 2022 was $7.5 billion, as shown in Table 8. During Fiscal Year 2022, $1.0 billion of general obligation bonds were issued to provide for the acquisition or improvement of land, water, property, highways, buildings, equipment, or facilities for public purposes or to refund outstanding bonds. Of the bonds issued in the current year, $378.2 million were to be used for University of Wisconsin System academic and self-amortizing facilities, $315.1 million for transportation projects, $78.5 million for environmental programs, and $29.6 million for correctional and mental health facilities. The remaining proceeds from new bonds issued were used for various other projects.

In 1992 the State established a facility to provide lease purchase financing to state agencies (Master Lease). Lease purchase obligations under the Master Lease are not general obligations of the State but are payable from appropriations of participating state agencies, subject to annual appropriation. The trustee for the facility issues Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. As of June 30, 2022, $67.7 million of these certificates were outstanding.

In Fiscal Year 2004, the State issued $1.8 billion of annual appropriation bonds to pay the State's unfunded accrued prior service (pension) liability and its unfunded accrued liability for sick leave conversion credits. In Fiscal Year 2009, the State issued $1.5 billion of annual appropriation bonds to purchase the future right, title, and interest in the Tobacco Settlement Revenues (TSRs) from Badger Tobacco Asset Securitization Corporation (BTASC). As of June 30, 2022, $2.7 billion of these bonds were outstanding.

Chapter 18 of the Wisconsin Statutes authorizes the State to issue revenue obligations. These obligations, which are not general obligation debt of the State, are secured by a pledge of revenues or property derived from the operations of a program funded by the issuance of the obligations. Revenue bonds of the primary government totaled $2.3 billion outstanding at June 30, 2022, as shown in Table 8. These bonds included $1.9 billion of Transportation Revenue Bonds, and $398.6 million of Environmental Improvement Revenue Bonds.

TABLE 8 - Outstanding Debt as of June 30 (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds and long-term notes	$5,724.9	$5,862.6	$1,742.8	$1,707.1	$7,467.7	$7,569.7
Certificates of participation	57.4	61.3	10.2	7.8	67.7	69.1
Annual appropriation bonds	2,703.2	2,886.5	—	—	2,703.2	2,886.5
Revenue bonds	1,885.2	2,037.5	398.6	325.2	2,283.8	2,362.7
Totals	$10,370.7	$10,848.0	$2,151.7	$2,040.1	$12,522.4	$12,888.1

Article VIII of the Wisconsin Constitution and Wis. Stat. Sec. 18.05 limit the amount of general obligation bond debt the State can contract in total and in any calendar year. In total, debt cannot exceed five percent of the value of all taxable property in the State. The amount of debt contracted in any calendar year is limited to the lesser of three-quarters of one percent of the aggregate value of taxable property or five percent of the aggregate value of taxable property less net indebtedness at January 1.

At June 30, 2022, State of Wisconsin general obligation fixed rate bonds had a rating of AA+ from Fitch Ratings, AAA from Kroll Bond Rating Agency, Aa1 from Moody's Investors Services, and AA+ from Standard and Poor's Rating Services. General obligation variable rate notes are outstanding in different forms, with ratings from two or more rating agencies.

Detailed information about the State's long-term debt activity is presented in Note 11 to the financial statements.

INFRASTRUCTURE - MODIFIED APPROACH

The State reports infrastructure (i.e., roads, bridges, and buildings considered an ancillary part of roads) as capital assets. Infrastructure assets exclude right-of-way costs. The State has elected to report its infrastructure assets (11,200 centerline miles of roads and 5,100 bridges with a combined value of $19.4 billion) using the modified approach. Under this method, infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve these assets at a condition level established and disclosed by the State.

All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost. Historical cost was determined by calculating current costs of a similar asset and deflating that cost, using the Federal Highway Administration's composite index for federal-aid highway construction, to the estimated average construction date. All infrastructure assets constructed on or after July 1, 2000 have been recorded at historical cost.

In order to adequately serve the traveling public and support the State economy, it is the State's policy to ensure at least 85 percent of the state-owned roads and bridges are in good or fair condition. As of June 30, 2022, 92.2 percent of the roads and 97.5 percent of bridges were in good or fair condition, consistent with State policies. This compares to 92.5 percent of the roads and 97.7 percent of bridges as of June 30, 2021.

For the fiscal year ended June 30, 2022, actual maintenance and preservation costs for the State's road network were $688.9 million, or $576.3 million less than the estimated amount. On the same date, actual maintenance and preservation costs for the State's bridge network were $58.6 million, or $0.6 million more than the estimated amount. In developing estimated costs at the beginning of the fiscal year, it is difficult to predict the types of projects that will actually incur costs during the year. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimate amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

ECONOMIC FACTORS

During calendar year 2021, the Wisconsin economy recovered strongly from the COVID-19 global pandemic with solid growth throughout the year.

Wisconsin employment grew rapidly in 2021 after steep declines in employment in 2020 as a result of the pandemic's economic effects. According to the federal Bureau of Labor Statistics, total nonfarm employment in Wisconsin increased 0.3 percent in 2019, fell 5.5 percent in 2020, and rose 2.1 percent during 2021. Nationally, employment increased 1.3 percent in 2019, fell 5.8 percent in 2020, and rose 2.8 percent during 2021. Wisconsin employment growth had been constrained before the shocks of the COVID-19 pandemic due to slower population growth and already high labor force participation, limiting room for growth.

More recently, employment has recovered substantially with the overall national economic recovery. Since the trough in employment in April 2020, national employment is up 15.7 percent and Wisconsin employment is up 13.9 percent through September 2022. Relative to prepandemic February 2020 levels, Wisconsin employment is down 1.5 percent while employment nationally is up 0.3 percent. Wisconsin's seasonally adjusted unemployment rate in September 2022 was 3.2 percent, below the 3.5 percent national unemployment rate for the same month.

Wisconsin gross state product bounced back along with the overall national recovery in 2021, posting growth of 8.2 percent compared to 10.7 percent growth nationally. In 2020, Wisconsin gross state product declined by 1.3 percent compared to 1.5 percent nationally. Prior to the pandemic, Wisconsin grew 3.8 percent in 2019 compared to 4.1 percent nationally.

Personal income growth followed the trajectory of overall economic growth, with a recovery in wages supplanting large transfer payments as the driver of growth. Wisconsin personal income grew by 6.7 percent in 2021 compared to 7.5 percent nationally. In 2019 and 2020, Wisconsin personal income grew 4.3 percent and 6.0 percent, similar to the national growth rates of 5.1 percent and 6.7 percent. On a per capita basis, Wisconsin's income performance is similar to the nation's. Per capita income in Wisconsin increased by 3.9 percent, 5.8 percent and 6.6 percent in 2019, 2020 and 2021, respectively. This compares to growth of 4.6 percent, 6.2 percent and 7.3 percent in the same years nationally. Relative to the national average, Wisconsin per capita income has remained in approximately the same range for the past three years at 94.0 percent, 93.6 percent and 93.0 percent of the national average in 2019, 2020 and 2021, respectively.

Wisconsin's statewide total property value increased again in 2022 for the ninth straight year following five years of declines from 2009 through 2013. The increase in values has been broad-based, reflecting improvements in all major sectors. In 2022, total property values increased 13.8 percent, with residential property value growing at 14.9 percent. In addition, commercial real estate values grew 13.2 percent and manufacturing values grew 4.8 percent.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide Wisconsin's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to: State of Wisconsin, State Controller's Office, 101 E. Wilson Street, 5th Floor, Madison, WI 53703 or by email to: DOAWebMaster@wi.gov.

Some state agencies, such as the State of Wisconsin Investment Board, Department of Employee Trust Funds and the University of Wisconsin, issue stand-alone audited financial statements. The information contained in those statements may vary from this document due to scope and application of generally accepted accounting principles. Questions about how to obtain the separately issued financial statements should be directed to individual agencies or to the State Controller's Office.

The State's component units issue their own separate audited financial statements. These statements may be obtained by directly contacting the component unit through their administrative offices identified in Note 1-B.

* * * *

Basic Financial Statements

Statement of Net Position
June 30, 2022

(In Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets and Deferred Outflows of Resources				
Assets:				
Cash and Cash Equivalents	$ 12,577,475	$ 4,999,821	$ 17,577,295	$ 1,672,525
Investments	1,080,328	2,485,945	3,566,274	2,959,055
Securities Lending Collateral	—	228,877	228,877	—
Cash and Investments with Other Component Units	—	—	—	170,783
Receivables (net of allowance)	5,011,546	3,105,557	8,117,102	2,007,207
Internal Balances	129,163	(129,163)	—	—
Inventories	117,531	46,519	164,050	83,815
Prepaid Items	29,609	50,840	80,449	45,205
Leases Receivable	—	14,790	14,790	—
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	197,027	80,907	277,934	137,513
Investments	70,796	—	70,796	4,513,308
Net Pension Asset	1,081,994	1,211,694	2,293,688	313,625
Net Other Post Employment Benefits Asset	122,890	162,708	285,598	41,523
Other Assets	15,515	6,882	22,397	227,988
Capital Assets:				
Depreciable	1,921,837	5,371,081	7,292,919	1,276,406
Nondepreciable:				
Infrastructure	19,391,974	—	19,391,974	—
Other	5,588,881	814,130	6,403,011	182,972
Total Assets	47,336,568	18,450,588	65,787,156	13,631,926
Deferred Outflows of Resources:				
Accumulated Change in the Fair Value of Hedging Derivatives	—	—	—	5,913
Loss on Debt Refunding	287,356	33,774	321,130	10,053
Advances by the State	23,041	88,332	111,372	—
Deferred Pension Outflows	2,035,511	2,267,187	4,302,698	589,196
Deferred Other Post Employment Benefits Outflows	250,723	300,494	551,217	79,303
Asset Retirement Obligation	—	9,225	9,225	—
Other Deferred Outflows	—	—	—	2,240
Total Deferred Outflows of Resources	$ 2,596,631	$ 2,699,012	$ 5,295,643	$ 686,705
Total Assets and Deferred Outflows of Resources	$ 49,933,199	$ 21,149,601	$ 71,082,799	$ 14,318,630

(Continued)

Statement of Net Position
June 30, 2022

(Continued)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 1,521,321	$ 487,088	$ 2,008,409	$ 805,867
Securities Lending Collateral Liabilities	—	228,877	228,877	—
Due to Other Governments	2,555,389	197,249	2,752,639	170,259
Tax Refunds Payable	1,470,910	—	1,470,910	—
Tax and Other Deposits	130,505	34,162	164,667	104,233
Amounts Held in Trust by Component Unit for:				
Other Component Units	—	—	—	162,860
Others	—	—	—	69,544
Unearned Revenue	2,483,798	241,419	2,725,217	983
Interest Payable	86,856	12,178	99,034	12,030
Short-term Notes Payable	60,474	12,974	73,448	—
Other Liabilities	—	—	—	7,789
Long-term Liabilities:				
Current Portion	1,166,928	399,213	1,566,141	175,423
Noncurrent Portion	12,903,057	4,186,646	17,089,703	3,225,251
Total Liabilities	22,379,238	5,799,807	28,179,045	4,734,239
Deferred Inflows of Resources:				
Accumulated Change in the Fair Value of				
Hedging Derivatives	—	—	—	10,429
Gain on Debt Refunding	13,634	633	14,268	—
Deferred Pension Inflows	2,550,311	2,852,730	5,403,041	739,438
Deferred Other Post Employment Benefits Inflows	258,052	334,074	592,125	82,553
Other Deferred Inflows	—	14,671	14,671	14,582
Total Deferred Inflows of Resources	2,821,997	3,202,108	6,024,105	847,002
Net Position:				
Net Investment in Capital Assets	22,367,607	4,128,754	26,496,361	581,998
Restricted for:				
Human Relations and Resources	489,507	—	489,507	—
Conservation Related	222,047	—	222,047	—
General Executive	65,551	—	65,551	—
Transportation	1,274,850	—	1,274,850	—
Capital Projects	83,802	—	83,802	—
Unemployment Compensation	—	1,354,749	1,354,749	—
Environmental Improvement	—	2,188,384	2,188,384	—
Permanent Trusts - Expendable	33,119	354,716	387,835	19,575
Permanent Trusts - Nonexpendable	1,352,725	229,619	1,582,344	24,421
Future Benefits	—	1,738,911	1,738,911	41,044
Pension and Other Post Employment Benefits	1,204,884	1,374,402	2,579,286	349,261
Other Purposes	163,120	1,065,082	1,228,202	5,307,833
Unrestricted	(2,525,248)	(286,932)	(2,812,180)	2,413,257
Total Net Position	24,731,964	12,147,686	36,879,650	8,737,389
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 49,933,199	$ 21,149,601	$ 71,082,799	$ 14,318,630

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Fiscal Year Ended June 30, 2022

(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Primary Government:				
Governmental Activities:				
Commerce	$ 516,392	$ 291,539	$ 242,465	$ —
Education	9,102,302	14,441	1,532,553	73
Transportation	2,577,391	1,005,098	177,166	992,262
Environmental Resources	499,972	250,259	106,855	623
Human Relations and Resources	19,470,003	701,958	13,287,372	—
General Executive	1,723,024	255,848	1,193,517	9,767
Judicial	146,920	41,893	863	—
Legislative	76,245	1,848	3	—
Tax Relief and Other General Expenses	1,591,184	—	(13,829)	—
Intergovernmental - Shared Revenue	1,074,920	57,117	—	—
Interest on Debt	313,266	—	—	—
Total Governmental Activities	37,091,619	2,620,001	16,526,965	1,002,726
Business-type Activities:				
Injured Patients and Families Compensation	50,269	—	(179,196)	—
Environmental Improvement	65,952	46,670	61,810	—
University of Wisconsin System	5,377,192	3,876,404	774,886	18,676
Unemployment Reserve	684,509	477,071	351,914	—
Lottery	973,512	888,012	(357)	—
Health Insurance	1,691,304	1,662,680	35,443	—
Care and Treatment Facilities	408,070	321,860	1,629	—
Other Business-type	176,205	81,120	160,064	235
Total Business-Type Activities	9,427,013	7,353,817	1,206,193	18,911
Total Primary Government	$ 46,518,632	$ 9,973,818	$ 17,733,158	$ 1,021,637
Component Units:				
Housing and Economic Development Authority	$ 284,547	$ 81,801	$ 208,454	$ —
Health Care Liability Insurance Plan	4,778	3,427	—	—
University Hospitals and Clinics Authority	3,905,209	4,027,946	—	—
University of Wisconsin Foundation	332,274	(461,810)	378,420	—
Wisconsin Economic Development Corporation	108,966	170	106,681	—
Total Component Units	$ 4,635,774	$ 3,651,534	$ 693,555	$ —

General Revenues:
- Dedicated for General Purposes
  - Income Taxes
  - Sales and Excise Taxes
  - Public Utility Taxes
  - Other Taxes
- Motor Fuel and Other Taxes Dedicated for Transportation
- Other Dedicated Taxes
- Interest and Investment Earnings
- Miscellaneous

Contributions to Term and Permanent Endowments
Contributions to Permanent Fund Principal
Transfers
- Total General Revenues, Contributions and Transfers

Change In Net Position
Net Position - Beginning
Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net Revenue (Expense) and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 17,612		$ 17,612	
(7,555,234)		(7,555,234)	
(402,865)		(402,865)	
(142,235)		(142,235)	
(5,480,674)		(5,480,674)	
(263,892)		(263,892)	
(104,164)		(104,164)	
(74,394)		(74,394)	
(1,605,013)		(1,605,013)	
(1,017,804)		(1,017,804)	
(313,266)		(313,266)	
(16,941,927)		(16,941,927)	
	$ (229,465)	(229,465)	
	42,528	42,528	
	(707,226)	(707,226)	
	144,476	144,476	
	(85,858)	(85,858)	
	6,819	6,819	
	(84,581)	(84,581)	
	65,215	65,215	
	(848,092)	(848,092)	
(16,941,927)	(848,092)	(17,790,019)	
			$ 5,708
			(1,352)
			122,737
			(415,664)
			(2,114)
			(290,685)
12,902,644	—	12,902,644	—
7,827,191	—	7,827,191	—
378,193	—	378,193	—
382,523	—	382,523	—
1,120,012	—	1,120,012	—
118,830	—	118,830	—
327,129	(14,907)	312,222	(315,571)
464,800	—	464,800	60,600
—	1,073	1,073	13,799
12,097	—	12,097	—
(1,420,718)	1,420,718	—	—
22,112,701	1,406,883	23,519,584	(241,173)
5,170,774	558,792	5,729,565	(531,858)
19,561,190	11,588,894	31,150,084	9,269,246
$ 24,731,964	$ 12,147,686	$ 36,879,650	$ 8,737,389

Balance Sheet - Governmental Funds
June 30, 2022

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
Assets and Deferred Outflows of Resources				
Assets:				
Cash and Cash Equivalents	$ 8,486,668	$ 1,179,957	$ 694,104	$ 10,360,729
Investments	1,737	—	1,078,592	1,080,328
Receivables (net of allowance):				
Taxes	1,747,269	105,425	—	1,852,694
Loans to Local Governments	—	—	230,197	230,197
Other Loans Receivable	673	14,093	—	14,766
Other Receivables	873,984	9,230	139,390	1,022,605
Due from Other Funds	153,127	19,768	25,532	198,427
Due from Component Units	2	—	—	2
Interfund Receivables	67,452	—	—	67,452
Due from Other Governments	1,551,438	234,495	21,144	1,807,076
Inventories	58,256	42,090	3,180	103,525
Prepaid Items	4,496	971	14,093	19,560
Restricted and Limited Use Assets:				
Cash and Cash Equivalents	—	—	197,027	197,027
Investments	—	—	70,796	70,796
Other Assets	15,109	—	407	15,515
Total Assets	12,960,210	1,606,028	2,474,462	17,040,701
Deferred Outflows of Resources:				
Advances by the State	22,881	160	—	23,041
Total Assets and Deferred Outflows of Resources	$ 12,983,091	$ 1,606,188	$ 2,474,462	$ 17,063,742
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts Payable and Other Accrued Liabilities	$ 1,285,521	$ 170,275	$ 38,607	$ 1,494,403
Due to Other Funds	39,887	39,052	29,564	108,503
Due to Component Units	29	—	—	29
Interfund Payables	—	—	3,028	3,028
Due to Other Governments	2,476,403	76,309	2,551	2,555,263
Tax Refunds Payable	1,469,856	1,054	—	1,470,910
Tax and Other Deposits	111,820	346	18,338	130,505
Unearned Revenue	2,467,773	976	11,266	2,480,015
Interest Payable	—	—	33,999	33,999
Advances from Other Funds	—	—	6,599	6,599
Short-term Notes Payable	—	—	58,623	58,623
Revenue Bonds and Notes Payable	—	—	145,685	145,685
Total Liabilities	7,851,289	288,013	348,261	8,487,563
Deferred Inflows of Resources:				
Unavailable Revenue	486,320	265	7,267	493,851
Fund Balances:				
Nonspendable	62,721	43,061	1,369,855	1,475,638
Restricted	607,223	1,274,850	456,754	2,338,827
Committed	1,733,754	—	313,944	2,047,697
Unassigned	2,241,783	—	(21,618)	2,220,165
Total Fund Balances	4,645,482	1,317,911	2,118,935	8,082,327
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 12,983,091	$ 1,606,188	$ 2,474,462	$ 17,063,742

(Continued)

Balance Sheet - Governmental Funds
June 30, 2022

(Continued)

			Total Governmental
Reconciliation to the Statement of Net Position:			
Total Fund Balances - Governmental Funds (from previous page)			$ 8,082,327
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
	Infrastructure	19,391,974	
	Other Capital Assets	8,860,620	
	Accumulated Depreciation	(2,114,378)	
			26,138,216
Other long-term assets and deferred outflows and inflows of resources that are not available to pay for current period expenditures and, therefore, are not recognized in the funds.			824,988
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are not recognized in the funds.			490,069
Internal service funds are used by management to charge the costs of certain activities, such as telecommunications and insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.			(136,417)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund statements. These liabilities, however, are included in the Statement of Net Position.			
	Revenue Bonds Payable	(1,739,544)	
	Appropriation Bonds Payable	(2,703,208)	
	General Obligation Bonds and Notes Payable	(5,401,466)	
	Accrued Interest on Bonds	(50,848)	
	Leases	(4,508)	
	Certificates of Participation	(53,703)	
	Compensated Absences	(182,312)	
	Pollution Remediation	(238)	
	Claims and Judgments	(592)	
	Other Postemployment Benefits Liability	(530,800)	
			(10,667,219)
Net Position of Governmental Activities as reported on the Statement of Net Position (See page 26)			$ 24,731,964

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2022

(In Thousands)

	General	Transportation	Nonmajor Governmental	Total Governmental
Revenues:				
Taxes:				
Income	$ 12,855,090	$ —	$ —	$ 12,855,090
Sales and Excise	7,827,251	—	—	7,827,251
Public Utility	378,193	—	—	378,193
Other General Purpose	382,568	—	—	382,568
Motor Fuel	—	1,119,949	—	1,119,949
Other Dedicated	—	39,972	78,858	118,830
Intergovernmental	16,187,181	1,143,713	82,498	17,413,392
Licenses and Permits	811,656	756,340	676,854	2,244,850
Charges for Goods and Services	402,125	17,436	17,627	437,188
Investment and Interest Income	16,381	1,934	(26,335)	(8,020)
Fines and Forfeitures	52,787	623	19,421	72,831
Gifts and Donations	3,324	4	19,578	22,905
Miscellaneous:				
Tobacco Settlement	124,521	—	—	124,521
Other	299,876	23,170	16,328	339,373
Total Revenues	39,340,952	3,103,140	884,828	43,328,920
Expenditures:				
Current Operating:				
Commerce	407,077	—	113,547	520,624
Education	8,995,774	—	52,781	9,048,555
Transportation	37,300	2,478,834	27,019	2,543,153
Environmental Resources	118,172	—	382,605	500,778
Human Relations and Resources	19,387,987	—	41,027	19,429,014
General Executive	1,640,673	—	110,635	1,751,308
Judicial	147,676	—	174	147,850
Legislative	79,288	—	—	79,288
Tax Relief and Other General	1,588,525	—	2,659	1,591,184
Intergovernmental - Shared Revenue	1,018,981	—	55,940	1,074,920
Capital Outlay	118,192	409,460	204,581	732,234
Debt Service:				
Principal	32,468	2,573	720,310	755,352
Interest	4,577	319	382,936	387,832
Other Debt Related Expenditures	—	—	2,275	2,275
Total Expenditures	33,576,689	2,891,187	2,096,491	38,564,367
Excess of Revenues Over (Under) Expenditures	5,764,263	211,953	(1,211,663)	4,764,553
Other Financing Sources (Uses):				
Long-term Debt Issued	—	9,186	282,970	292,157
Long-term Debt Issued - Refundings	13,634	117	600,719	614,470
Payments for Refunded Debt	(14,929)	(128)	(23,314)	(38,371)
Payments to Refunded Debt Escrow Agent	—	—	(543,481)	(543,481)
Premium on Bonds and Certificates of Deposit	1,295	210	50,883	52,388
Transfers In	63,889	228,561	1,171,104	1,463,554
Transfers Out	(2,382,955)	(175,043)	(321,975)	(2,879,973)
Lease Acquisitions	22,586	2,066	546	25,197
Total Other Financing Sources (Uses)	(2,296,481)	64,969	1,217,453	(1,014,059)
Net Change in Fund Balances	3,467,782	276,921	5,790	3,750,494
Fund Balances, Beginning of Year	1,185,789	1,042,737	2,112,866	4,341,392
Increase (Decrease) in Inventories	(8,089)	(1,747)	278	(9,558)
Fund Balances, End of Year	$ 4,645,482	$ 1,317,911	$ 2,118,935	$ 8,082,327

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2022

(Continued)

			Total Governmental
Reconciliation to the Statement of Activities:			
Net Change in Fund Balances (from previous page)		$	3,750,494
Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase (Decrease) in Reserve for Inventories on the fund statement has been reclassified as functional expenses on the government-wide statement.			(9,558)
Governmental funds report the acquisition or construction of capital assets as expenditures, while governmental activities report depreciation expense to allocate the cost of these assets over their estimated useful life. Donated assets are set up at acquisition value with a corresponding amount of revenue recognized. In the current period, these amounts are:			
Capital Outlay/Functional Expenditures	706,716		
Depreciation Expense	(133,248)		
Grants and Contributions (Donated Assets)	4,699		
			578,168
In the Statement of Activities, only the gain/(loss) on the sale/disposal of capital assets is reported, while in the governmental funds, any proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.			(44,877)
Revenues in the Statement of Activities that do not provide current financial are not reported as revenues in the funds.			26,888
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
Bonds Issued	(883,022)		
Payments for Refunded Bonds	23,065		
Payments to Refunding Bond Escrow Agent	543,481		
Repayment of Bond Principal	719,660		
Bond Premium	(50,820)		
			352,365
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Net Decrease (increase) in Accrued Interest	84,740		
Decrease (increase) in Leases	(4,052)		
Decrease (increase) in Certificates of Participation	(1,915)		
Decrease (increase) in Compensated Absences	(1,895)		
Decrease (increase) in Pollution Remediation Liabilities	5,258		
Decrease (increase) in Claims and Judgments	125		
Change in net pension assets, net pension liabilities, and pension-related deferred outflows and inflows of resources	242,078		
Decrease (increase) in Postemployment Benefit Liabilities	(17,884)		
			306,455
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.			210,839
Changes in Net Position of Governmental Activities as reported on the Statement of Activities (See page 28)		$	5,170,774

The notes to the financial statements are an integral part of this statement.

Statement of Net Position - Proprietary Funds

June 30, 2022

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 394,460	$ 1,890,634	$ 1,258,003
Investments	8	479,347	—
Securities Lending Collateral	—	228,877	—
Loans to Local Governments (net of allowance)	197,114	—	—
Other Loans Receivable (net of allowance)	—	17,470	—
Other Receivables (net of allowance)	32	151,153	157,691
Due from Other Funds	283	20,378	48
Due from Component Units	—	3,518	—
Due from Other Governments	10,181	161,121	1,023
Inventories	—	38,536	—
Prepaid Items	17	48,772	—
Leases Receivable	—	2,983	—
Other Assets	—	—	—
Total Current Assets	602,095	3,042,788	1,416,766
Noncurrent Assets:			
Investments	—	530,190	—
Loans to Local Governments (net of allowance)	2,002,366	—	—
Other Loans Receivable (net of allowance)	—	89,454	—
Other Receivables	—	—	93,369
Prepaid Items	15	—	—
Advances to Other Funds	6,599	—	—
Leases Receivable	—	11,807	—
Restricted and Limited Use Assets:			
Cash and Cash Equivalents	—	—	19,199
Net Pension Asset	211	1,085,067	—
Net Other Post Employment Benefit Asset	24	148,326	—
Other Assets	—	—	—
Depreciable Capital Assets (net of accum. depreciation)	—	5,183,787	—
Nondepreciable Capital Assets	—	637,263	—
Total Noncurrent Assets	2,009,215	7,685,894	112,568
Total Assets	2,611,310	10,728,681	1,529,334
Deferred Outflows of Resources			
Debt Refunding	819	32,622	—
Advances by the State	—	—	—
Deferred Pension Outflows	376	2,030,018	—
Deferred Other Post Employment Benefits Outflows	30	268,682	—
Asset Retirement Obligation	—	9,225	—
Total Deferred Outflows of Resources	1,224	2,340,547	—
Total Assets and Deferred Outflows of Resources	$ 2,612,535	$ 13,069,228	$ 1,529,334

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise	Totals	Internal Service Funds
$ 1,456,723	$ 4,999,821	$ 2,216,746
17,665	497,020	—
—	228,877	—
214	197,328	—
1	17,470	—
168,583	477,459	2,452
111,268	131,977	18,534
—	3,518	—
35,859	208,184	656
7,983	46,519	10,223
2,035	50,824	9,108
—	2,983	—
784	784	—
1,801,116	6,862,764	2,257,719
1,458,736	1,988,925	—
2,205	2,004,571	—
2,642	92,097	—
—	93,369	—
—	15	494
—	6,599	—
—	11,807	—
61,708	80,907	—
126,416	1,211,694	30,379
14,358	162,708	3,450
6,099	6,099	—
187,295	5,371,081	430,854
176,866	814,130	31,476
2,036,325	11,844,002	496,653
3,837,441	18,706,767	2,754,372
334	33,774	2,232
88,332	88,332	—
236,794	2,267,187	59,036
31,782	300,494	8,184
—	9,225	—
357,241	2,699,012	69,452
$ 4,194,682	$ 21,405,779	$ 2,823,824

(Continued)

Statement of Net Position - Proprietary Funds

June 30, 2022

(Continued)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Liabilities			
Current Liabilities:			
Accounts Payable and Other Accrued Liabilities	$ 72	$ 271,820	$ 53,412
Securities Lending Collateral Liabilities	—	228,877	—
Due to Other Funds	1,334	78,741	3,715
Due to Component Units	—	2,497	—
Interfund Payables	—	—	—
Due to Other Governments	378	5,851	58,268
Tax and Other Deposits	—	6,308	—
Unearned Revenue	—	203,715	—
Interest Payable	1,389	10,335	—
Short-term Notes Payable	—	12,974	—
Current Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	—	—	—
Leases	—	23,905	—
Compensated Absences	207	98,759	—
Certificates of Participation	—	603	—
General Obligation Bonds and Notes Payable	—	109,336	—
Revenue Bonds and Notes Payable	29,375	—	—
Total Current Liabilities	32,755	1,053,723	115,395
Noncurrent Liabilities:			
Accounts Payable and Other Accrued Liabilities	—	—	—
Due to Other Governments	—	73,557	59,190
Noncurrent Portion of Long-term Liabilities:			
Future Benefits and Loss Liabilities	—	—	—
Leases	—	245,882	—
Compensated Absences	549	79,709	—
Other Postemployment Benefits	74	709,192	—
Asset Retirement Obligation	—	13,056	—
Certificates of Participation	—	3,927	—
General Obligation Bonds and Notes Payable	—	1,584,386	—
Revenue Bonds and Notes Payable	369,235	—	—
Total Noncurrent Liabilities	369,859	2,709,710	59,190
Total Liabilities	402,614	3,763,432	174,585
Deferred Inflows of Resources			
Debt Refunding	—	612	—
Deferred Pension Inflows	462	2,554,689	—
Deferred Other Post Employment Benefits Inflows	41	301,304	—
Other Deferred Inflows	—	14,671	—
Total Deferred Inflows of Resources	503	2,871,277	—
Net Position:			
Net Investment in Capital Assets	—	3,840,653	—
Restricted for Unemployment Compensation	—	—	1,354,749
Restricted for Environmental Improvement	2,188,384	—	—
Restricted for Expendable Trusts	—	354,716	—
Restricted for Nonexpendable Trusts	—	229,619	—
Restricted for Future Benefits	—	—	—
Restricted for Pension and Other Post Employment Benefits	235	1,233,393	—
Restricted for Other Purposes	—	923,905	—
Unrestricted	20,800	(147,767)	—
Total Net Position	2,209,418	6,434,519	1,354,749
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,612,535	$ 13,069,228	$ 1,529,334

The notes to the financial statements are an integral part of this statement

Business-type Activities - Enterprise Funds			Governmental Activities
Nonmajor Enterprise	Totals		Internal Service Funds
$ 119,121	$ 444,425		$ 7,647
—	228,877		—
121,509	205,300		2,973
191	2,688		—
36,709	36,709		27,715
6	64,503		126
27,854	34,162		—
37,704	241,419		—
454	12,178		2,009
—	12,974		1,850
124,176	124,176		48,096
1,195	25,100		1,815
5,944	104,909		111,969
1,038	1,641		2,718
4,675	114,011		15,159
—	29,375		—
480,575	1,682,448		222,078
2,634	2,634		—
—	132,747		—
1,033,807	1,033,807		104,826
4,356	250,238		16,127
9,133	89,392		2,253,308
84,253	793,519		23,077
—	13,056		—
4,667	8,594		1,229
44,417	1,628,803		308,244
—	369,235		—
1,183,268	4,322,026		2,706,811
1,663,843	6,004,474		2,928,889
21	633		1,167
297,579	2,852,730		74,046
32,728	334,074		7,649
—	14,671		—
330,328	3,202,108		82,863
288,101	4,128,754		115,697
—	1,354,749		—
—	2,188,384		—
—	354,716		—
—	229,619		—
1,738,865	1,738,865		—
140,774	1,374,402		33,829
141,177	1,065,082		—
(108,408)	(235,375)		(337,454)
2,200,510	12,199,197		(187,928)
$ 4,194,682	$ 21,405,779		$ 2,823,824
	12,199,197	Total Net Position Reported Above	
	(51,511)	Adjustment to Reflect the Consolidation of Internal Service Activities Related to Enterprise Funds	
	$ 12,147,686	Net Position of Business-type Activities	

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Fiscal Year Ended June 30, 2022

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve
Operating Revenues:			
Charges for Goods and Services	$ —	$ —	$ —
Participant and Employer Contributions	—	—	451,292
Tuition and Fees	—	1,422,724	—
Federal Grants and Contracts	—	917,864	—
Local and Private Grants and Contracts	—	269,376	—
Sales and Services of Educational Activities	—	328,539	—
Sales and Services of Auxiliary Enterprises	—	404,998	—
Sales and Services to UW Hospital Authority	—	60,561	—
Investment and Interest Income	44,660	—	—
Miscellaneous:			
Federal Aid for Unemployment Insurance Program	—	—	334,097
Reimbursing Financing Revenue	—	—	20,417
Other	2,010	447,682	5,362
Total Operating Revenues	46,670	3,851,744	811,168
Operating Expenses:			
Personal Services	5,720	3,435,917	—
Supplies and Services	3,299	1,228,956	—
Lottery Prize Awards	—	—	—
Scholarships and Fellowships	—	269,921	—
Depreciation	—	393,469	—
Benefit Expense	—	—	682,959
Interest Expense	10,241	—	—
Other Expenses	—	24,795	1,550
Total Operating Expenses	19,260	5,353,059	684,509
Operating Income (Loss)	27,410	(1,501,314)	126,659
Nonoperating Revenues (Expenses):			
Operating Grants	61,464	426,324	—
Investment and Interest Income	349	(63,792)	17,817
Gain (Loss) on Disposal of Capital Assets	—	(2,790)	—
Interest Expense	—	(46,151)	—
Gifts and Donations	—	415,777	—
Miscellaneous Revenues	—	24,660	—
Other Expenses:			
Property Tax Credits	—	—	—
Grants Disbursed	(46,692)	—	—
Other	—	—	—
Total Nonoperating Revenues (Expenses)	15,121	754,027	17,817
Income (Loss) Before Contributions, Transfers and Special Item	42,531	(747,288)	144,476
Capital Contributions	—	18,676	—
Additions to Endowments	—	1,073	—
Transfers In	52	1,264,017	60,000
Transfers Out	(8,013)	(100,773)	(1,486)
Change in Net Position	34,570	435,705	202,990
Total Net Position, Beginning of Year	2,174,848	5,998,814	1,151,759
Total Net Position, End of Year	$ 2,209,418	$ 6,434,519	$ 1,354,749

The notes to the financial statements are an integral part of this statement

	Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Nonmajor Enterprise	Totals	
	$ 1,240,503	$ 1,240,503	$ 383,876
	1,673,650	2,124,943	—
	—	1,422,724	—
	—	917,864	—
	—	269,376	—
	—	328,539	—
	—	404,998	—
	—	60,561	—
	81	44,741	—
	—	334,097	—
	—	20,417	—
	33,061	488,115	1,050
	2,947,295	7,656,878	384,926
	298,305	3,739,943	84,389
	273,538	1,505,794	142,404
	557,117	557,117	—
	—	269,921	—
	20,860	414,329	36,745
	1,818,268	2,501,227	179,747
	—	10,241	—
	19,603	45,948	805
	2,987,692	9,044,520	444,090
	(40,397)	(1,387,643)	(59,164)
	3,214	491,002	—
	(4,522)	(50,148)	311,620
	(1,192)	(3,982)	343
	(951)	(47,102)	(9,189)
	509	416,286	—
	6,382	31,041	711
	(312,332)	(312,332)	—
	(1,580)	(48,272)	—
	5	5	(856)
	(310,467)	476,499	302,630
	(350,864)	(911,144)	243,466
	235	18,911	—
	—	1,073	—
	231,121	1,555,190	1,546
	(24,200)	(134,472)	(4,940)
	(143,707)	529,558	240,073
	2,344,217	11,669,639	(428,001)
	$ 2,200,510	$ 12,199,197	$ (187,928)

529,558	Change in Net Position Reported Above
29,234	Activities Related to Enterprise Funds
$ 558,792	Change in Net Position of Business-Type Activities

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2022

(In Thousands)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	**University of Wisconsin System**	**Unemployment Reserve**
Cash Flows From Operating Activities:			
Cash Receipts from Customers	$ —	$ —	$ 506,636
Cash Payments to Suppliers for Goods and Services	(3,160)	(1,209,424)	—
Cash Payments to Employees for Services	(4,874)	(3,673,128)	—
Tuition and Fees	—	1,432,888	—
Grants and Contracts	—	1,187,852	—
Cash Payments for Lottery Prizes	—	—	—
Cash Payments for Loans Originated	(347,780)	(536,737)	—
Collection of Loans	200,359	551,853	—
Interest Income	44,443	—	—
Cash Payments for Benefits	—	—	(806,303)
Sales and Services of Educational Activities	—	322,552	—
Sales and Services of Auxiliary Enterprises	—	416,044	—
Sales and Services to UW Hospital Authority	—	54,050	—
Scholarships and Fellowships	—	(269,921)	—
Other Operating Revenues	2,010	408,299	470,319
Other Operating Expenses	—	—	(1,639)
Other Sources of Cash	—	—	—
Other Uses of Cash	—	—	—
Net Cash Provided (Used) by Operating Activities	(109,002)	(1,315,671)	169,013
Cash Flows From Noncapital Financing Activities:			
Operating Grants Receipts	61,927	430,869	—
Grants Disbursed	(46,675)	—	—
Proceeds from Issuance of Debt	122,842	—	—
Repayment of Bonds, Notes and Certificates of Participation	(42,530)	—	—
Interest Payments	(16,568)	—	—
Property Tax Credit Payments	—	—	—
Non Capital Gifts and Grants	—	416,933	—
Interfund Loans Received	—	—	—
Interfund Loans Repaid	—	—	—
Interfund Borrowing to Other Funds	—	—	—
Transfers In	520	1,275,393	60,000
Transfers Out	(8,013)	(100,452)	(1,506)
Other Cash Inflows from Non capital Financing Activities	—	17,057	—
Other Cash Outflows from Non capital Financing Activities	(12)		—
Net Cash Provided (Used) by Non Capital Financing Activities	71,491	2,039,799	58,494
Cash Flows From Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	—	192,832	—
Capital Contributions	—	191,288	—
Repayment of Bonds, Notes and Certificates of Deposit	—	(324,081)	—
Interest Payments	—	(126,433)	—
Transfers In	—	—	—
Lease Obligations	—	—	—
Proceeds from Sale of Capital Assets	—	—	—
Payments for Purchase of Capital Assets	—	(509,798)	—
Other Cash Inflows from Capital Financing Activities	—	5,357	—
Other Cash Outflows from Capital Financing Activities	—	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	—	(570,835)	—
Cash Flows From Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	—	183,304	—
Purchase of Investment Securities	—	(666,515)	—
Investment and Interest Receipts	345	1,181	17,817
Net Cash Provided (Used) by Investing Activities	345	(482,031)	17,817
Net Increase (Decrease) in Cash and Cash Equivalents	(37,167)	(328,738)	245,324
Cash and Cash Equivalents, Beginning of Year	431,627	2,219,372	1,031,879
Cash and Cash Equivalents, End of Year	$ 394,460	$ 1,890,634	$ 1,277,203

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
Nonmajor Enterprise		Totals		
$ 2,881,811	$	3,388,447	$	383,449
(230,178)		(1,442,762)		(156,980)
(328,276)		(4,006,279)		(86,754)
—		1,432,888		—
—		1,187,852		—
(552,614)		(552,614)		—
—		(884,517)		—
204		752,416		—
77		44,520		—
(1,807,653)		(2,613,955)		(143,309)
—		322,552		—
—		416,044		—
—		54,050		—
—		(269,921)		—
393		881,022		955
(62,193)		(63,833)		—
112,320		112,320		335
(44)		(44)		(1)
13,846		(1,241,814)		(2,305)
3,215		496,011		—
(2,824)		(49,500)		—
—		122,842		—
—		(42,530)		—
—		(16,568)		(172)
(340,206)		(340,206)		—
145		417,078		—
3,487		3,487		253
(2,702)		(2,702)		(1,189)
—		—		—
229,453		1,565,366		2,340
(24,212)		(134,183)		(4,886)
475		17,532		—
(7,045)		(7,058)		(14)
(140,213)		2,029,571		(3,668)
3,394		196,226		59,421
235		191,523		—
(4,334)		(328,415)		(80,814)
(1,776)		(128,209)		(12,645)
1,688		1,688		—
(1,040)		(1,040)		(1,829)
—		—		345
(36,459)		(546,257)		(13,174)
3,936		9,293		100
(3,924)		(3,924)		(141)
(38,280)		(609,116)		(48,737)
394,483		577,787		—
(378,820)		(1,045,335)		—
231,984		251,327		311,518
247,647		(216,222)		311,518
83,000		(37,580)		256,808
1,435,431		5,118,308		1,959,938
$ 1,518,431	$	5,080,728	$	2,216,746

(continued)

Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2022

(Continued)

	Business-type Activities - Enterprise Funds		
	Environmental Improvement	**University of Wisconsin System**	**Unemployment Reserve**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:			
Operating Income (Loss)	$ 27,410	$ (1,501,314)	$ 126,659
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	—	393,469	—
Provision for Uncollectible Accounts	—	—	16,627
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity	10,064	—	—
Miscellaneous Nonoperating Income (Expense)	—	—	—
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Decrease (Increase) in Assets and Deferred Outflows:			
Receivables	(18)	124,529	(53,012)
Due from Other Funds	663	17,277	64,862
Due from Component Units	—	3,294	
Due from Other Governments	(147,639)	(151,167)	203,399
Inventories	—	(7,710)	—
Prepaid Items	17	(9,520)	—
Net Pension Asset	(45)	(253,438)	—
Net OPEB Assets	—	(23,786)	—
Other Assets	—	—	—
Deferred Outflows of Resources	(151)	(790,048)	—
Increase (Decrease) Liabilities and Deferred Inflows:			
Accounts Payable and Other Accrued Liabilities	(21)	44,692	(168,168)
Due to Other Funds	489	9,227	(32,182)
Due to Other Component Unit	—	1,023	—
Due to Other Governments	(27)	(23,086)	10,828
Tax and Other Deposits	—	—	—
Unearned Revenue	—	35,496	—
Interest Payable	—	—	—
Compensated Absences	97	(6,121)	—
Postemployment Benefits	12	57,848	—
Future Benefits and Loss Liability	—	—	—
Deferred Inflows of Resources	147	763,666	—
Total Adjustments	(136,412)	185,644	42,354
Net Cash Provided Used by Operating Activities	$ (109,002)	$ (1,315,671)	$ 169,013
Noncash Investing, Capital and Financing Activities:			
Assets Acquired through Leases	$ —	$ 9,023	$ —
Contributions/Transfers In (Out) of Noncash Assets and Liabilities From/To Other Funds	—	—	—
Lottery Prize Annuity Investment Assumption	—	—	—
Net Change in Unrealized Gains and (Losses)	—	(62,607)	—
Other	—	17,134	—

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
Nonmajor Enterprise	Totals		Governmental Activities - Internal Service Funds
$ (40,397)	$ (1,387,643)		$ (59,164)
20,860	414,329		36,745
131	16,758		—
—	10,064		(1)
8,250	8,250		317
(14,030)	57,470		(601)
(18,425)	64,377		199
—	3,294		107
(10,680)	(106,087)		(94)
(360)	(8,070)		(2,713)
(284)	(9,787)		1,560
(30,614)	(284,097)		(6,662)
(2,194)	(25,980)		(257)
(30)	(30)		—
(92,312)	(882,511)		(22,010)
(9,261)	(132,758)		(9,683)
15,634	(6,832)		410
191	1,214		—
—	(12,285)		126
(78)	(78)		(1)
366	35,862		—
(9)	(9)		—
217	(5,806)		(23)
7,958	65,818		2,528
91,260	91,260		35,895
87,651	851,465		21,016
54,243	145,829		56,859
$ 13,846	$ (1,241,814)		$ (2,305)
$ —	$ 9,023		$ —
(1)	(1)		—
(492)	(492)		—
(214,983)	(277,589)		—
664	17,798		—

Statement of Fiduciary Net Position
June 30, 2022

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial
Assets				
Cash and Cash Equivalents	$ 3,343,739	$ 6,291,680	$ 1,010	$ 137,833
Securities Lending Collateral	396,434	—	—	—
Prepaid Items	25,699	—	—	13
Receivables (net of allowance):				
Prior Service Contributions Receivable	5,789	—	—	—
Benefits Overpayment Receivable	2,095	—	—	—
Due from Other Funds	79,887	—	—	5,359
Due from Component Units	7,541	—	—	—
Due from Other Governments	148,011	—	—	1,940
Interest and Dividends Receivable	450,913	—	—	—
Investment Sales Receivable	10,869,737	—	—	—
Other Receivables	4,319	143	—	3,893
Total Receivables	11,568,292	143	—	11,193
Investments:				
Fixed Income	48,219,267	—	—	—
Stocks	83,778,808	—	—	—
Options	(1,946)	—	—	—
Financial Futures Contracts and Swaps	102,478	—	—	—
Private Fund Investments	26,573,553	—	—	—
Preferred Securities	703,312	—	—	—
Convertible Securities	2,153	—	—	—
Multi-asset Investments	6,227,923	—	—	—
Investment Contract	569,905	—	—	—
Foreign Currency Contracts	3,794	—	—	—
To Be Announced Securities	2,899,255	—	—	—
Deferred Compensation Plan Investments:				
Collective Investment Trust Funds	3,985,491	—	—	—
Mutual Funds	2,398,095	—	—	—
Stable Value Fund	782,330	—	—	—
Investments of Custodial Funds	—	—	—	35
Total Investments	176,244,418	—	—	35
Capital Assets	4,865	—	—	—
Other Assets	—	—	—	339,490
Total Assets	$ 191,583,447	$ 6,291,823	$ 1,010	$ 488,563

(continued)

(continued)

	Pension and Other Employee Benefit Trust	Investment Trust	Private Purpose Trust	Custodial
Liabilities				
Accounts Payable and Other Accrued Liabilities	$ 200,634	$ 13	$ —	$ 10,746
Reverse Repurchase Agreements	17,012,077	—	—	—
Securities Lending Collateral Liability	1,157,434	—	—	—
Annuities Payable	455,788	—	—	—
Due to Other Funds	88,433	156	—	5,593
Tax and Other Deposits	—	—	—	1,640
Due to Other Governments	—	—	—	91,200
Short Sales of Securities	8,050,666	—	—	—
Investment Payable	13,532,952	—	—	—
Unearned Revenue	495	—	—	—
Total Liabilities	40,498,479	169	—	109,179
Net Position				
Restricted for Pensions	141,847,870	—	—	—
Restricted for Other Postemployment Benefits	9,235,149	—	—	—
Restricted for Pool Participants	—	6,291,654	—	—
Restricted for Individuals, Organizations and Other Governments	1,950	—	1,010	379,385
Total Net Position	$ 151,084,969	$ 6,291,654	$ 1,010	$ 379,385

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

(In Thousands)

	Pension and Other Employee Benefit Trust	Investment Trust	Private-Purpose Trust	Custodial
Additions				
Contributions:				
Employer Contributions	$ 1,183,961	$ —	$ —	$ —
Employee Contributions	1,330,696	—	—	—
Transfer-in From Other Plans	38,909	—	—	—
Total Contributions	2,553,565	—	—	—
Deposits	—	11,432,810	—	1,152,331
Premiums	—	—	—	23,944
Federal Subsidy	—	—	—	1,945
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	20,384,784	—	—	—
Interest and Dividends	2,759,636	—	—	—
Securities Lending Income	47,080	—	—	—
Investment Income of Investment Trusts, Private Purpose Trusts, Other Employee Benefit Trusts and Custodial Funds	15,297	50,545	11	(165)
Less:				
Investment Expense	(451,445)	(1,014)	—	(3)
Securities Lending Rebates and Fees	(3,282)	—	—	—
Investment Income Distributed to Other Funds	(542,070)	—	—	—
Net Investment Income	22,210,000	49,531	11	(168)
Interest on Prior Service Receivable	366	—	—	—
Tax Collections for Other Governments	—	—	—	619,847
Miscellaneous Income	256	—	—	1
Total Additions	24,764,187	11,482,341	11	1,797,901
Deductions				
Retirement Benefits and Refunds:				
Retirement, Disability, and Beneficiary	6,352,664	—	—	—
Separations	42,045	—	—	—
Total Retirement Benefits and Refunds	6,394,709	—	—	—
Distributions	358,098	10,779,634	—	1,145,760
Benefits and Other Expenses	124,347	—	—	25,393
Administrative Expense	43,875	186	—	2,647
Payments of Tax to Other Governments	—	—	—	619,671
Total Deductions	6,921,028	10,779,820	—	1,793,472
Net Increase (Decrease)	17,843,159	702,520	11	4,429
Net Position - Beginning of Year	133,241,810	5,589,134	1,000	374,956
Net Position - End of Year	$ 151,084,969	$ 6,291,654	$ 1,010	$ 379,385

The notes to the financial statements are an integral part of this statement.

Notes To The Financial Statements

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

For GAAP purposes, the State of Wisconsin includes all funds, elected offices, departments and agencies of the State, as well as boards, commissions, authorities and universities. The State has also considered all potential "component units" for which it is financially accountable, and other affiliated organizations for which the nature and significance of their relationship, including their ongoing financial support, with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the State's reporting entity is based on the criteria set forth in GASB Statement No. 14, The Financial Reporting Entity, GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14, and GASB Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34. GASB Statement No. 14 criteria include the ability to appoint a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. GASB Statement No. 39 provisions relate to separately legal, tax-exempt organizations and include: (1) the economic resources received or held are entirely or almost entirely for the direct benefit of the State, (2) the State is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) the economic resources received or held by an individual organization that the State is entitled to, or has the ability to otherwise access, are significant to the State. GASB Statement No. 61 modifies certain requirements for inclusion in the financial reporting entity, especially in regard to the fiscal dependency criterion where a financial benefit or burden relationship is now required. It also amends the "blending" criteria for component units and clarifies the reporting of equity interests in legally separate organizations.

Based upon the application of the criteria contained in GASB Statement No. 14, as amended by GASB Statement No. 39, the Wisconsin Public Broadcasting Foundation, Inc. is reported as a blended component unit; and the Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospital and Clinics Authority, the Wisconsin Economic Development Corporation and the University of Wisconsin Foundation, are presented as discrete component units, as discussed below.

Complete financial statements of the individual component units that issue separate statements can be obtained from their respective administrative offices:

Wisconsin Public Broadcasting Foundation Inc.
Wisconsin Educational Communications Board
3319 West Beltline Highway
Madison, WI 53713
http://www.ecb.org

Wisconsin Housing and Economic Development Authority
908 East Main Street, Suite 501
Madison, WI 53703
http://www.wheda.com

Wisconsin Health Care Liability Insurance Plan
Office of the Commissioner of Insurance
125 South Webster Street
Madison, WI 53703
http://oci.wi.gov

University of Wisconsin Hospital and Clinics Authority
301 South Westfield Road
Madison, WI 53717
http://www.uwhealth.org

Wisconsin Economic Development Corporation
201 West Washington Avenue
Madison, Wisconsin 53703
http://www.wedc.org

University of Wisconsin Foundation
1848 University Avenue
Madison, WI 53726-4090
https://www.supportuw.org

Blended Component Unit

Blended component units are entities that are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. The blended component unit serves or benefits the primary government. They are reported as part of the State and blended into the appropriate funds.

Wisconsin Public Broadcasting Foundation, Inc. – The Wisconsin Public Broadcasting Foundation, Inc. (Foundation), created in 1983 by the Wisconsin Legislature, is a private, non-stock, nonprofit Wisconsin Corporation, wholly owned by the Wisconsin Educational Communications Board (ECB), a unit of the State. The Foundation solicits funds in the name of, and with the approval of, the ECB. The Foundation's funds are managed by a five-member board of trustees consisting of the executive director of the ECB and four members of the ECB board. The Foundation is reported as a special revenue fund.

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The Wisconsin Housing and Economic Development Authority, the Wisconsin Health Care Liability Insurance Plan, the University of Wisconsin Hospital and Clinics Authority, the Wisconsin Economic Development Corporation and the University of Wisconsin Foundation are reported in a separate column and in separate rows in the government-wide statements to emphasize that they are legally separate.

Wisconsin Housing and Economic Development Authority – The Wisconsin Housing and Economic Development Authority (Authority) was established by the Wisconsin Legislature in 1972 to help meet the housing needs of Wisconsin's low and moderate income citizens. The State has significantly expanded the scope of services of the Authority by adding programs that include financing for farmers and for economic development projects. While the Authority receives no State tax dollars for its bond- supported programs and the State is not liable on bonds the Authority issues, the State has the ability to impose its will on the Authority through legislation. The State appoints the Authority's Board. The Authority reports on a June 30 fiscal year-end.

Wisconsin Health Care Liability Insurance Plan – The Wisconsin Health Care Liability Insurance Plan (Plan) was established by rule of the Commissioner of Insurance of the State of Wisconsin to provide health care liability insurance and liability coverage normally incidental to health care liability insurance to eligible health care providers in the State. Eight out of 13 members of the Board of Directors are appointed by the Governor, and the State has the ability to impose its will upon the Plan. The Plan reports on a fiscal year ended December 31.

University of Wisconsin Hospital and Clinics Authority – The University of Wisconsin Hospital and Clinics Authority (Hospital) is a not-for-profit academic medical center. The Hospital provides comprehensive health care to patients, education programs, research and community service. Prior to June 1996, the Hospital was a unit of the University of Wisconsin-Madison. In June 1996, in accordance with legislation enacted by the State Legislature, the Hospital was restructured as a Public Authority, a public body corporate and politic created by State statutes. The State appoints a majority of the Hospital's Board of Directors and a financial benefit/burden relationship exists between the Hospital and the State. The Hospital reports on a June 30 fiscal year-end.

The legislation that created the Hospital Authority also provided, among other things, for the Board of Regents of the University of Wisconsin System to execute various agreements with the Hospital. These agreements include an Affiliation Agreement, a Lease Agreement, a Conveyance Agreement and a Contractual Services Agreement and Operating and Service Agreement.

The Affiliation Agreement requires the Hospital to continue to support the educational, research and clinical activities of the University of Wisconsin-Madison, which are administered by the Hospital. Under the terms of a Lease Agreement, the Hospital leases facilities which were occupied by the Hospital as of June 29, 1996. Under a Conveyance Agreement, certain assets and liabilities related to the Hospital were identified and transferred to the Hospital effective July 1, 1996. Subject to the Contractual Services Agreement and Operating and Service Agreement between the Board of Regents and the Hospital, the two parties have entered into contracts for the continuation of services in support of programs and operations.

Wisconsin Economic Development Corporation – The Wisconsin Economic Development Corporation (WEDC) is a legally separate body corporate and politic. The WEDC's primary purpose is economic development activities in the State. The State appoints a majority of the WEDC's Board, has the ability to impose its will on the WEDC, and a financial benefit/burden relationship exists. The WEDC reports on a fiscal year ended June 30.

University of Wisconsin Foundation – The University of Wisconsin Foundation (the Foundation) is a legally separate, tax-exempt component unit of the State. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available mostly to the University of Wisconsin-Madison (UW-Madison) as well as several other units of the University of Wisconsin System in support of its programs. These include scientific, literary, athletic and educational program purposes. The University of Wisconsin System is reported as an enterprise fund of the State. Although the State does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the UW-Madison by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the UW-Madison and several other units of the University of Wisconsin System, the Foundation is considered a component unit of the State. The Foundation reports on a fiscal year ended June 30.

Related Organizations

These related organizations are excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Financial statements are available from the respective organizations.

Wisconsin Health and Educational Facilities Authority – a public body politic and corporate that provides financing for capital expenditures and refinancing of indebtedness for Wisconsin health care and educational institutions.

Fox River Navigational System Authority – created under Chapter 237 as a public body corporate and politic to oversee the Fox River navigational system after the federal government (the U.S. Army Corps of Engineers) transferred the system to the State.

C. Government-wide and Fund Financial Statements

The *government-wide* financial statements consist of the statement of net position and the statement of activities.

These statements report information on all activities, except for fiduciary activities, of the primary government and its component units. The statement of net position and the statement of activities distinguish between the governmental and business-type activities of the State. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are generally financed in whole or in part by fees charged to external parties for goods and services. The focus of the government-wide statements is the primary government. A separate column on the statement of net position and the statement of activities reports activities for all discretely presented component units.

The *fund* financial statements provide detailed information on all governmental, proprietary and fiduciary funds. Separate columns are presented for all major governmental and enterprise funds. Nonmajor governmental and enterprise funds are aggregated and presented as a single column on the respective governmental or proprietary statements. Internal service funds are exempt from the major fund reporting requirements and are aggregated and ultimately reported as a single column on the proprietary statements. Fiduciary funds are also exempt from major fund reporting and are aggregated by fund type and ultimately reported as single columns on the fiduciary statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The *government-wide* statement of net position and statement of activities, as well as the *proprietary and fiduciary fund* statements, are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

In the University of Wisconsin System's enterprise fund, revenues and expenses of an academic term that spans two fiscal years are recognized in two years based on a proration of summer session days.

In reporting the financial activity of its enterprise funds and business-type activities, the State applies all applicable GASB pronouncements.

Most of the funds included in the State's Annual Comprehensive Financial Report are presented on a fiscal year ended June 30. However, because funds of the Department of Employee Trust Funds (DETF) are administered on a calendar year basis, they are presented on a fiscal year ended December 31. This may result in GASB standards being implemented in different fiscal years for the DETF GAAP funds. Funds reported as of December 31 include: Wisconsin Retirement System, Accumulated Sick Leave Conversion Credit, Supplemental Health Insurance Conversion Credit, Wisconsin Deferred Compensation, Duty Disability, Reimbursed Employee Expense, Local Retiree Life Insurance, Retiree Life Insurance, Milwaukee Retirement System, Retiree Health Insurance, Local Retiree Health Insurance, Income Continuation Insurance, and Health Insurance.

As a result of the differences in timing, transactions between funds with different fiscal year ends may result in inconsistencies in amounts reported as due to/due from other funds or as interfund transfers. Similar differences may occur in amounts reported as due to/from component units.

The University of Wisconsin Foundation and Wisconsin Health Care Liability Insurance Plan are reported as component units. The Foundation financial statements are prepared using accounting standards promulgated by the Financial Accounting Standards Board as they apply to not-for-profit corporations. The Plan financial statements are prepared using prescribed statutory accounting practices included in the National Association of Insurance Commissioner's Accounting Practices and Procedures Manual. Statutory accounting practices vary somewhat from United States GAAP, but differences are expected to be immaterial.

Governmental fund financial statements are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net available financial resources.

Governmental funds are reported on the modified accrual basis of accounting. This basis of accounting recognizes revenues generally when they become measurable and available to pay current reporting period liabilities. For this purpose, the State considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Other revenues are considered to be available if received within one year after the fiscal year end except for tobacco settlement revenues for which just one-half of revenues expected to be received within one year are recognized. Material revenue sources susceptible to accrual include individual and corporate income taxes, sales taxes, public utility taxes, motor fuel taxes and federal revenues.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due.

The State reports the following major funds:

Major Governmental Funds

- *General Fund* – the primary operating fund of the State, accounts for all financial transactions except those required to be accounted for in another fund.

- *Transportation Fund* – a special revenue fund, accounts for the proceeds from motor fuel taxes, vehicle registrations, licensing fees, and federal and local governments which are used to supply and support safe, efficient and effective transportation in Wisconsin.

Major Enterprise Funds

- *Environmental Improvement Fund* – accounts for financial resources generated and used for clean water projects. Federal capitalization grants, interest earnings, revenue bond proceeds, and general obligation bond proceeds are its primary funding sources.

- *University of Wisconsin System Fund* – accounts for the 13 four-year universities, 13 additional campuses affiliated with seven of the four-year institutions, and System Administration.

- *Unemployment Reserve Fund* – accounts for unemployment contributions made by employers, federal program receipts, benefit payment recoveries and unemployment benefits paid to laid off workers in the State.

In addition, the State reports the following fund types:

Governmental Funds

- *Special Revenue Funds* – account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Examples include the Conservation Fund and the Petroleum Inspection Fund.

- *Debt Service Funds* – account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Financial resources that are being accumulated for future principal and interest are also reported in debt service funds.

- *Capital Projects Funds* – account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds or that will be held in trust for individuals, private organizations, or other governments).

- *Permanent Funds* – account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs – that is, for the benefit of the State or its citizenry.

Proprietary Funds

- *Enterprise Funds* – account for the activities for which fees are charged to external users for goods or services. Examples include the Lottery Fund and the Veterans Trust Fund.

- *Internal Service Funds* – account for the operations of State agencies which provide goods or services to other State units or other governments on a cost-reimbursement basis. These services include technology, fleet management, financial, facilities management, risk management, human resource services and accumulated sick leave. Additional goods and services are provided by the inmate work experience program, Badger State Industries.

Fiduciary Funds

- *Pension and Other Employee Benefit Trust Fund*s – used to account for resources that are required to be held in trust for members and beneficiaries for public employee retirement or other benefit plans e.g. Wisconsin Retirement System.

- *Investment Trust Funds* – account for assets invested on a commingled basis by the State on behalf of other governmental entities e.g. local government pooled investments.

- *Private-purpose Trust Funds* – account for all other trust arrangements which benefit individuals, private organizations, or other governments e.g. the state-sponsored college savings program.

- *Custodial Funds* – account for those assets for which the State acts solely in a custodial capacity e.g. the collection and disbursement of court-ordered child support payments.

Amounts reported as program revenues on the government-wide statement of activities include (a) charges for services – amounts received from customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by the State; including interest earnings from various loan funds/ component units, (b) program-specific operating grants, contributions, and restricted interest, and (c) program-specific capital grants, contributions, and restricted interest. General revenues consist of taxes and all other revenues that do not meet the definition of program revenues. Special items, if any, are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This includes all internal service fund activity, as well as other internal allocations. Exceptions to this general rule are certain charges between various functions of the government, whose elimination would distort the direct costs and program revenues reported for the various functions concerned.

The revenues and expenses shown on the proprietary fund statements are identified as either operating or nonoperating.

Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's primary mission. The State's enterprise funds are involved in many diverse fields including patient care, insurance programs, loan programs, the University of Wisconsin System, employee benefit plans, and the lottery. The internal service funds provide services and goods to other State agencies and departments.

A significant portion of operating revenues for the proprietary funds is recorded under charges for goods and services. In the case of the State's loan program enterprise funds, investment and interest income is an important component of operating revenue. Operating revenues of the University of Wisconsin include tuition and fees, certain grants and contracts resulting from exchange transactions, and sales and services of educational activities and auxiliary enterprises. In regards to the employee benefit plans, the primary operating revenue source is participant and employer contributions. Operating expenses for the proprietary funds include the costs of sales and services, benefit expenses, administration expenses and depreciation on capital assets. All revenues and expenses not related to a fund's primary purpose are reported as nonoperating.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

GASB Standards Implemented During the Fiscal Year

Effective for Fiscal Year 2022, the State implemented the following new standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 87, *Leases,* establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 92, *Omnibus 2020 ,* addresses practice issues that were identified during the implementation of certain GASB standards. The standard addresses a variety of topics including leases, intra-entity transfers, pensions, fiduciary activities, asset retirement obligations, public entity risk pools, fair value measurements and derivative instruments.

GASB Statement No. 93, *Replacement of Interbank Offered Rates,* addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate.

GASB Statement No. 98, *The Annual Comprehensive Financial Report,* established the term annual comprehensive financial report and the acronym ACFR.

GASB Statement No. 99, *Omnibus 2022,* paragraphs 26-32 relating to the replacement of LIBOR, SNAP benefits, disclosure of nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government and terminology updates.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balances

1. Cash and Cash Equivalents

Cash balances of most funds are deposited with the Department of Administration (DOA) where the available balances beyond immediate needs are pooled in the State Investment Fund for short-term investment purposes. Balances pooled are restricted to legally stipulated investments valued consistent with GASB Statement No. 72, *Fair Value Measurement and Application*. Cash balances not controlled by DOA may be invested where permitted by statute.

Cash and cash equivalents, reported on the balance sheet and statement of cash flows, include bank accounts, petty cash, cash in transit, short-term investments with an original maturity of three months or less such as certificates of deposit, money market certificates, repurchase agreements and individual funds' shares in the State Investment Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosure of risks associated with deposit and investment balances and the policies applied to mitigate such risks. Specific disclosures are included in Note 5, Deposits and Investments.

2. Investments

The State may invest in direct obligations of the United States and Canada, securities guaranteed by the United States, certificates of deposit issued by banks in the United States and solvent financial institutions in the State, commercial paper and nonsecured corporate notes and bonds, banker’s acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions, and various trust indentures (see Note 5 to the financial statements).

Investments of the primary government are reported at fair value consistent with the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. Typically, fair value information is determined using quoted market prices. However, when quoted market prices are not available for certain securities, fair values are estimated through techniques such as discounted future cash flows, matrix pricing and multi-tiers.

In some instances, securities are reported at cost. Certain non-public or closely held stocks are carried at cost since no independent quotation is available to price these securities. Further, certain investment agreements are reported on a cost basis because the State cannot readily determine whether these agreements meet the definition of interest-earning investment contracts as defined by GASB Statement No. 31. However, the impact on the financial statements is immaterial.

Under Wisconsin Statutes, the investment earnings of certain Permanent Funds are assigned to other funds. The following table shows the funds earning the investment income and the ultimate recipients of that income:

Fund Generating Investment Income	Fund Receiving Investment Income
Agricultural College	University of Wisconsin System
Normal School	General Fund and University of Wisconsin System
University	University of Wisconsin System

3. Mortgage and Other Loans

Mortgage loans of the Veterans Trust Fund program, a business-type activity, are stated at the outstanding loan balance less an allowance for doubtful accounts.

4. Forestation State Tax

2017 Wis. Act 59 (the Budget Act) ended the forestry mill tax, the only property tax that had been levied by the State. The proceeds of the tax had been paid to the Conservation Fund. The tax ended effective with the January 1, 2017 property tax assessments (property taxes levied in 2017 for payment in 2018).

5. Interfund Assets/Liabilities

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balance sheet or statement of net position for proprietary and fiduciary funds classifies these receivables and payables as "Due from Other Funds" or "Due to Other Funds." Short-term interfund loans are classified as "Interfund Receivables" or "Interfund Payables." Long-term interfund loans are classified as "Advances to Other Funds" and "Advances from Other Funds".

Balances that exist between the primary government and component units are classified as “Due to/from Primary Government” and, correspondingly, “Due to/from Component Units”.

Amounts reported in the funds as interfund assets/liabilities are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amount due between governmental and business-type activities which is shown as internal balances.

6. Inventories and Prepaid Items

Inventories of governmental and proprietary funds are valued at cost, which approximates market, using the first-in/first-out, last in/first out, or weighted-average method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Inventories of the University of Wisconsin System held by central stores are valued at average cost, fuels are valued at market, and other inventories held by individual institutional cost centers are valued using a variety of cost flow assumptions that, for each type of inventory, are consistently applied from year to year.

Prepaid items reflect payments for costs applicable to future accounting periods.

The fund balances of governmental funds are reported as nonspendable for inventories and prepaid items, except in cases where prepaid items are offset by unearned revenues, to indicate that these accounts do not represent expendable available financial resources.

7. Capital Assets

Capital assets, which include property, plant, equipment, intangibles, land, library holdings, and infrastructure assets (roads, bridges, and buildings considered an ancillary part of roads), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets of the primary government, other than infrastructure and land purchased for the construction of infrastructure assets, are capitalized when they have a unit cost of $5,000 or more (except for a collection of library resources that must have a cumulative value equal to or greater than $5.0 million and software purchased by the University of Wisconsin System) and a useful life of more than one year. In addition, internally generated intangible assets are capitalized only if costs are equal to or are greater than $1.0 million.

Purchased or constructed capital assets are valued at cost or estimated historical cost if actual historical cost is not practicably determinable. Donated capital assets are recorded at their acquisition value at the time received.

The State has elected to report infrastructure assets (roads, bridges and buildings considered an ancillary part of roads) using the modified approach. Under this method infrastructure assets are not required to be depreciated if the State manages its eligible infrastructure assets using an asset management system designed to maintain and preserve its infrastructure assets at a condition level established and disclosed by the State. All infrastructure assets constructed prior to July 1, 2000 have been recorded at estimated historical cost which was determined by calculating the current cost of a similar asset and deflating that cost using Federal Highway Administration’s composite index for federal aid highway construction to the estimated average construction date. All infrastructure assets constructed after July 1, 2000 have been recorded at historical cost. The costs of maintenance and preservation that do not add to the asset's capacity or efficiency are not capitalized. Interest incurred during construction is not capitalized.

Exhaustible capital assets of the primary government generally are depreciated on the straight-line method over the asset's useful life. Select buildings of the University of Wisconsin System are depreciated using the componentized method over the estimated useful life of the related assets. Depreciation expense is recorded in the government-wide financial statements, as well as in the proprietary fund statements. There is no depreciation recorded for land, construction in process, and infrastructure. In addition, depreciation is not recorded for certain other capital assets including the State Capitol, Executive Residence and associated furnishings, and the Historical Society library collection. Generally, estimated useful lives are as follows:

Buildings and improvements	6 - 40 years
Equipment, machinery and furnishings	3 - 15 years
Library Holdings	15 years

Collections of works of art, historical treasures, and similar assets, which are on public display, used in furtherance of historical education, or involved in advancement of artistic or historical research, are not capitalized unless these collections were already capitalized at June 30, 1999. Collections range from memorabilia on display in the Wisconsin Veterans Museum, the Wisconsin Historical Society Museum and other museums to buildings such as the Villa Louis Mansion and the Fur Trade Museum located at the Villa Louis historical site. In addition, works of art or historical treasures on display in the various State office buildings, as well as statues on display outside the State Capitol, also are not capitalized.

8. Restricted and Limited Use Assets

Assets that are required to be held and/or used as specified in Wisconsin statutes, bond indentures, bond resolutions, trustee agreements, board resolutions, and donor specifications have been reported as Restricted and Limited Use Assets.

9. Local Assistance Aids

Municipal and County Shared Revenue Program

Through the Municipal and County Shared Revenue Program, the State distributes general revenues collected from general State tax sources to municipal and county governments to be used for providing local government services. State statutes require that payment to local governments be made during July and November.

The State was liable to various local governments for unpaid shared revenue aid. To measure the amount of the program allocable to the State's fiscal year, the amount is prorated over portions of recipient local governments' calendar fiscal years that are within the State's fiscal year. The result is that a liability of $448.9 million representing one-half of the total appropriated amount is reported at June 30, 2022 as Due to Other Governments.

State Property Tax Credit Program

The State was liable to various taxing jurisdictions for the school levy, the first dollar, and the lottery property tax credits paid through the State Property Tax Credit Program.

The school levy tax credit provides property tax relief in the form of State credits on individual property tax bills.

The first dollar tax credit was first established for property taxes levied in 2008, and payable in 2009. This credit is allowed on every taxable real estate parcel containing an improvement in the state.

Under the lottery property tax credit, owners of property used as a primary residence receive a tax credit equal to the school property tax on a portion of the dwelling's value.

State statutes require that payment to local taxing jurisdictions for the school levy and first dollar tax credits be made during July. Although the state property tax credit is calculated on the property tax levy for school purposes, the State's July payment is paid to an administering municipality who treats the payment the same as other tax collections and distributes the collections to the various tax levying jurisdictions (e.g., cities, towns, and school districts).

The portion of the liability payable to school districts for the school levy and first dollar tax credits represents the amount of the July payment earned over the school districts' previous fiscal year ended June 30. Since the entire school districts' portion of the July payment occurs within the State's fiscal year, 100 percent of the July payment relating to the school taxing jurisdictions' levy is reported as a liability at June 30, 2022.

The portion of the liability payable to general government for the school levy and first dollar tax credits represents the amount of the July payment prorated over the portion of the local governments' calendar year which is within the State's fiscal year. The result is that 50 percent of the July payment based on the general government taxing jurisdictions' levy is reported as a liability at June 30, 2022.

The aggregated State Property Tax Credit Program liability of $804.9 million is reported in the General Fund as Due to Other Governments. Of that amount, $695.9 million relates to the school levy tax credit and $109.0 million relates to the first dollar tax credit.

The lottery property tax credit is accounted for in the Lottery Fund, an enterprise fund that records revenues and expenses on the accrual basis. The State pays municipal treasurers for lottery credits who distribute the moneys to the various taxing jurisdictions. For credits reducing the calendar year 2022 property tax bills, the State made this payment in March 2022. A portion of the State's March payment distributed to the general government taxing jurisdictions applies to their fiscal year that ends on December 31. Therefore, part of the March distribution represents an expense of the State in Fiscal Year 2022, while the remaining portion represents advanced payments. The resulting deferred outflow of resources reported within the Lottery Fund totals $88.3 million at June 30, 2022.

State Aid for Exempt Computers

The Aid for Exempt Computers compensates local governments for tax base lost due to the property tax exemption for computers, software and related equipment. Aid payments are calculated using a procedure that results in an aid amount equal to the amount of taxes that would be paid if the property were taxable. Payments to local governments are made on the fourth Monday in July.

At June 30, 2022, the State was liable to various local governments and other taxing jurisdictions for unpaid exempt computer aid payments of $67.4 million.

State Aid for Exempt Personal Property

2017 Wis. Act 59 (the Budget Act) exempted machinery, tools, and patterns, not including such items considered manufacturing property under current law, from the property tax effective with property assessed as of January 1, 2018 (the 2018(19) property tax levy). The Act also created a state aid program administered by DOR to make payments to each local taxing jurisdiction, including tax increment districts, that imposed property taxes on those items that were not manufacturing property in 2017(18).

Upon certification by DOR, payments will be made to local taxing jurisdictions on or before the first Monday in May. Under the Act, aid payments totaling $78.2 million were made in May 2022.

State Aid for Video Service Provider Fee

2019 Wis. Act 9 (the Budget Act) reduced the fee rate municipalities can charge cable and phone companies. This state aid to municipalities replaces the lost revenue related to the fee reduction. Payments to local governments are made on the fourth Monday in July.

At June 30, 2022, the State was liable to various local governments and other taxing jurisdictions for unpaid aid for video service fees of $5.0 million.

10. Long-term Debt Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized using the effective interest rate method on a prospective basis beginning in Fiscal Year 2004, except for the annual appropriation bonds that are amortized ratably over the life of the obligations to which they relate.

In the fund financial statements, governmental fund types recognize flows for bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums and discounts are reported as other financing sources and other financing uses, respectively. Issuance costs are reported as other debt service expenditures for governmental fund types, and non-operating expenses for proprietary fund types.

On the government-wide financial statements, bond premiums and discounts related to the Transportation Revenue Bonds, which finance programs in a capital projects fund, are amortized ratably over the life of the obligations to which they relate. Results from the use of this method do not vary materially from those that would be obtained by use of the effective interest rate method.

11. Compensated Absences

Consistent with the compensated absences reporting standards of GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for certain salary-related payments associated with annual leave and an accrual for a certain portion of sick leave is included in the compensated absences liability at year end.

Annual Leave

Full-time employees' annual leave days are credited on January 1 of each calendar year in general at a minimum of 15 or 13 days per year, depending on Fair Labor Standards Act (FLSA) status. There is no requirement to use annual leave. However, unused leave is lost unless approval to carry over the unused portion is obtained from the employing agency. In general, each full-time employee is eligible for four and one-half personal holidays each calendar year, provided the employee is in pay status for at least one day in the year. If a holiday occurs on a Saturday, employees receive leave time proportional to their working status to use at their discretion.

The State's compensated absence liability at June 30 consists of accumulated unpaid annual leave, personal holiday hours, and Saturday/legal holiday hours earned and vested during January through June. The liability is reported in the government-wide, proprietary fund types and fiduciary funds.

Sick Leave

Full-time employees earn sick leave at a rate of five hours per pay period. Unused sick leave is accumulated from year to year without limit until termination or retirement. Accumulated sick leave is not paid. However, at employee retirement the accumulated sick leave may be converted to pay for the retiree's health insurance premiums. The State accumulates resources to pay for the expected health insurance premiums of retired employees. The portion of the health insurance obligation funded through the sick leave conversion and accumulated resources are presented as two funds. The basic component of sick leave is presented as an internal service fund and the supplementary component of sick leave is presented as a pension and other employee benefit trust fund.

12. Unearned Revenue

In both the government-wide and fund financial statements unearned revenue represents amounts for which asset recognition criteria have been met, but not revenue recognition criteria. Unearned revenue arises when resources are received by the State before it has a legal claim to them, such as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the State has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Unearned revenue of the University of Wisconsin System consists of payments received but not earned at June 30, 2022, primarily for summer session tuition, tuition and room deposits for the next fall term, advance ticket sales for upcoming intercollegiate athletic events, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement.

13. Self-Insurance

Consistent with the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the State's risk management activities are reported in an internal service fund, and the claims liabilities associated with that fund are reported therein.

The State's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, State management believes it is more economical to manage its own risks internally. The Risk Management Fund, an internal service fund, is used to pay for losses incurred by any State agency and for administrative costs incurred to manage a state-wide risk management program. These losses include damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, and worker's compensation costs for State employees. A limited amount of insurance is purchased to limit the exposure to catastrophic losses. Annually, a charge is allocated to each agency for its proportionate share of the estimated cost attributable to the program per Wis. Stat. Sec. 16.865(8).

14. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net assets by the government that is applicable to a future reporting period. The events associated with the outflows and inflows of resources have already occurred. Under GASB standards, however, the recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable. GASB standards identify circumstances under which deferred outflows of resources and deferred inflows of resources must be reported. The reporting of deferred inflows and outflows are only allowable under those circumstances.

As applicable, the State reports deferred outflows of resources or deferred inflows of resources in the Statement of Net Position for governmental activities and business-type activities and for proprietary and fiduciary fund types as follows:

A decrease or increase in the fair value of derivative instruments classified as effective hedges is presented as a deferred outflow or deferred inflow of resources, respectively, with an off-setting liability or asset, as applicable.

Gains on refunded debt (i.e. the reacquisition price is less than the net carrying amount of the old debt) are reported as deferred inflows, while losses on refunded debt (i.e. the reacquisition price is greater than the net carrying amount of the old debt) are reported as deferred outflows. Both are amortized to interest expense over the remaining life of the old bonds or the life of the new bonds, whichever is shorter.

Differences between expected and actual experience with regard to economic and demographic factors in the measurement of the pension and OPEB liabilities for the State's proportionate share are reported as deferred inflows or deferred outflows of resources. They are amortized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all active and inactive employees provided with pensions or OPEBs through the applicable plans.

Changes of assumptions about future economic or demographic factors, or of other inputs in the measurement of the pension or OPEB liabilities for the State's proportionate share, are reported as deferred inflows or deferred outflows of resources. They are amortized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all active and inactive employees provided with pensions or OPEBs through the applicable plans.

Differences between projected and actual earnings on the State's proportionate share of pension or OPEB plan investments, if any, are reported as deferred inflows or deferred outflows of resources and amortized using a systematic and rational method over a closed five-year period.

Changes in the State's proportionate share of the pension or OPEB liabilities since the prior measurement date, and differences between actual and proportionate share of contributions are reported as deferred inflows or deferred outflows of resources. They are amortized using a systematic and rational method over a closed period equal to the average expected remaining service lives of all active and inactive employees provided with pensions or OPEBs through the applicable plans.

Contributions to the pension or OPEB plans from the State subsequent to the measurement date of the pension or OPEB liabilities and before the end of the State's fiscal year end are reported as deferred outflows of resources.

State resources transmitted to an entity before time requirements are met, but after all other eligibility requirements have been met, are reported as a deferred outflow of resources.

Federal or other entities' resources transmitted to the State before time requirements are met, but after all other eligibility requirements have been met, are reported as deferred inflows of resources.

When asset retirement obligations (ARO) are recognized, a corresponding deferred outflow of resources is also recognized and reduced in a systematic and rational manner over the estimated useful life of the capital asset.

Further, governmental fund types may report deferred inflows of resources for unavailable revenue, such as derived nonexchange revenue transactions (e.g. sales tax, income tax, assessments on earnings and consumption, etc.). These inflows are not deferred in the government-wide financial statements; rather, they are recognized as revenue.

15. Fund Balance Classification and Restricted Net Position

Fund Balance Classification

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the state is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation.

Amounts that may be used only for specific purposes, pursuant to constraints imposed by passage of a bill by both houses of the legislature that is signed into law by the governor, are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless a bill passes both houses of the legislature and is signed by the governor to remove or change the specified use. Passage of a bill by both houses of the legislature and signing of the bill by the governor is the highest level action that results in committed fund balance.

Amounts that are constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, are classified as assigned fund balances. Intent is expressed by state officials to whom the state has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

When both restricted and unrestricted resources are available for use it is the State's policy to use restricted resources first, and then unrestricted as they are needed. The state has not established a policy for use of unrestricted fund balance. Under the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, if a government does not establish a policy for its use of unrestricted fund balance amounts, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Restricted Net Position

Restricted Net Position, presented in the government-wide and proprietary funds statement of net position are reported when constraints placed on use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Unrestricted net position may be used at the State's discretion but may have limitations on use based on State statutes.

NOTE 2. DETAILED RECONCILIATION OF THE GOVERNMENT-WIDE AND FUND STATEMENTS

A. Explanation of Differences Between the Balance Sheet – Governmental Funds and the Statement of Net Position

During the year ended June 30, 2022, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Balance Sheet – Governmental Funds to the amounts presented in the governmental activities section of the Statement of Net Position (in thousands). The differences result primarily from the long-term economic focus of the Statement of Net Position compared to the current financial focus of the Balance Sheet – Governmental Funds.

	Total Governmental Funds	Long-term Assets and Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations (3)	Total Amount for Statement of Net Position
Assets:					
Cash and Cash Equivalents	$ 10,360,729	$ —	$ 2,216,746	$ —	$ 12,577,475
Investments	1,080,328	—	—	—	1,080,328
Receivables (net of allowance):					
Taxes	1,852,694	—	—	(1,852,694)	—
Loans to Local Governments	230,197	—	—	(230,197)	—
Other Loans Receivable	14,766	—	—	(14,766)	—
Other Receivables	1,022,605	2,837	3,108	3,982,996	5,011,546
Due from Other Funds	198,427	—	18,534	(216,961)	—
Due from Component Units	2	—	—	(2)	—
Interfund Receivables	67,452	—	—	(67,452)	—
Due from Other Governments	1,807,076	—	—	(1,807,076)	—
Internal Balances	—	—	51,511	77,651	129,163
Inventories	103,525	3,783	10,223	—	117,531
Prepaid Items	19,560	447	9,602	—	29,609
Restricted Assets:					
Cash and Cash Equivalents	197,027	—	—	—	197,027
Investments	70,796	—	—	—	70,796
Net Pension Asset	—	1,051,616	30,379	—	1,081,994
Sick Leave OPEB Asset	—	119,440	3,450	—	122,890
Other Assets	15,515	—	—	—	15,515
Depreciable Capital Assets	—	1,490,983	430,854	—	1,921,837
Infrastructure	—	19,391,974	—	—	19,391,974
Other Non-depreciable Capital Assets	—	5,557,406	31,476	—	5,588,881
Total Assets	17,040,701	27,618,486	2,805,883	(128,502)	47,336,568
Deferred Outflows of Resources	23,041	2,504,139	69,452	—	2,596,631
Total Assets and Deferred Outflows	$ 17,063,742	$ 30,122,624	$ 2,875,335	$ (128,502)	$ 49,933,199
Liabilities:					
Accounts Payable and Other Accrued Liabilities	1,494,403	(1,075)	7,647	20,345	1,521,321
Due to Other Funds	108,503	—	30,688	(139,191)	—
Due to Component Units	29	—	—	(29)	—
Interfund Payables	3,028	—	—	(3,028)	—
Due to Other Governments	2,555,263	—	126	—	2,555,389
Tax Refunds Payable	1,470,910	—	—	—	1,470,910
Tax and Other Deposits	130,505	—	—	—	130,505
Unearned Revenue	2,480,015	3,783	—	—	2,483,798
Interest Payable	33,999	50,848	2,009	—	86,856
Advances from Other Funds	6,599	—	—	(6,599)	—
Short-term Notes Payable	58,623	—	1,850	—	60,474
Long-term Liabilities:					
Current Portion	145,685	841,486	179,756	—	1,166,928
Noncurrent Portion	—	10,196,246	2,706,811	—	12,903,057
Total Liabilities	8,487,563	11,091,288	2,928,889	(128,502)	22,379,238
Deferred Inflows of Resources	493,851	2,245,283	82,863	—	2,821,997
Fund Balances/Net Position	8,082,327	16,786,053	(136,417)	—	24,731,964
Total Liabilities, Deferred Inflows, and Fund Balances/Net Position	$ 17,063,742	$ 30,122,624	$ 2,875,335	$ (128,502)	$ 49,933,199

(1) Long-term asset and liability differences arise because governmental funds focus only on short-term financing (that is, resources that will be available to pay for current period expenditures). In contrast, the Statement of Net Position has a long-term economic focus and reports on all capital and financial resources.

(2) The adjustment for internal service funds reflects the reclassification of these funds for the government-wide statement. The assets and liabilities of these funds are reported as proprietary activities on the fund statements, but are included as governmental activities on the Statement of Net Position.

(3) Various reclassifications are necessary due to the differing level of detail needed on each of the statements. Eliminations are done on the Statement of Net Position to minimize the grossing-up effect on assets and liabilities within the governmental and business- type activities columns of the primary government. The net residual amounts due between governmental and business-type activities are shown as internal balances.

B. Explanation of Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and the Statement of Activities

During the year ended June 30, 2022, the following adjustments and reclassifications were necessary to reconcile the information from the fund-based Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the amounts presented in the governmental section of the Statement of Activities (in thousands). The differences result primarily from the long-term economic focus of the Statement of Activities compared to the current financial focus of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

	Total Governmental Funds	Long-term Revenues and Expenses (1)	Capital-Related Items (2)
Revenues:			
Taxes			
Income Taxes	$ 12,855,090	$ 47,554	$ —
Sales & Excise Taxes	7,827,251	(61)	—
Public Utility Taxes	378,193	—	—
Other Taxes	382,568	(45)	—
Motor Fuel (Transportation) Taxes	1,119,949	63	—
Other Dedicated Taxes	118,830	—	—
Intergovernmental	17,413,392	—	—
Operating Grants	—	4,003	—
Capital Grants	—	—	696
Licenses and Permits	2,244,850	—	—
Charges for Goods and Services	437,188	(20,623)	—
Investment and Interest Income	(8,020)	—	—
Fines and Forfeitures/Contributions to Permanent Fund	72,831	—	—
Gifts and Donations	22,905	—	—
Miscellaneous:		—	1
Tobacco Settlement	124,521	—	—
Other	339,373	—	—
Total Revenues	43,328,920	30,891	698
Expenditures/Expenses:			
Current Operating:			
Commerce	520,624	(6,947)	2,955
Education	9,048,555	(4,294)	3,330
Transportation	2,543,153	(20,765)	55,335
Environmental Resources	500,778	(18,652)	21,853
Human Relations and Resources	19,429,014	(115,398)	82,062
General Executive	1,751,308	(14,404)	10,357
Judicial	147,850	(4,964)	2,554
Legislative	79,288	(3,794)	—
Tax Relief and Other General Expenditures	1,591,184	—	—
Intergovernmental - Shared Revenue	1,074,920	—	—
Capital Outlay	732,234	—	(732,234)
Debt Service:			
Principal	755,352	—	—
Interest and Other Charges	390,107	—	—
Total Expenditures/Expenses	38,564,367	(189,217)	(553,788)
Excess of Revenues Over (Under) Expenditures/Expenses	4,764,553	220,109	554,485
Other Financing Sources (Uses):			
Net Transfers	(1,416,419)	—	—
Long-term Debt Issued	906,627	—	—
Premium/Discount on Bonds	52,388	—	—
Payments for Refunded Bonds	(38,371)	—	—
Payments to Refunding Bond Escrow Agent	(543,481)	—	—
Lease Acquisitions	25,197	(25,197)	—
Total Other Financing Sources (Uses)	(1,014,059)	(25,197)	—
Net Change in Fund Balance/Net Position	3,750,494	$ 194,911	$ 554,485
Change in Inventories	(9,558)		
Net Change for the Year	$ 3,740,935		

(1) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," while government-wide statements report revenues when earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, while government-wide statements report using the accrual basis of accounting.

(2) Capital-related adjustments consist of the difference between proceeds for the sales of capital assets and the gain or loss from the sales of capital assets, and from the difference between capital outlay expenditures recorded in the governmental funds and depreciation expense recorded in the government- wide statements.

(3) The adjustment for internal service funds reflects the elimination of these funds from the government-wide statement, which is accomplished by charging/ refunding additional amounts to participating governmental activities to completely offset the internal service funds' cost for the year.

Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations (5)	Revenue/Expense Reclassifications (6)	Total Amount for Statement of Activities
$ —	$ —	$ —	$ —	$ 12,902,644
—	—	—	—	7,827,191
—	—	—	—	378,193
—	—	—	—	382,523
—	—	—	—	1,120,012
—	—	—	—	118,830
—	—	—	(17,413,392)	—
—	—	56,109	16,466,853	16,526,965
—	—	56,427	945,603	1,002,726
—	—	—	(2,244,850)	—
(94,038)	—	(8,422)	2,305,896	2,620,001
311,620	—	—	23,529	327,129
—	—	—	(60,734)	12,097
—	—	—	(22,905)	—
—	—	—	464,799	464,800
—	—	—	(124,521)	—
—	—	—	(339,373)	—
217,582	—	104,114	906	43,683,111
(109)	—	—	(132)	516,392
(1,600)	—	56,051	261	9,102,302
(2,079)	—	—	1,747	2,577,391
1,707	(5,258)	—	(456)	499,972
9,824	(125)	56,485	8,141	19,470,003
(15,812)	—	(8,422)	(2)	1,723,024
1,479	—	—	—	146,920
751	—	—	—	76,245
—	—	—	—	1,591,184
—	—	—	—	1,074,920
—	—	—	—	—
—	(755,352)	—	—	—
9,189	(86,030)	—	—	313,266
3,350	(846,765)	104,114	9,558	37,091,619
214,232	846,765	—	(8,653)	6,591,492
(3,393)	—	—	(906)	(1,420,718)
—	(906,627)	—	—	—
—	(52,388)	—	—	—
—	38,371	—	—	—
—	543,481	—	—	—
—	—	—	—	—
(3,393)	(377,163)	—	(906)	(1,420,718)
$ 210,839	$ 469,603	$ —	(9,558)	5,170,774
			9,558	—
			$ —	$ 5,170,774

(4) Long-term debt transaction differences consist of bond proceeds and principal repayments reported as other financing sources and expenditures in governmental funds, but as increases and decreases in liabilities in the government-wide statements.

(5) Intra-entity activity within the same function is eliminated to remove the grossing up of both direct expenses and program revenues within that category.

(6) Revenue and expense reclassifications are necessary due to the differing level of detail needed on each of the statements. In addition, the Statement of Activities focuses on program revenue, which has been redefined from the traditional revenue source categories.

NOTE 3. BUDGETARY CONTROL

The legal level of budgetary control for Wisconsin is at the function, agency, program, appropriation-level. Supplemental appropriations require the approval of the Joint Finance Committee of the Legislature. Routine adjustments, such as pay plan supplements and rent increases, are distributed by the Division of Executive Budget and Finance from non-agency specific appropriations authorized by the Legislature. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

The budgetary comparison schedule and related disclosures for the General and Transportation funds are reported as Required Supplementary Information. This schedule presents the original budget, the final budget and actual data of the current period. The related disclosures describe the budgetary practices of the State, as well as, provide a detailed reconciliation between the General and Transportation funds' equity balance on the budgetary basis compared to the GAAP basis as shown on the governmental fund statements.

NOTE 4. DEFICIT FUND BALANCE/FUND NET POSITION, RESTRICTED NET POSITION, BUDGET STABILIZATION ARRANGEMENT, MINIMUM FUND BALANCE POLICY, AND FUND BALANCE OF GOVERNMENTAL FUNDS

A. Deficit Fund Balance/Fund Net Position

Funds reporting a deficit fund balance or net position at June 30, 2022 are (in thousands):

Special Revenue:		
Dry Cleaner Environmental Response	$	6,256
Capital Projects:		
Capital Improvement		15,362
Enterprise:		
Northern Developmental Disabilities Center		12,341
Internal Service:		
Accumulated Sick Leave Basic Plan		254,144
Fleet Services		1,995
Human Resource Services		6,340
Risk Management		128,470

B. Restricted Net Position

GASB Statement No. 46, Net Assets Restricted by Enabling Legislation, which amends GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, provides guidance for determining when net assets have been restricted to a particular use by the passage of enabling legislation and how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. Net position restricted by enabling legislation was as follows on June 30, 2022 (in thousands):

Governmental Activities:		
Net Position Restricted by Enabling Legislation	$	1,284,122
Business-type Activities:		
Net Position Restricted by Enabling Legislation		2,070,873

C. Budget Stabilization Arrangement

Wisconsin Statutes 25.60 establishes a stabilization arrangement for monies to be set aside for use if General Fund revenues are less than projected and expenditures exceed budgeted amounts. Wisconsin Statutes 16.518 provides for the automatic transfer of 50.0 percent of the excess of General Fund tax revenues over tax estimates to be deposited into a stabilization appropriation. However, the transfer may not be made if the stabilization balance is at least equal to 5.0 percent of estimated General Fund expenditures for the fiscal year. Further, the transfer may not reduce the General Fund balance below the required statutory balance. In addition to the transfer described, under Wisconsin Statutes 16.72(4) net proceeds from the sale of supplies, materials and equipment are also to be deposited into the stabilization appropriation except as otherwise provided by law.

Wisconsin Statutes 16.50(7) provides that if the secretary of the Department of Administration determines that previously authorized expenditures under the biennial budget act will exceed revenues in the current or forthcoming fiscal year by more than one-half of one percent of the estimated general purpose revenue appropriations for that fiscal year, he or she shall immediately notify the governor, the presiding officers of each house of the legislature and the joint committee on finance. Following such notification, the governor shall submit a bill containing recommendations for correcting the imbalance between projected revenues and authorized expenditures, including a recommendation as to whether moneys should be transferred from the budget stabilization appropriation to the General Fund.

The balance of the budget stabilization arrangement as of June 30, 2022 was $1.7 billion. There was no transfer to the budget stabilization fund in fiscal year 2022 since the current balance exceeded 5.0 percent of the estimated General Fund expenditures for the fiscal year.

D. Minimum Fund Balance

Wisconsin Statutes 20.003(4) establishes a minimum General Fund balance. Under the statutes, no bill directly or indirectly affecting general purpose revenues as defined in Wisconsin Statues 20.001(2)(a) may be enacted by the legislature if the bill would cause the estimated General Fund balance on June 30 of any fiscal year to be an amount equal to or less than the amount specified for that fiscal year. The minimum required balance for the fiscal year ending June 30, 2022 was $90.0 million.

E. Fund Balance for Governmental Funds

Governmental funds reported the following categories of fund balance as of June 30, 2022 (in thousands):

	General	Transportation	Nonmajor Governmental	Total Governmental
Nonspendable for:				
Inventory, Prepaid and Long-term Receivables	$ 62,721	$ 43,061	$ 17,272	$ 123,055
Legal or Contractual Purposes *(Permanent Fund Principal)*		—	1,352,583	1,352,583
Restricted for:				
Commerce	29,384		—	29,384
Education	17,880		79,631	97,511
Transportation	—	1,274,850	—	1,274,850
Environmental Resources	4,430		222,047	226,477
Human Relations and Resources	489,507		52,482	541,989
General Executive	65,551		8,438	73,989
Judicial	53		—	53
Legislative	10		—	10
Tax Relief and Other General Expenditures	409		—	409
Intergovernmental - Shared Revenue	—		3,664	3,664
Debt Service			6,689	6,689
Capital Projects			83,802	83,802
Committed to:				
Commerce			83,719	83,719
Education			2,561	2,561
Environmental Resources			114,418	114,418
Human Relations and Resources			38,863	38,863
General Executive			32,448	32,448
Judicial			71	71
Tax Relief and Other General Expenditures	1,733,754		—	1,733,754
Capital Projects			41,865	41,865
Unassigned	2,241,783	—	(21,618)	2,220,165
Total Fund Balance	$ 4,645,482	$ 1,317,911	$ 2,118,935	$ 8,082,327

NOTE 5. DEPOSITS AND INVESTMENTS

The State maintains a short-term investment "pool", the State Investment Fund, for the State, its agencies and departments, and certain other public institutions which elect to participate. The investment "pool" is managed by the State of Wisconsin Investment Board (the Board) which is further authorized to carry out investment activities for certain enterprise, trust and custodial funds. A small number of State agencies also carry out investment activities separate from the Board.

The State of Wisconsin Investment Board also issues separate financial reports for the investments they manage, including the State Investment Fund (SIF), and the Wisconsin Retirement System (WRS). Copies of the separately issued financial reports may be obtained at www.swib.state.wi.us or by writing to:

State of Wisconsin Investment Board

P.O. Box 7842

Madison, WI 53707-7842

The Department of Employee Trust Funds issues separate financial reports for the State of Wisconsin Public Employees Deferred Compensation Plan and Trust (Deferred Compensation). Copies of the separately issued financial reports may be obtained at etf.wi.gov or by writing to:

Department of Employee Trust Funds

P.O. Box 7931

Madison, WI 53707-7931

A. Deposits

Deposits include cash and cash equivalents on deposit in banks or other financial institutions, and nonnegotiable certificates of deposit. The majority of the State's deposits are under the control of the Department of Administration. The Department of Administration maintains multiple accounts with an agreement with the bank that allows an overdraft in one account if the overdraft is offset by balances in other accounts.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State's policy regarding custodial credit risk is detailed in Chapter 34 of the State Statutes. In brief, any federal or state bank, credit union or savings bank may be designated a public depository. A surety bond may be required. The State's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC) and an appropriation for losses on public deposits. In the event of loss, the division of banking makes payments up to $400,000 per depositor for the excess of the payments made by the Federal Deposit Insurance Corporation or the Wisconsin Credit Union Savings Insurance Corporation. Payments are made, until the funds available in the appropriation are exhausted, in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions.

1. Primary Government

As of June 30, 2022, $580.6 million of the primary government's bank balance of $593.0 million was exposed to custodial credit risk as follows (in millions):

Uninsured and uncollateralized	$	580.6

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Deposits in foreign currency at June 30, 2022 are immaterial. The primary government does not have a formal policy specifically related to foreign currency risk.

The State's Unemployment Reserve Fund had $1.3 billion on deposit with the U.S. Treasury. This amount is presented as "Cash and Cash Equivalents" and is not included in the carrying amount of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

Certificates of Deposit are carried at cost as they are considered nonparticipating interest-earning investment contracts. Because they are valued at cost, they are not included in the fair value hierarchy established by GASB Statement 72, Fair Value Measurement and Application.

2. Wisconsin Retirement System (WRS)

As of December 31, 2021, WRS cash deposits totaled $620.7 million. Of the total deposits, $123.4 million was collateralized by the securities borrowed. Depository insurance covered another $36.2 million of the total. The remaining deposits, totaling $461.1 million, were uninsured and uncollateralized. These uninsured deposits represented balances held in foreign currencies in the WRS custodian's nominee name, cash posted as collateral for derivatives transactions, and cash collateral posted in excess of the market value of securities borrowed by the WRS for short sales. In addition to cash deposits, the WRS also held $24.0 million in certificates of deposit.

3. Deferred Compensation

Cash and cash equivalents for the Deferred Compensation Fund represent the balance of the FDIC Bank Option. The FDIC Bank option provides safety of principal and a stable credited rate of interest and is insured up to $250,000 per participant. As of December 31, 2021, 83 individual participant accounts held more than $250,000.

4. State Investment Fund

The State of Wisconsin appropriation for losses on public deposits protects a depositing municipality up to $400,000 (or less if the appropriation is exhausted) on its proportionate share of all losses of principal invested, if the local governing body has designated the Local Government Investment Pool (LGIP) as a public depository. The actual coverage of these deposits can fluctuate daily based on the allocable share of participants' accounts. In addition, the SIF held time deposits with financial institutions with a fair value of $150.0 million, all of which were uncollateralized and uninsured on June 30, 2022.

B. Investments

1. Primary Government

Wisconsin Statutes, program policy provisions, appropriate governing boards, and general resolutions contained in revenue bond indenture documents define the types of securities authorized as appropriate investments and the conditions for making investment transactions.

Investments of the State are managed by various portfolios. For disclosure purposes, the following investment portfolios are discussed separately:

- Primary government, excluding the University of Wisconsin System, Wisconsin Retirement System and the State Investment Fund. The primary government portfolios include funds separately managed by the State of Wisconsin Investment Board consisting of the following:
  -- State Life Insurance Fund (SLIF)
  -- Injured Patients and Families Compensation Fund (IPFCF)
  -- Historical Society Fund
- The University of Wisconsin System (UWS)
- State of Wisconsin Public Employees Deferred Compensation Plan and Trust (Deferred Compensation)
- Wisconsin Retirement System (WRS)
- State Investment Fund (SIF) -- functions as the State's cash management fund by "pooling" the idle cash balances of all State funds and other public institutions. Investments of the SIF are discussed in section B2 of this note disclosure.

Primary Government *(excluding the UWS, WRS, and SIF)*

For the primary government, except for the Separately Managed Funds discussed later, permitted investments include: direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) for which the payment of the principal and interest are unconditionally guaranteed by the full faith and credit of the United States; bonds or other obligations of any state or the United States of America or of any agency, instrumentality or local governmental unit of any such state including the State of Wisconsin; bonds, debentures, participation certificates, notes or similar evidences of indebtedness of any of the Federal Financing Bank, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; public housing bonds issued by public agencies or municipalities; commercial paper; interest-bearing time deposits, certificates of deposit or other similar banking arrangements; shares of a diversified open-end management investment company; repurchase agreements; common and preferred stock; banker's acceptances; corporate commercial paper; bonds issued by a local district created under Wisconsin Act 229; and investment agreements with a bank, bank holding company, insurance company or other financial institution.

The State of Wisconsin Investment Board (SWIB or the Board) has control of the investment and collection of principal, interest, and dividends of all monies invested of the State Life Insurance Fund (SLIF), the Injured Patients and Families Compensation Fund (IPFCF), and the Historical Society Trust Fund, which are collectively known as the "Separately Managed Funds".

Permitted classes of investments of the SLIF and the IPFCF include bonds of government units or of corporations, loans secured by mortgages, preferred or common stocks, real property and other investments not specifically prohibited by statute.

Funds available for the Historical Society Trust Fund are managed with an investment objective of maintaining a diversified portfolio of high quality publicly issued equities and fixed income obligations providing long-term growth in capital and income generation.

University of Wisconsin System (UWS)

The UWS Board of Regents authorize and govern the UWS investment policies and guidelines. Beginning in FY 2018, the UWS Board of Regents has delegated investment management authority to SWIB and is responsible for monitoring its delegation of this investment management authority. SWIB determines and sets UWS asset allocation targets which are reviewed quarterly.

In addition, UWS continues to have an allocation to private markets through a "legacy" portfolio that will self-liquidate over time as investments are sold and cash proceeds are received.

The University Cash Management Fund was established in 2022 in accordance with the investment policies and guidelines governed and authorized by the UWS Board of Regents, and is currently distributed among fixed income funds, bank loans, and global equities. The objective of the Cash Management Fund is to manage principal, ensure liquidity for anticipated needs, and maintain purchasing power for existing assets. Target allocations were approved by the University Investment Committee in January 2022. The Cash Management Fund is an intermediate portfolio, governed by and subject to a Memorandum of Understanding between University of Wisconsin System Administration and the University of Wisconsin Madison.

An internally managed investment fund was established for a limited and select number of participating Trust Funds accounts by the University Board of Regents to provide an educational investment management opportunity for the UW-Madison School of Business's Applied Security Analysis Program. The "RegentFund" is an intermediate-term fixed income portfolio, governed by and subject to a Board-approved Memorandum of Understanding, which includes detailed investment guidelines.

The UWS also issues separate financial reports. Copies of these separately issued financial reports may be obtained at www.wisconsin.edu or by writing to:

Office of Financial Administration

780 Regent Street, Suite 255

Madison, WI 53715

Deferred Compensation

The State of Wisconsin Public Employees Deferred Compensation Plan and Trust (Deferred Compensation) was established in 1981 pursuant to Wisconsin State Statute Section 40.80. Deferred Compensation is governed by the Wisconsin Deferred Compensation Board and is administered by a third party.

Under Deferred Compensation Plan provisions, employees of the State of Wisconsin and public employers in Wisconsin that elect to participate are eligible to contribute to the Plan through payroll deductions. Employees electing to participate in the plan may contribute to or exchange within several available investment options.

Wisconsin Retirement System (WRS)

All assets of the WRS are invested by the State of Wisconsin Investment Board (the Board). The WRS consists of shares in the Core Retirement Investment Trust and the Variable Retirement Investment Trust.

The investments of the Core Retirement Investment Trust consist of a diversified portfolio of securities. Wis. Stat. Sec. 25.182 authorizes the Board to manage the Core Retirement Investment Trust in accordance with "prudent investor" standard of responsibility as described in Wis. Stat. Sec. 25.15(2) which requires that the Board manage the funds with the diligence, skill and care that a prudent person acting in a similar capacity and with the same resources would use in managing a large public pension fund.

Investments of the Variable Retirement Investment Trust are authorized under Wis. Stat. Sec. 25.15 and 25.17. Wis. Stat. Sec. 25.17(5) states assets of the Variable Retirement Investment Trust shall be invested primarily in equity securities which shall include common stocks, real estate or other recognized forms of equities whether or not subject to indebtedness, including securities convertible into common stocks and securities of corporations in the venture capital stage. The Variable Retirement Investment Trust consists primarily of common stock and bonds convertible into common stock, although, because of existing conditions in the securities market, there may temporarily be other types of investments.

Valuation

Investments of the State are reported at Fair Value as defined by GASB Statement Number 72 – Fair Value Measurement and Application and are categorized based on the investment valuation hierarchy established by GASB. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The fair value of investments are obtained or estimated using information provided by custodial banks and brokerages. A variety of independent pricing sources are used to price assets based on type, class or issue, including published quotations from active markets, pricing models and other methods deemed acceptable by industry standards.

Primary Government *(excluding the UWS, WRS, and SIF)*

The following tables present fair value measurements as of June 30, 2022, in millions:

Primary Government (excluding the Separately Managed Funds)

		Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
U.S. Government & Agency Securities	$ 189.6	$ 76.0	$ 113.6	$ —
State or Municipal Bonds & Notes	103.7	—	103.7	—
Corporate and Other Bonds and Notes	12.4	—	12.4	—
Closed-End Funds	4.0	4.0	—	—
Exchange Traded Funds	387.7	387.7	—	—
Equity Securities	33.0	33.0	—	—
Limited Partnership	287.7	—	—	287.7
Total By Fair Value Level	$ 1,018.1	$ 500.8	$ 229.6	$ 287.7
Investments Valued at Net Asset Value (NAV):				
Money Market Funds	$ 402.8			
Mutual Funds	121.9			
Investments Valued at Cost:				
Private Placement	7.1			
U.S. Government & Agency Securities	0.2			
Long-Term CDs	$ 1.1			
Total	$ 1,551.2			

The following tables present fair value measurements as of June 30, 2022 for the Separately Managed Funds, in millions:

Separately Managed Funds		**Fair Value Measurement Using**	
	Total	Level 1	Level 2
IPFCF			
Investments by Fair Value Level:			
U.S. Government and Agency Securities	$ 658.0	$ 6.5	$ 651.5
Corporate Bonds	449.3	—	449.3
Municipal Bonds	20.5	—	20.5
Foreign Bonds	42.0	—	42.0
Total by Fair Value Level	$ 1,169.8	$ 6.5	$ 1,163.3
Investments Valued at Net Asset Value (NAV):			
Equity Index Funds	$ 200.0		
Short-Term Investment Fund	10.6		
Total IPFCF	$ 1,380.4		
Historical Society			
Investments Reported at Net Asset Value (NAV):			
Equity Index Fund	$ 16.2		
Fixed Income Fund	5.1		
Total Historical Society	$ 21.2		
SLIF			
Investments by Fair Value Level:			
U.S. Government and Agency Securities	$ 44.3	$ —	$ 44.3
Corporate Bonds	55.1		55.1
Total by Fair Value Level	$ 99.4	$ —	$ 99.4
Investments Reported at Net Asset Value (NAV):			
U.S. Fixed Income Fund	$ 2.0		
Total SLIF	$ 101.4		

Securities categorized as Level 1 are valued using prices quoted in active markets for those securities.

Debt securities categorized as Level 2 are valued by third party pricing services using a matrix-pricing technique that values securities based on their relationship to quoted market prices for securities with similar interest rates, maturities and credit ratings.

Securities categorized as Level 3 include certain Limited Partnership interests in the amount of $287.7 million held by the Common School and Normal School funds. These limited partnerships invest in small non-public companies. Shares may typically be redeemed through the investment manager, though the ability to redeem shares may be curtailed during an acute financial crisis. The Common School fund has committed to invest up to $166.0 million in limited partnerships as of June 30, 2022.

The Injured Patients and Families Compensation fund holds Investments in the amount of $10.6 million in the Short-Term Investment Fund, a short-term investment pool. Investments of the Short-Term Investment Fund are reported at net asset value (NAV).

Fair values of investments in equity and fixed income co-mingled index funds, mutual funds, real estate investment trusts, and money market funds are based on the investments' published NAV per share (or its equivalent) provided by the investee. These investments are considered Level 1 in the GASB fair value hierarchy.

Investments Valued at Cost or Amortized Cost — Certain investments are valued at cost or amortized cost. Investments valued at cost are not included in the GASB fair value hierarchy.

Of the $0.2 million of U.S. Government and Agency Securities reported at amortized cost, $0.1 million represents U.S. Government Savings Bonds.

Deferred Compensation

The following schedule presents fair value measurements at June 30, 2022 (in millions):

Deferred Compensation	**Fair Value Measurement Using**		
	Fair Value	Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
Mutual Funds	$ 2,398.1	2,398.1	—
Investments Reported at Net Asset Value (NAV):			
Stable Value Fund	$ 782.3		
Collective Investment Trusts (CIT)	3,985.5		
Total By Net Asset Value	$ 4,767.8		
Total Investments	$ 7,165.9		

Mutual Funds are valued at the daily closing price as reported by the fund on an active market, which is based on the underlying net asset value (NAV) of the shares held by the Plan at year-end. Mutual Funds held by the Plan are open-end Mutual Funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish daily NAV and to transact at that price. The Mutual Funds held by the Plan are deemed to be actively traded.

CIT Funds are similar in structure to Mutual Funds but are not regulated by the SEC and are not publicly traded. CIT Funds are valued at NAV, which approximates fair value as a practical expedient. The NAV, as provided by fund administrator, is based on the fair value of the underlying investments held by the fund less liabilities. Participant transactions may occur daily. There are no unfunded commitments and no restrictions on the redemption of these investments.

The Stable Value Fund investments are valued at NAV, which consists of contract value less fees and expenses, and approximates fair value as a practical expedient. Participants can transact daily at the NAV. There are no unfunded commitments and no restrictions on redemptions.

University of Wisconsin System (UWS)

The following schedule presents fair value measurements at June 30, 2022 (in millions):

UWS		**Fair Value Measurement Using**	
	Fair Value	Level 1 Inputs	Level 2 Inputs
Investments by Fair Value Level:			
Investments Reported as Cash & Cash Equivalents	$ 0.4	$ 0.4	$ —
Fixed Income Securities	6.4	1.1	5.3
Fixed Income Index Funds	165.0	—	165.0
Total Investments by Fair Value Level	$ 171.7	$ 1.5	$ 170.2
Investments Valued at Net Asset Value (NAV):			
Equity Index Funds	$ 315.1		
Fixed Income Index Funds	419.0		
Real Estate Index Fund	14.0		
Investments Reported as Cash & Cash Equivalents	0.8		
Private Equity Limited Partnerships	88.9		
Total Investments	$ 1,009.5		

The UWS measures the fair value of investments in certain entities that do not have a quoted market price at the calculated net asset value (NAV) per share or its equivalent. As these investments are not readily marketable the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed.

The equity index funds include a global equity index fund (84%) with an investment strategy designed to track the return of equity securities traded both inside and outside of the United States. An additional 5% of this category includes an emerging markets index fund with an investment strategy designed to track the return of equity securities in emerging markets. The remaining 11% is included in an international currency hedged equity index fund with an investment strategy designed to track the return of the markets in certain countries for equity securities outside of the United States while mitigating exposure to fluctuations between the value of the currencies in the fund and the U.S. dollar. The international and emerging markets index funds have daily liquidity with 2 days' notice. The international hedged index fund has monthly liquidity with 2 days' notice.

The fixed income index funds category includes government/credit bond index funds (29%) primarily invested in debt securities to approximate the total rate of return with maturities between one and ten years, a U.S. TIPS index fund (15%) with an investment strategy of closely approximating the return of all outstanding U.S. TIPS with a maturity of one year or greater, a U.S. Debt Index Fund (14%) and U.S. High Yield Bond Index Fund (7%) with the objective of approximating the total return of the market for debt securities and a floating rate income fund (7%) with an investment strategy focused on seeking high-quality loans with attractive risk-adjusted returns. Also included is a 1-5 year USD Bond ETF (28%) that provides exposure to short-term high yield bonds with maturities between one and five years. The index funds have daily liquidity with 2 days' notice. The ETF has a 1-2 day trade settlement.

The real estate index fund includes an investment strategy designed to track the return of publicly traded real estate equity securities. The real estate index fund has daily liquidity with 2 days' notice.

Private Equity Limited Partnership Funds

As part of the investment management transfer to SWIB, Terrace Investment Holdings SMF, LLC was created to centrally hold and manage the University's investments in private markets Limited Partnership Funds. This investment is illiquid and is generally not resold or redeemed. Distributions from the fund will be received over the life of the investment as the underlying investments are liquidated. The investment strategy of the limited partnership focuses globally on corporate finance, venture capital, and forestry/agricultural investments. The fund-of-funds limited partnership is estimated to have an average remaining life of approximately 4.1 years at June 30, 2022. The estimated remaining life of the underlying investments are between 0-7 years.

The UWS has an unfunded commitment in the amount of $7.4 million to private markets Limited Partnership Funds. No further new commitments to these or other private markets funds are anticipated. The existing positions in the private markets Limited Partnership Funds will eventually self-liquidate, as underlying private investments are sold off and distributions are made to investors.

Wisconsin Retirement System (WRS)

The following schedules presents fair value measurements at December 31, 2021 (in millions):

WRS			Fair Value Measurement Using	
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
Cash Equivalents				
Certificates of Deposit	$ 24.0	$ —	$ 9.0	$ 15.0
Commercial Paper	180.5	—	—	180.5
Money Market Funds	250.0	250.0	—	—
Total Cash Equivalents	454.5	250.0	9.0	195.5
Equities				
Domestic	50,180.1	50,087.0	0.1	93.0
International	22,954.1	22,942.8	0.2	11.2
Total Equities	73,134.2	73,029.7	0.2	104.2
Fixed Income				
Asset Backed Securities	832.9	—	811.4	21.5
Corporate Bonds & Private Placements	14,470.4	—	14,405.1	65.3
Exchange Traded Funds	465.9	465.9	—	—
Foreign Government / Agency Bonds	2,268.9	—	2,268.9	—
Municipal Bonds	188.7	—	188.7	—
U.S. Government Agencies	2,312.7	—	2,312.7	—
U.S. Treasury Inflation Protected Securities	21,183.2	—	21,183.2	—
U.S. Treasury Securities	5,576.7	38.5	5,538.2	—
Total Fixed Income	47,299.3	504.4	46,708.2	86.8
Preferred Securities				
Domestic	462.4	—	229.4	233.0
International	240.9	240.9	—	—
Total Preferred Securities	703.3	240.9	229.4	233.0
Convertibles	2.2	—	0.1	2.1
Derivatives				
Foreign Exchange Contracts	3.8	—	3.8	—
Futures	76.8	76.8	—	—
Options	(1.9)	(1.9)	—	—
Swaps	25.7	—	25.7	—
To Be Announced Securities	2,899.3	—	2,899.3	—
Total Derivatives	3,003.6	74.8	2,928.7	—
Short Sales	(8,050.7)	(8,047.5)	—	(3.2)
Total	$ 116,546.4	$ 66,052.4	$ 49,875.6	$ 618.4

WRS		Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period (7)
Investments Measured at NAV:						
Cash and Cash Equivalents (1)	$	5,404.7	$	—	Daily	Same Day
Fixed Income (2)		1,221.8		—	Daily	5 days
Private Fund Investments (3)		26,573.6		14,112.9	N/A	N/A
Equities (4)		9,710.7		—	Daily, Monthly	2-30 days
Equity Limited Partnerships (5)		933.9		—	Monthly	15 days
Hedge Funds (6)		6,227.9		746.7	Various	Various
Total	$	50,072.6	$	14,859.6		

(1) This category consists of short term cash funds with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. The short- term cash funds have daily liquidity with same day notice.

(2) This category includes a long-only fixed income manager which can invest across the credit quality spectrum, in varying geographies, and can include derivatives, high yield, and structured securities. The long-only manager requires a redemption notice period of 5 days and has daily liquidity.

(3) Private Fund Investments include direct, co-investments, LLCs with existing SWIB general partners, direct secondary investments, and fund of funds. These investments are illiquid and are generally not resold or redeemed. Distributions from each fund are received as the underlying investments are liquidated or over the life of the investment. As of December 31, 2021, there is one partial sale planned in 2022 on the secondary market. The anticipated sale price of this fund is not expected to be materially different than the NAV as of December 31, 2021.

(4) This category includes long-only equity managers (71%) with various fundamental, quantitative and other approaches spanning various styles, geographies and market cap weights. These long-only manager investments can be redeemed either daily or monthly, with between 10 and 30 business days' notice. The remaining 29% of this category represents emerging markets equity index funds with an investment strategy designed to track the return of the given segment of the emerging equity markets. These investments can be redeemed daily with 2 business days notice.

(5) Equity Limited Partnership fund invests in global equity. The long-only manager requires a redemption notice period of 15 days and can be redeemed monthly.

(6) Hedge Fund investments are private investment funds that seek to produce absolute returns using a broad range of strategies. In certain instances, Hedge Fund investments are structured as limited partnerships, whereby participants receive distributions over the life of the fund. Estimated remaining life for four funds structured as limited partnerships within the portfolio is more than 10 years, and three funds between 5 and 10 years.

(7) Redemption terms described for NAV investments reflect contractual agreements and assume withdrawals are made without adverse market impact and under normal market conditions.

strategies. In certain instances, Hedge Fund investments are structured as limited partnerships, whereby participants receive distributions over the life of the fund. Estimated remaining life for four funds structured as limited partnerships within the portfolio is more than 10 years, and three funds between 5 and 10 years.

(7) Redemption terms described for NAV investments reflect contractual agreements and assume withdrawals are made without adverse market impact and under normal market conditions.

Private Fund Investments

Private Fund Investments include private equity and real estate. Private Equity Limited Partnerships participated in the following investment strategies at December 31, 2021:

Leveraged Buyout – This strategy acquires the controlling interest of a private company using a significant amount of borrowed capital (leverage).

Distressed Debt – This strategy can invest in public and private companies undergoing financial distress, a turnaround in business operations, or which are believed to be undervalued because of a discrete extraordinary event.

Growth Equity – This Strategy is an investment opportunity in relatively mature companies that are going through a transformational event in their lifecycle with potential for significant growth.

Venture Capital – This strategy invests in companies with potential for significant growth (generally small to early stage emerging firms).

Private Debt – This strategy includes any debt held by or extended to privately held companies. The debt securities can be senior debt, mezzanine debt, and structured capital but commonly involve non-bank institutions making loans to private companies or buying those loans on the secondary market.

Secondaries– This strategy provides a market for investors to sell or purchase positions in private market funds.

Real Estate Limited Partnerships generally consisted of the following investment strategies at December 31, 2021:

Core – Core investments are expected to deliver a significant percentage of their return from income and should demonstrate lower volatility than Opportunistic and Value investments due to lower leverage, higher occupancy, and asset location.

Value – Value investments typically have significant near-term leasing, repositioning, and/or renovation risk. This strategy is expected to have modest initial operating revenues with potential for substantial income growth and will likely encounter greater volatility than Core strategies, but lower volatility than Opportunistic strategies.

Opportunistic – Opportunistic investments usually have significant development, lease-up, financial restructuring, and/or liquidity risk with little or no initial operating income. This strategy typically uses the highest leverage, is expected to achieve most of its return from future capital gains, and is likely to encounter greater volatility than Core and Value strategies.

Hedge Funds

Hedge Fund investments are private investment funds that seek to produce absolute returns using a broad range of strategies. When redeeming Hedge Fund investments, the agreements governing the investment often require advanced notice and may restrict the timing of withdrawals. Hedge Fund agreements can also include "lock-up" periods, which restrict investors from redeeming their investment during a specified time frame. The lock-up period helps portfolio managers mitigate liquidity risks. Lock-ups can be "hard," where redemptions are not permitted for a specified time period, or "soft," where redemptions are permitted provided the investor pays a penalty. In certain instances, a fund may have both hard and soft lock-up restrictions in place. In addition, hedge fund managers can also institute a "rolling" lock-up. A fund with a rolling lock-up period requires investors to commit to an initial lock-up period, and, if the investor does not submit a redemption notice within a set time prior to expiration of the lock-up, the lock-up is reset.

Similar to lock-ups, Hedge Fund agreements also commonly incorporate "gate" restrictions. An investor-level gate limits redemption on a particular redemption date to a specified percentage of the investor's account value, while a fund-level gate may limit total investor withdrawals on a particular redemption date to a percentage of aggregated fund-level (or master fund level) net asset value. In certain instances, funds can have both investor- and fund-level gates in place.

The WRS participated in the following Hedge Fund strategies at December 31, 2021:

Long-Short Equity – This strategy invests both long and short in publicly-traded stocks. These managers vary in their use of short selling and leverage.

Event-Driven – This strategy seeks to gain an advantage from pricing inefficiencies that may occur before or after a corporate action or related event, such as a merger, spinoff, earnings call, bankruptcy, or restructuring.

Tactical Trading – This strategy invests in indices, commodities, interest rate instruments, and currencies as a result of relative value or directional forecasts from a systematic or discretionary approach.

Relative Value – This strategy uses a range of fixed income arbitrage, insurance linked, long/short credit, and/or quantitative strategies that seek to take advantage of price differentials.

Multistrategy – The funds in this category employ a wide range of strategies and instruments in managing assets.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Primary Government *(excluding the UWS, WRS and SIF)*

The primary government, except for the Separately Managed Funds discussed later, follows Wisconsin Statutes, program policy provisions, appropriate governing boards, and general resolutions contained in revenue bond indenture documents limits investments in public housing bonds issued by public agencies or municipalities, the State of Wisconsin, interest-bearing time deposits, certificates of deposit or other similar banking arrangement, shares of a diversified open-end management investment company repurchase agreements and investment agreements to a rating no lower than the rating assigned to the bonds. Investments in all other permitted debt securities are required to bear the highest rating available from each nationally recognized rating agency. In addition, credit risk of certain funds such as the Retiree Life Insurance Fund is minimized by monitoring portfolio diversification by asset class, creditor and industry and by complying with investment limitations governed by insurance laws and regulations.

Regarding the Separately Managed Funds, investment guidelines require that the bond portfolios shall maintain an average quality rating of A- or better at time of purchase, using the lower of split ratings at the time of purchase.

Investment credit quality ratings as of June 30, 2022, from Standard and Poor's, Moody's Investors Service, and Fitch Ratings are presented below using the Standard and Poor's rating scale (in millions):

Primary Government
(excluding the UWS, WRS, SIF and Separately Managed Funds)

Credit Quality Ratings	Fair Value
AAA	$ 415.4
AA	175.9
A	18.3
Not Rated	3.4
Total	$ 613.1

The following schedule displays the credit ratings at June 30, 2022, for the Separately Managed Funds (fair values in millions):

	Separately Managed Funds		
	IPFCF	Historical Society	SLIF
AAA	$ 29.9	$ —	$ 1.1
AA	672.9	—	47.9
A	123.7	—	26.9
BBB	290.2	—	22.7
BB	49.9	—	0.9
B	3.1	—	—
Short-term Investment Fund (Not Rated)	10.6	—	—
Bond Fund (Not Rated)	—	5.1	2.0
Totals	$ 1,180.4	$ 5.1	$ 101.4

Deferred Compensation

The Stable Value Fund, Mutual Funds, and CIT Funds are unrated.

University of Wisconsin System (UWS)

As of June 30, 2022, the University was exposed to credit risk directly through its singular separately managed fixed income portfolio, the RegentFund, and indirectly through the ownership of shares of commingled or mutual funds.

The following schedule displays the credit ratings for debt securities held as of June 30, 2022 (in millions). Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the Aaa rating.

	UWS
Ratings	Fair Value
AAA/Aaa	$ —
AA/Aa	1.4
A	1.1
BBB/Baa	2.9
BB/Ba	0.8
B	—
Commingled Fixed Income Funds	584.0
Not Rated	1.4
Total	$ 591.6

Wisconsin Retirement System (WRS)

With the exception of derivative instrument credit risk, there are no fund-wide or system-wide investment guidelines related to credit risk exposures for investments of the WRS. Fixed income credit risk investment guidelines outline the minimum ratings required at the time of purchase by individual portfolios, or groups of portfolios, based on the portfolios' investment objectives. In addition, some fixed income portfolios are required to always carry a minimum weighted average rating.

The following schedule displays the lowest credit rating assigned by nationally recognized statistical rating organizations on debt securities held as of December 31, 2021 (in millions).

	WRS
Rating	Fair Value
AAA/Aaa	$ 529.7
A-1/P-1	54.7
AA/Aa	29,717.2
A-2/P-2	201.6
A	3,082.2
BBB/Baa	7,603.1
A-3/P-3	18.0
BB/Ba	2,384.3
B	1,968.4
CCC/Caa or below	814.4
Not Rated	1,467.6
Commingled Fixed Income Funds	6,843.3
Total	$ 54,684.6

Reverse Repurchase Agreements

Wisconsin Retirement System (WRS)

The WRS held $17.0 billion in reverse repurchase agreements at December 31, 2021. Investment guidelines permit certain portfolios to enter into reverse repurchase agreements, which are a sale of securities with a simultaneous agreement to repurchase the securities in the future at the same price plus a stated rate of interest. The market value of the securities underlying reverse repurchase agreements exceeds the cash received, providing the counterparty a margin against a decline in market value of the securities. If the counterparty defaults on their obligations to sell these securities back to the WRS or provide cash of equal value, the WRS could suffer an economic loss equal to the difference between the market value of the underlying securities plus accrued interest and the agreement obligation, including accrued interest. This credit exposure at December 31, 2021 was $130.5 million.

The WRS enters into reverse repurchase agreements with various counterparties and such transactions are governed by Master Repurchase Agreements (MRA). MRAs are negotiated contracts and contain terms in which the WRS seeks to minimize counterparty credit risk. The WRS also controls credit exposures by limiting trades with any one counterparty to stipulated amounts. The counterparty credit exposure is managed through the transfer of margin, in the form of cash or securities, between the WRS and the counterparty.

The cash proceeds from reverse repurchase agreements are reinvested by the Retirement Funds. The maturities of the purchases made with the proceeds of reverse repurchase agreements are not necessarily matched to the maturities of the agreements. The agreed-upon yields earned by the counterparty were between 0.07 percent and 0.22 percent at December 31, 2021. Portfolio guidelines require agreements to mature between one and 90 days.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Primary Government *(excluding the UWS, WRS, and SIF)*

The primary government, including the Separately Managed Funds, does not have an investment policy specifically for custodial credit risk. As of June 30, 2022, the primary government did not have any direct investment securities exposed to custodial credit risk.

Deferred Compensation

The Stable Value fund, CIT Funds, and Mutual Funds do not have securities that are used as evidence of the investments and therefore are not exposed to custodial credit risk. Deferred Compensation does not have a formal policy for custodial credit risk.

Wisconsin Retirement System (WRS)

The WRS held repurchase agreements totaling $268.8 million as of December 31, 2021. These repurchase agreements were tri-party agreements held in a short-term cash management portfolio managed by the WRS's custodian. The underlying securities for these agreements were held by the tri-party agent, not in the WRS's name.

The WRS's custodial credit risk policy addresses the primary risks associated with safekeeping and custody. It requires that the WRS's custodial institution be selected through a competitive bid process and that the institution be designated a "Systemically Important Financial Institution" by the U.S. Federal Reserve. The policy also requires that the WRS be reflected as beneficial owner on all securities entrusted to the custodian and that the WRS have access to safekeeping and custody accounts. The custodian is also required to carry insurance covering errors and omissions and must provide the WRS with an annual report on internal controls, prepared in accordance with the Statement on Standards for Attestation Engagements. In addition, WRS management has established a system of controls for the oversight of services and related processes performed by the custodian. The WRS's current custodial bank was selected in accordance with these guidelines and meets all requirements stipulated in the custodial credit risk policy.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Primary Government *(excluding the UWS, WRS, and SIF)*

Although the primary government, except for the Separately Managed Funds discussed later, does not have a formal policy on limiting the exposure to concentrations of credit risk, it is the primary government's policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria.

Debt securities issued by the State of Wisconsin represent the largest concentration of investments in a single issuer. In total, approximately $30.9 million of the reported investments of the permanent funds (a category within non-major governmental funds) were issued by the State of Wisconsin, which represents approximately 3.0 percent of their total investments.

The Separately Managed Funds' investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or sector exposure limits. Generally, the guidelines require that no single issuer may exceed 5.0 percent of the fund investments, with the exception of U.S. Government and its Agencies, whose exposure is unlimited.

Excluding investments issued or explicitly guaranteed by the U.S. government and pooled investments, as of June 30, 2022, none of the Separately Managed Funds had more than 5.0 percent of their total investments in a single issuer.

University of Wisconsin System (UWS)

UWS separately managed, debt/fixed income accounts are limited to holding no more than 5.0 percent in any one issuer (U.S. Government/Agencies were exempted).

Wisconsin Retirement System (WRS)

For investments of the WRS, concentration of credit risk is limited by establishing investment guidelines for individual portfolios or groups of portfolios that generally restrict issuer concentrations in any one company or Rule 144A securities to less than 5.0 percent of the portfolio's market value.

The WRS did not hold any investments with a single issuer, exclusive of investments issued or explicitly guaranteed by the U.S. government, representing 5.0 percent or more of the value of the total WRS investments' value at December 31, 2021.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Primary Government *(excluding the UWS, WRS, and SIF)*

Although the primary government, except for the Separately Managed Funds discussed later, does not have a formal policy on limiting the exposure to changes in interest rates, it is the primary government's policy to comply with the provisions contained within the general resolutions of revenue bond indentures and other program policy investment criteria. For example, the Lottery Fund acquires investments with maturity dates that significantly coincide with scheduled payment dates of prize annuities. Investments are held to maturity unless an annuitant requests premature termination of an annuity, then any loss or gain due to market fluctuations are passed through to the redeeming annuitant. Therefore, the Lottery Fund has minimal interest rate risk exposure. Further, as a means of limiting its exposure to interest rate risks, certain funds are required to limit at least half of the fund's investment portfolio to maturities of less than one year. In addition, interest rate risk of certain other funds such as the

Retiree Life Insurance Fund is minimized by maintaining a diversified portfolio of investments and monitoring cash flow patterns in order to approximately match the expected maturity of liabilities.

The following table provides information about the interest rate risks associated with the primary government's investments, except those of the Separately Managed Funds. The investments include certain short-term cash equivalents, and various long-term items. At June 30, 2022, the primary government's investments were (in millions):

Primary Government (excluding the Separately Managed Funds, UWS, WRS, SIF, and investments in an external investment pool)

		Investment Maturities			
Investment Type	**Fair Value**	**Less Than 1 Year**	**1 to 5 Years**	**6 to 10 years**	**More Than 10 Years**
U.S. Government and U.S. Agency holdings	$ 189.8	$ 93.3	$ 1.8	$ 0.5	$ 94.1
State and municipal bonds and notes	103.7	1.5	4.3	30.7	67.2
Other Bonds and Notes	12.4	—	—	—	12.4
Money market funds	402.8	402.8	—	—	—
Mutual funds – open ended	0.3	—	—	0.2	—
Private Placement	7.1	0.2	0.8	1.3	4.9
Long-Term CDs	1.1	1.1	—	—	—
Total	$ 717.1	$ 498.9	$ 6.9	$ 32.7	$ 178.6

As of June 30, 2022, the Separately Managed Funds had interest rate risk statistics as detailed below (in millions):

Separately Managed Funds

Duration or WAM (in years) for Fixed Income Securities

Investment Type	**IPFCF**		**Historical Society**		**SLIF**	
	Fair Value	Duration	Fair Value	Duration	Fair Value	WAM
Govt/Agency	$ 658.0	6.01	$ —		$ 44.3	15.70
Corporate Bonds	449.3	7.23	—		55.1	13.22
Municipal Bonds	20.5	9.97	—		—	
Foreign Bonds (Govt/Agency)	42.0	4.87	—		—	
Bond Fund	—		5.1	6.67	2.0	13.27
Short-Term Investment Fund	10.6	0.06	—		—	
Total	$ 1,180.4		$ 5.1		$ 101.4	

The Separately Managed Funds, which are managed by the Board, use the duration method to identify and manage interest rate risk. Two of the Separately Managed Funds have investment guidelines relating to interest rate risk. The SLIF guidelines require the Weighted Average Maturity (WAM) of the portfolio, including cash, to be a minimum of ten years. The IPFCF guidelines require that effective duration of the bond portfolio shall remain within 15% of the assigned benchmark's duration and that the average duration should be less than ten years.

External Investment Pools

The Injured Patients and Families Compensation Fund has investments totaling $10.6 million at June 30, 2022 in the Short-Term Investment Fund, a pooled short-term investment fund. This balance is reported as "Cash and Cash Equivalents" on the Statement of Net Position.

Investments for the Retiree Life Insurance Funds are held with the insurance carrier, Securian. In accordance with the administrative agreement between the GIB and Securian, interest is calculated and credited to the Retiree Life Insurance plans based on the rate of return for a segment of the insurance carrier's general fund, specifically, 10 Year A- Bonds (as a proxy and not tied to any specific investments). The funds invested during the year earn interest based on that year's rate of return for 10 Year A- Bonds. The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto. No significant contract changes occurred during the year.

Deferred Compensation

Deferred Compensation uses weighted average effective duration to analyze interest rate risk. As of December 31, 2021, Deferred Compensation had interest rate risk statistics as detailed below (in millions):

Deferred Compensation

	Fair Value	**Effective Duration (years)**
Stable Value Investments:		
Stable Value Fund	$ 782.3	3.09
Mutual and Collective Investment Funds:		
Vanguard Target Retirement:		
2015	131.6	6.21
2025	363.4	7.06
2035	291.2	7.33
2045	190.2	7.31
2055	71.7	7.31
Income Trust	73.8	6.19
Vanguard Wellington Admiral	622.0	8.15
BlackRock U.S. Debt Index M	228.5	6.63
Dodge and Cox Income Fund	163.2	4.70
Vanguard Long-Term Investment Grade Fund	172.0	15.25
Vanguard Treasury Money Market Fund*	45.1	46 days
Total	$ 3,135.1	

University of Wisconsin System (UWS)

The UWS uses the option adjusted modified duration method to analyze interest rate risk. As of June 30, 2022, the UWS had interest rate risk statistics as detailed below (in millions):

UWS			
		Fair Value	**Effective Duration**
Fixed Income Sector:			
Government Debt	$	2.3	6.97
Corporate Debt		5.3	5
Total	$	7.6	
Fixed Income Commingled Funds:			
Blackrock U.S. TIPS Fund B	$	88.2	6.89
Blackrock Government/ Credit Bond Fund B		89.0	6.67
iShares Core 105 Year USD Bond Fund		165.0	2.81
Intermediate Government/Credit Bond Fund B		82.8	3.95
U.S. Debt Index Fund B		82.1	6.54
U.S. High Yield Bond Index Non-lendable Fund B		38.0	1.08
BlackRock Floating Rate Income Portfolio		39.0	0.30
Total	$	584.0	

Wisconsin Retirement System (WRS)

The analysis of long or intermediate term portfolios' interest rate risk is performed using various duration calculations. Modified duration, which is stated in years, is the measure of price sensitivity of a fixed income security to an interest rate change of 100 basis points. The calculation is based on the weighted average of the present values for all cash flows. Some investments are analyzed using an option adjusted duration calculation which is similar to the modified duration method. Option adjusted duration incorporates the duration shortening effect of any embedded call provisions in the securities. Duration statistics are weighted by the dollar value of the position to compute an average duration for each investment type.

Short-term portfolios' interest rate risk is analyzed using the weighted average maturity to next reset. Weighted average maturity is the maturity of each position in a portfolio weighted by the dollar value of the position to compute an average maturity for the portfolio as a whole. This measure indicates a portfolio's sensitivity to interest rate changes: a longer weighted average maturity implies greater volatility in response to interest rate changes.

The WRS's investment guidelines related to interest rate risk vary by portfolio. Some fixed income portfolios require management within a range of a targeted duration, while others are required to maintain a weighted average maturity at or below a specified number of days or years.

Aggregated interest rate risk exposure as of December 31, 2021, stated in terms of modified duration (for long term instruments) and weighted average maturity (for repurchase agreements and short-term pooled investments), is presented below (in millions):

WRS			
Investment Type*		**Fair Value**	**Modified Duration (Years)**
Asset Backed Securities	$	832.9	3.3
Corporate Bonds & Private Placements		14,676.1	6.9
Foreign Government / Agency Bonds		2,268.9	7.2
Municipal Bonds		188.7	11.5
U.S. Government Agencies		2,312.7	4.8
U.S. Treasury Inflation Protected Securities		21,183.2	7.6
U.S. Treasury Securities		5,576.7	8.5
Commingled Funds:			
Exchange Traded		465.9	7.6
Emerging Market Fixed Income		1,221.8	4.9
Subtotal		48,726.7	
			Weighted Average Maturity (days)
Commercial Paper		284.3	69
Repurchase Agreements		268.8	3
Commingled Funds:			
Short Term Cash Management		5,404.7	57
Subtotal		5,957.8	
Total	$	54,684.6	

*Excludes derivatives which are separately disclosed

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

Primary Government *(excluding the UWS, WRS, and SIF)*

The primary government, except for the Separately Managed Funds discussed later, does not have a formal policy to limit foreign currency risk, however, certain funds such as the Environmental Improvement Fund are not permitted to invest in foreign currency based on provisions contained in its bond indenture general resolution. However, foreign currency risk of the Retiree Life Insurance Fund is minimized by utilizing short-duration spot forward contracts to minimize the adverse impact of foreign currency exchange rate risks inherent in the elapsed time between trade processing and trade settlement. At June 30, 2022, the primary government, excluding the Separately Managed Funds, did not own any issues denominated in a foreign currency.

The Separately Managed Funds' investment guidelines do not specifically address foreign currency risk with the exception that the SLIF only allows investments in U.S. dollar denominated instruments. As of June 30, 2022, the Separately Managed Funds did not directly own any issues denominated in a foreign currency.

Deferred Compensation

Deferred Compensation allows the option of investments in Mutual Funds and CIT Funds that make investments in foreign securities. The fair value of these investments was $512.5 million as of December 31, 2021.

University of Wisconsin System (UWS)

The UWS held positions only in passively-managed, indexed commingled funds which may invest in securities denominated in foreign currencies. However, the fund used for exposure to developed market equities generally seeks to hedge against the variations in returns deriving solely from the value of the foreign currencies in the fund relative to the U.S. dollar. The fund used for exposure to emerging market equities generally does not engage in similar foreign currency hedging efforts, due largely to the high cost and more limited efficacy of such hedging. Deposits in foreign currency for the RegentFund at June 30, 2022 are immaterial.

Wisconsin Retirement System (WRS)

The WRS held foreign currency denominated cash and securities directly in designated actively managed portfolios and indirectly through its investment in certain commingled invest funds. As of December 31, 2021, the WRS had the following currency exposure (all assets stated in millions of United States Dollars):

Currency Exposures by Investment Type

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Private Fund Investments	Preferred Securities	Short Sales	Futures Contracts, Options & Swaps	Total
Australia Dollar	$ 11.7	$ 966.6	$ 31.7	$ —	$ —	$ (220.7)	$ 0.3	$ 789.6
Brazil Real	1.0	60.6	14.8	—	64.8	—	—	141.3
Canada Dollar	85.9	1,869.0	23.0	—	—	(309.8)	2.2	1,670.3
Chile Peso	0.1	9.4	—	—	—	—	—	9.5
China Yuan Renminbi	—	—	—	—	—	—	(0.1)	(0.2)
Colombia Peso	—	0.1	—	—	—	—	—	0.1
Czech Republic Koruna	—	1.4	2.3	—	—	—	—	3.7
Denmark Krone	0.7	562.8	—	—	—	(188.1)	—	375.5
Euro Currency Unit	21.7	6,978.6	334.1	1,741.4	175.6	(1,176.9)	8.5	8,083.1
Hong Kong Dollar	6.4	985.9	—	—	—	(41.3)	(0.3)	950.7
Hungary Forint	0.8	30.2	1.7	—	—	—	—	32.7
India Rupee	—	168.3	—	—	—	—	—	168.3
Indonesia Rupiah	—	20.4	—	—	—	—	—	20.4
Israel Shekel	0.6	53.2	—	—	—	(14.8)	—	39.0
Japan Yen	0.9	4,389.9	—	—	—	(761.9)	1.0	3,629.9
Korea (South) Won	—	324.5	—	—	0.4	—	—	324.9
Malaysia Ringgit	0.4	8.5	32.5	—	—	—	—	41.3
Mexico Peso	(0.4)	2.0	45.0	—	—	—	(1.1)	45.5
New Zealand Dollar	0.6	72.0	16.4	—	—	(26.6)	—	62.3
Norwegian Krone	0.9	254.6	—	—	—	(51.0)	—	204.6
Peruvian Sol	—	0.1	—	—	—	—	—	0.1
Philippines Peso	0.1	0.8	—	—	—	—	—	0.9
Poland Zloty	—	47.7	18.5	—	—	—	—	66.2
Russian Ruble	0.1	—	3.6	—	—	—	—	3.8
Singapore Dollar	2.8	135.8	—	—	—	(49.8)	—	88.9
South African Rand	1.4	48.3	38.1	—	—	—	—	87.8
Sweden Krona	0.6	1,041.6	4.3	1.9	—	(324.8)	—	723.6
Switzerland Franc	0.4	1,394.9	—	—	—	(342.3)	—	1,053.0
Taiwan New Dollar	0.3	514.1	—	—	—	—	—	514.4
Thailand Baht	—	36.6	—	—	—	—	—	36.6
Turkey Lira	—	3.7	—	—	—	—	—	3.7
United Kingdom Pound	31.9	2,972.5	34.4	429.0	—	(510.4)	0.9	2,958.3
Total	$ 169.0	$ 22,954.1	$ 600.5	$ 2,172.3	$ 240.9	$ (4,018.3)	$ 11.2	$ 22,129.7

Securities Lending Transactions

University of Wisconsin System (UWS)

The UWS has an agreement with BlackRock Institutional Trust Company, N.A., which acts as custodian for the University's Long Term Fund and Cash Management Fund investments and authorizes the bank to lend securities held in UWS accounts to third parties. The bank must obtain collateral from the borrower, or acceptable securities. When UWS securities are delivered to a borrower as part of a securities lending arrangement, the borrower is required to place collateral with the lending agent equal to at least 102% of the loaned securities' fair value, including interest accrued, as of the delivery date. Both the collateral and the securities loaned are marked to market on a daily basis, with additional collateral obtained or refunded as necessary. In the event that the loaned securities are not returned by the borrower, the bank will, at its own expense, either replace the loaned securities or, if unable to purchase those securities on the open market, credit UWS accounts with cash equal to the fair value of the loaned securities.

The UWS receives 75 percent of the net revenue derived from all securities lending activities and the bank receives the remainder of the net revenue. Interest and dividend income earned in conjunction with the securities lending program is reported as part of non-operating investment income in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

Although the UWS securities lending activities are collateralized as described above, the securities lending program involves both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral, or that the bank's investment of collateral received from the borrowers of UWS securities may be subject to unfavorable market fluctuations. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

At June 30, 2022, the fair value of securities loaned, was $223.8 million. Collateral received consisted of $228.5 million in cash and $0.4 million in non-cash collateral. In accordance with accounting standards the value of the collateral held and a corresponding liability to return the collateral have been reported on the accompanying Statement of Net Position.

Wisconsin Retirement System (WRS)

State statutes and Board policies permit the use of investments of the WRS to enter into securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities in exchange for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for identical securities in the future. The securities custodian acts as an agent in lending the directly-held domestic and international securities. When securities are delivered to a borrower as part of a securities lending agreement, the borrower is required to place collateral equal to at least 102 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent. In the event that securities are loaned against collateral denominated in a different currency, the borrower is required to place collateral totaling 105 percent of the loaned securities' fair value, including interest accrued, as of the delivery date with the lending agent. Collateral is marked to market daily and adjusted as needed to maintain the required minimum level. On December 31, 2021, the fair value of the securities on loan to counterparties was approximately $11.4 billion.

Cash collateral is reinvested by the lending agent in two separate pools, a U.S. dollar cash collateral pool and a pool denominated in Euros, in accordance with contractual investment guidelines, which are designed to minimize the risk of principal loss and provide a modest rate of return. Investment guidelines limit credit and liquidity risk by restricting new investments to overnight repurchase agreements collateralized with high quality U.S. government, U.S. government agencies, and sovereign debt securities. The earnings generated from the collateral investments, plus or minus the rebates received from or paid to the dealers and less fees paid to agents, results in the net earnings from lending activities, which are then split on a percentage basis with the lending agent. Cash from the U.S. dollar pool may be posted as collateral relating to short sale transactions and it earns the Overnight Bank Funding rate plus 10 basis points.

At December 31, 2021, the WRS had minimal credit risk exposure to borrowers because loans are collateralized in excess of 100%. In addition to the cash collateral reinvestment indemnification, the contract with the lending agent requires it to indemnify the WRS if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. The WRS is also indemnified against losses resulting from violations of investment guidelines.

The majority of security loans are open-ended and can be terminated on demand by the WRS or the borrower. Maturities of investments made with cash collateral are not necessarily matched to the maturities of the securities loaned because most loans do not have a fixed maturity date. The risk that the WRS would be unable to return collateral to securities borrowers upon termination of the loan is mitigated by the highly liquid nature of investments held in the collateral reinvestment pools. The average maturities of the loans and the average maturities of the assets held in the collateral reinvestment pools were similar at December 31, 2021.

Securities lending is allowed in certain commingled fund investments. As an investor in such funds, the WRS does not own the underlying securities and does not separately report on securities lending activity. All earnings of these funds are reported in the Statement of Changes in Fiduciary Net Position.

Derivative Instruments

Wisconsin Retirement System (WRS)

Derivative instruments may be used to implement investment strategies for the Core and Variable Funds. All derivative instruments are subjected to risk analysis and monitoring processes at the portfolio, asset class and fund levels. Investment guidelines define allowable derivative activity for each portfolio and are based on the investment objectives which have been approved by the Board. Where derivative instruments are permitted, guidelines stipulate allowable instruments and the manner and degree to which they are to be used.

Gains and losses for all derivative instruments are reported in the Statement of Changes in Fiduciary Net Position.

The WRS seeks to mitigate counterparty credit risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. Additionally, policies have been established which seek to implement master netting arrangements with counterparties that permit the closeout and netting of transactions with the same counterparty. Agreements may also require daily collateral postings to further mitigate credit risk.

As of December 31, 2021, there were 21 counterparties making up the WRS's exposure to counterparty credit risk for uncleared OTC derivative contracts. The exposure of the WRS to counterparty credit risk relating to these was as follows (in millions of US Dollars):

OTC Derivative Instruments Subject to Counterparty Credit Risk

	Counterparty Credit Rating	
FX Receivables:	AA	$ 772.6
	A	3,444.5
To Be Announced Securities	A	1.2
Swap Receivables	A	3,497.2
Warrants	Not Rated	1.5
Total		7,717.0
Less Collateral and MNA Offsets		7,709.3
Total OTC Counterparty Credit Risk		$ 7.7

Foreign Currency Spot and Forward Contracts –Foreign Currency Spot and Forward contracts are uncleared OTC agreements between two counterparties to exchange designated currencies at a specific time in the future. No cash is exchanged when a foreign exchange spot or forward contract is initiated. Amounts due are paid or received on the contracted settle date.

Currency exposure management is permitted through the use of currency derivative instruments. Direct hedging of currency exposure back to the US dollar is permitted when consistent with the strategy of the portfolio. Cross-currency exposure management to transfer out of an exposed currency and into a benchmark currency is permitted. Discretionary currency overlay strategies at the total fund and asset class level may be employed when currency market conditions suggest such strategies are warranted.

Losses may arise from future changes in the value of the underlying currency, or if the counterparties do not perform under the terms of the contract. Spot and forward contracts are valued daily with the changes in fair value included in “Net Appreciation (Depreciation) in Fair Value of Investments” on the Statement of Changes in Fiduciary Net Position. The net receivable or payable for spot and forward contracts is reflected as “Foreign Currency Contracts” on the Statement of Fiduciary Net Position.

During the year, currency exposure management involved the use of foreign currency spot and forward contracts. The following table presents the fair value of foreign currency spot and forward contract assets and liabilities held as of December 31, 2021 (in millions):

Foreign Currency Spot and Forward Contracts

	Foreign Currency Contract Receivables			Foreign Currency Contract Payables		
Currency	**Notional (local currency)**	**Fair Value US Dollars**	**Unrealized Gain/(Loss) US Dollars**	**Notional (local currency)**	**Fair Value US Dollars**	**Unrealized Gain/(Loss) US Dollars**
Australia Dollar	285.9	$ 207.9	$ 3.3	(137.5)	$ (100.0)	$ 0.5
Brazil Real	332.7	59.0	1.0	(12.2)	(2.2)	—
Canada Dollar	216.1	171.1	2.0	(142.1)	(112.5)	(0.3)
Chile Peso	31,725.1	37.1	(1.1)	(590.7)	(0.7)	—
China Yuan Renminbi	22.0	3.4	—	(132.9)	(20.8)	(0.1)
Colombia Peso	6,750.0	1.6	—	(25,636.5)	(6.2)	0.2
Czech Republic Koruna	1,314.9	59.8	1.4	(275.8)	(12.6)	(0.3)
Danish Krone	111.2	17.0	0.1	(269.3)	(41.2)	—
Euro Currency Unit	49.7	56.5	0.1	(1,085.6)	(1,235.4)	3.4
Hong Kong Dollar	132.8	17.0	—	(37.1)	(4.8)	—
Hungary Forint	25,913.0	79.6	(0.8)	(5,598.1)	(17.2)	0.6
India Rupee	6,722.6	89.7	0.7	(913.6)	(12.2)	(0.2)
Indonesia Rupiah	752,892.7	52.7	0.7	—	—	—
Israel Shekel	53.7	17.2	0.1	(24.2)	(7.8)	(0.1)
Japan Yen	42,612.5	370.1	(6.9)	(6,629.9)	(57.6)	0.4
Korea (South) Won	—	—	—	(15,550.6)	(13.0)	0.1
Mexico Peso	347.5	16.8	0.5	(129.1)	(6.3)	—
New Zealand Dollar	37.3	25.5	0.1	(90.7)	(62.0)	0.9
Norwegian Krone	1,745.4	197.7	2.4	(467.6)	(53.0)	(1.4)
Philippines Peso	147.3	2.8	(0.1)	(914.3)	(17.7)	0.3
Poland Zloty	239.5	59.3	0.4	(21.7)	(5.4)	—
Russia Ruble	4,076.5	53.9	(0.9)	(400.2)	(5.3)	—
Singapore Dollar	106.3	78.9	0.7	(49.7)	(36.8)	(0.5)
South Africa Rand	235.0	14.6	0.1	(443.0)	(27.5)	0.3
Sweden Krona	2,152.4	237.8	(0.5)	(1,048.5)	(115.8)	0.4
Switzerland Franc	344.0	377.6	1.9	(75.8)	(83.3)	(0.8)
Taiwan New Dollar	—	—	—	(1,848.5)	(66.9)	0.1
Thailand Baht	337.7	10.1	—	(843.5)	(25.2)	(0.4)
Turkish Lira	217.8	15.8	(3.8)	(217.8)	(15.8)	(3.2)
United Kingdom Pound	137.7	186.6	2.8	(32.8)	(44.4)	(0.1)
United States Dollar	1,699.8	1,699.8	—	(2,003.7)	(2,003.7)	—
Totals		$ 4,217.1	$ 4.1		$ (4,213.3)	$ (0.3)
Net Foreign Currency Contract Receivable / (Payable)					$ 3.8	$ 3.8

Futures Contracts – A futures contract is an exchange-traded agreement to buy or sell a financial instrument, index or commodity at an agreed upon price and specified date in the future.

The fair value of futures contracts represents the unrealized gain/(loss) on the contracts, since trade inception, and is reflected as a portion of "Financial Futures Contracts and Swaps" on the Statement of Fiduciary Net Position. Futures contracts are marked to market daily, based upon the closing market price of the contract at the board of trade or exchange on which they are traded. Gains and losses resulting from investments in futures contracts are included in the "Net Appreciation (Depreciation) in the Fair Value of Investments" on the Statement of Changes in Fiduciary Net Position.

The following table presents the investments in futures contracts as of December 31, 2021 (in millions).

Futures Contracts

Futures Contract Description	Expiration	Notional Amount	Fair Value*
Long Positions:			
Commodity	Jan - Dec 22	$ 481.1	$ 9.5
Currency	Mar 22	(187.7)	(0.9)
Equity Index	Jan - Mar 22	3,288.8	44.8
Fixed Income	Mar 22	11,160.7	28.9
Short Positions:			
Commodity	Feb - Sep 22	(301.3)	(2.1)
Equity	Jan - Apr 22	(248.0)	(0.7)
Fixed Income	Mar 22	(4,985.8)	(2.7)
Total		$ 9,207.7	$ 76.8

* Fair Value includes foreign currency gains/(losses).

Futures contracts involve, to varying degrees, risk of loss in excess of margin deposited with the clearinghouse. Losses may arise from future changes in the value of the underlying instrument.

Futures contracts may be entered into for purposes such as 1) to efficiently gain or adjust market exposures for rebalancing, 2) to adjust sector, interest rate, or duration exposure, or 3) to securitize cash or as a substitute for cash market transactions.

Swap Contracts - Swaps are negotiated contractual agreements between two counterparties which can be either cleared or uncleared OTC investments. As is specified in the WRS's investment guidelines, swaps may be used as an alternative to physical securities when it is deemed advantageous for portfolio construction. In addition, swaps may be used to adjust asset class exposures for the WRS. Guideline limits and soft risk parameters for each portfolio are applied to the aggregate exposures which includes both physical and synthetic securities. A synthetic security is created by combining securities to mirror the properties of another reference security.

Throughout the year, the WRS held positions in Total Return Swaps (TRS), Interest Rate Swaps (IRS), and Credit Default Swaps (CDS). The following table presents the investments in open Swap Positions as of December 31, 2021 (in millions):

Open Swap Positions

Type / Maturity Date(s) / Description or Reference Rates	Notional Amount	Fair Value	Unrealized Gain/ (Loss)
Credit Default			
Dec ‘25	$ 12.0	$ —	$ 1.2
Jun ‘26	20.0	(0.8)	2.1
Dec ‘26	204.7	5.4	0.1
Sold credit protection in exchange for periodic payments			
Credit Default			
Dec ‘26	(400.0)	(36.6)	0.3
Bought credit protection in exchange for periodic payments			
Interest Rate			
May ‘25	20.4	(0.2)	0.1
Receive Fixed 2.02, Pay CNY-7D Fixing Repo Rates			
Jul ‘25	4.8	—	—
Receive Fixed 2.53, Pay CNY-7D Fixing Repo Rates			
Jul ‘26	2.5	—	—
Receive Fixed 2.57, Pay CNY-7D Fixing Repo Rates			
Jun ‘27	12.2	(1.1)	(1.1)
Receive Fixed 5.42, Pay MXN-TIIE-Banxico 28D			
Total Return			
Sep ‘22	532.6	(11.6)	(11.6)
Nov ‘22	147.1	(3.7)	(3.7)
Pay Equity Index Return, Receive 1-Day Fed Funds plus Spread			
Total Return			
Jan ‘22-Mar ‘22	(956.7)	32.6	32.6
Apr ‘21-Jun ‘21	(336.1)	4.5	4.5
Jul ‘22-Sep ‘22	(976.8)	22.1	22.1
Oct ‘22-Nov ‘22	(381.2)	12.5	12.5
Pay 1-Day Fed Funds plus spread, Receive Equity Index Return			
Total Return			
Oct ‘22	(89.7)	2.6	2.6
Pay 3-Month LIBOR plus spread, Receive Equity Index Return			
Total	$(2,184.2)	$ 25.7	$ 61.6

The open CDS contracts represent cleared OTC positions where the WRS sold (bought) credit protection. Under the terms of the contracts, the WRS receives (pays) periodic payments and, in exchange, agrees to pay (receive) a formula-determined amount to counterparties for losses incurred if stipulated credit events occur. CDS spreads are sensitive to credit spread and interest rate changes. The fair value of a CDS contract is determined using the closing price as reported by the applicable clearinghouse.

IRS positions represent cleared OTC contracts where the fair value is determined using the closing price as reported by the applicable clearinghouse. The open TRS contracts represent uncleared OTC positions where the WRS gains exposure to the return of the underlying equity index and, in exchange, agrees to pay or receive the stipulated rate benchmark. The rate benchmark is based on the 3-month London Interbank Offering Rate (LIBOR) or the 1-day Fed Funds Rate set by the Federal Open Markets Committee (FOMC) and is sensitive to interest rate changes. The fair value for TRS is based on the change in quoted market price of the underlying equity index and represents the unrealized gain/ (loss) on the contracts since trade inception.

The fair value of CDS, IRS, and TRS is included in “Financial Futures Contracts and Swaps” on the Statement of Fiduciary Net Position. Gains and losses resulting from investments in swap contracts are included in the “Net Appreciation (Depreciation) in the Fair Value of Investments” on the Statement of Changes in Fiduciary Net Position. Any interest owed but not yet paid relating to swap contracts is reported within “Accounts Payable and Other Accrued Liabilities” on the Statement of Fiduciary Net Position. Interest Expense relating to swap contracts is reported as “Investment Expense” on the Statement of Changes in Fiduciary Net Position.

Options – An option contract gives the purchaser of the contract the right, but not the obligation, to buy (call) or sell (put) the security or index underlying the contract at an agreed upon price on or before the expiration date of the option contract. The seller of the contract is subject to market risk, while the purchaser is subject to credit risk and market risk, to the extent of the premium paid to enter into the contract.

Rebalancing policies and portfolio investment guidelines permit the use of exchange-traded and over-the-counter options. Options may be used to improve market exposure efficiency, enhance expected returns, or provide market exposure hedges. Exchange rules require that the seller of short exchange-traded call option contracts cover these positions either by collateral deposits in the form of cash or by pledging, in escrow, the actual securities that would be transferred to the option purchaser in the event the options contract was exercised. In the case of OTC options, investment guidelines mitigate counterparty credit risk by establishing minimum credit ratings and requiring master netting agreements with provisions for collateral exchanges.

The fair value of option contracts is based upon the closing market price of the contract and is reflected as “Options” on the Statement of Fiduciary Net Position. Gains and losses as a result of investments in option contracts are included in the “Net Appreciation (Depreciation) in the Fair Value of Investments” on the Statement of Changes in Fiduciary Net Position.

The table below presents the fair value of option contracts as of December 31, 2021 (in millions):

Option Contracts

Security Description	Contract Type	Position	Exchange-Traded vs. OTC	Expiration	Notional	Fair Value	Unrealized Gain (Loss)
Equity	Call	Long	Exchange	Jan 22 - Mar 22	$ 14.4	$ 0.3	$ (2.9)
Equity	Call	Short	Exchange	Jan 22 - Mar 22	(48.9)	(0.5)	0.5
Equity	Put	Long	Exchange	Jan 22	9.4	0.1	(0.4)
Equity	Put	Short	Exchange	Jan 22	(24.6)	(1.7)	—
Equity Index	Put	Short	Exchange	Jan 22	—	—	—
OTC Index	Put	Short	OTC	Jan 22 - Feb 22	(416.9)	(0.1)	0.9
Total					$ (466.6)	$ (1.9)	$ (1.9)

To Be Announced Securities - To be announced mortgage-backed (TBA) securities are uncleared OTC forward contracts consisting of mortgage-backed securities (MBS) issued by Government National Mortgage Association, a government entity, and by government-sponsored enterprises such as, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corp. The term TBA is derived from the fact that the actual MBS that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. Instead, the specific pool of mortgages making up the MBS is announced 48 hours prior to the established trade settlement date. Eligibility rules and standards for MBS pools deliverable into TBA contracts ensure that delivered MBS pools are fungible. Payment for TBA securities is not made until the settlement date.

Certain portfolio investment guidelines allow for both long and short TBA positions. To mitigate counterparty credit risk, guidelines establish minimum credit ratings and require master netting agreements which include provisions for collateral exchanges.

TBAs, much like their underlying MBS securities, may be highly sensitive to interest rate changes. This is because the MBS pool on which these forward contracts are based can be subject to early payment in a period of declining interest rates. The price of TBAs can fluctuate as the marketplace predicts changes in timing, or possible reductions in expected cash flows, associated with a change in interest rates.

The table below presents the fair value of TBA securities as of December 31, 2021 (in millions). Duration statistics are weighted by the fair value of each position to compute an average duration for the contracts held.

TBA Contracts

Position / Maturity	Fair Value	Unrealized Gain / (Loss)	Weighted Avg. Duration (years)
Long Feb - Mar 22	$ 4,646.2	$ 0.2	4.7
Short Feb 22	(1,747.0)	(2.5)	6.7
Total	$ 2,899.3	$ (2.3)	

The fair value of TBAs is reflected in “To Be Announced Securities” on the Statement of Fiduciary Net Position. The unrealized gain/loss associated with these contracts is included within the “Net Appreciation (Depreciation) in the Fair Value of Investments” on the Statement of Changes in Fiduciary Net Position.

Warrants — A warrant is a contract that entitles the holder to buy the underlying stock of the issuing company at a specified price. Warrants and options are similar in that the two instruments allow the holder special rights to buy securities. However, warrants differ from options in that they provide additional financing to the issuing company when exercised.

As of December 31, 2021, the WRS held warrant contracts valued at $2.3 million. Warrants are included in the “Equities” section on the Statement of Fiduciary Net Position. The associated unrealized gain of $1.2 million is included in the “Net Appreciation (Depreciation) in the Fair Value of Investments” on the Statement of Changes in Fiduciary Net Position.

Short Sell Obligations

Wisconsin Retirement System (WRS)

The WRS may sell a security it does not own in anticipation of purchasing the security later at a lower price. This is known as a short sale transaction. For the duration of the short sale transaction, a liability is recorded under “Short Sales of Securities” on the Statement of Fiduciary Net Position. The liability presented represents the fair value of the shorted securities necessary for delivery to the purchaser and is marked-to-market daily. Realized and unrealized gains and losses associated with short sales are recorded on the Statement of Changes in Fiduciary Net Position within the “Net Appreciation (Depreciation) in Fair Value of Investments” category. Prior to executing a short sale, the WRS borrows the security from a party currently holding it. While the transaction is open, the WRS incurs expenses for securities borrowing costs. In addition, as a security borrower, the WRS may incur dividend and interest expense as such payments must be remitted to the security lender during the course of the loan. During the duration of the borrow, there may be corporate action elections requiring the borrower to deliver items such as cash or securities to the lender. Such expenses are included in “Investment Expense” on the Statement of Changes in Fiduciary Net Position.

Risks arise from short sales due to the possible illiquidity of the securities markets and from potential adverse movements in security values. The cost to acquire the securities sold short may exceed the amount of proceeds initially received, as well as the amount of the liability recorded as "Short Sales of Securities" in the Statement of Fiduciary Net Position. Short sales expose the short seller to potentially unlimited liability because there is no upward limit on the price a shorted security could attain. Certain portfolio guidelines permit short sales and, to mitigate risks in various ways, such as: limiting the total value of short sales as a percentage of portfolio value, establishing portfolio vs. benchmark tracking error limits, and monitoring other statistical and economic risk measures of the portfolio. Investment performance and risk associated with each portfolio is measured against benchmarks and monitored by management.

When a short sale occurs, the shorting portfolio must borrow the security and deliver it to the buyer. If the shorted security is owned by another WRS portfolio, investment policies allow the borrowing of the shorted securities from other WRS portfolios.

Except in the case of borrowings within the same trust fund, the WRS is required to post collateral to the lender, at the required rate of 102% for in-currency loans and 105% for cross-currency loans. At December 31, 2021, the WRS posted $127.2 million in cash and $5.2 billion in securities as collateral to security lenders. This represented $46.1 million in excess of the fair market value of the securities borrowed. If the security lender recalled the security and the WRS was not able to supply the lender with the security, the lender would be permitted to use the WRS's collateral to fund the purchase of the security.

2. State Investment Fund

The State Investment Fund (SIF) pools the cash of the State of Wisconsin and its agencies, the WRS, and various local government units (Local Government Investment Pool - LGIP) into a commingled fund with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. In the State's Annual Comprehensive Financial Report, the SIF is not reported as a separate fund; rather, each State fund's share in the "pool" is reported on the balance sheet as "Cash and Cash Equivalents." Shares of the SIF belonging to other participating public institutions are presented in the Local Government Pooled Investment Fund, an investment trust fund.

Wis. Stat. Secs. 25.17(3)(b), (ba), (bd) and (dg) enumerate the various types of securities in which the SIF can be invested, which include obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, the unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States including solvent financial institutions in Wisconsin and banker's acceptances. The State of Wisconsin Investment Board's (the Board) Board of Trustees may specifically approve other prudent legal investments.

For financial statement purposes, the carrying value of securities depends on asset class. Repurchase Agreements and nonnegotiable Certificates of Deposit and Time Deposits are valued at cost because they are non-participating contracts that do not capture interest rate changes in their value.

All remaining debt investments (U.S. Government/ Agency securities, Banker's Acceptances, Commercial Paper, Corporate Notes, and negotiable Certificates of Deposit) are carried at fair value. Because quoted market prices for SIF securities are often not available at month end, BNY Mellon, as SWIB's custodial bank, compiles fair values from third party pricing services which use matrix pricing models to estimate a security's fair value.

For purposes of calculating earnings to each participant, all investments are valued at amortized cost. Specifically, income is distributed to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a constant yield basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains and losses generated by the pool's investments.

SIF pool shares are bought and redeemed at $1.00 based on the amortized cost of the investments in the SIF. The State of Wisconsin does not provide any legally binding guarantees to support the value of pool shares.

Fair Value Reporting

The SIF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments held at cost or amortized cost are not reported within the fair value hierarchy.

The following table presents the recurring fair value measurements as of June 30, 2022 (in millions):

		Fair Value Measurement Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level:				
Government & Agencies	$10,607.2	$1,314.1	$9,293.0	$ —
Commercial Paper	676.2	—	603.2	73.0
Banker's Acceptances	50.0	—	20.0	30.0
Corporate Notes	22.6	—	22.6	—
Total By Fair Value Level	$11,355.9	$1,314.1	$9,938.8	$103.0
Short-Term Reported at Cost or Amortized Cost:				
Repurchase Agreements	$ 9,023.4			
Time Deposits (non- negotiable)	150.0			
Total	$20,529.4			

Debt securities categorized as Level 2 are valued using observable inputs by third party pricing services using a matrix - pricing technique. Matrix pricing is used to value securities based on their relationship to quoted market prices for securities with similar interest rates, maturities, and credit ratings. Most debt securities are classified as Level 2 because they are generally traded using a dealer market, with lower trading volumes than Level 1 securities.

Level 3 investments are generally valued using significant inputs that are unobservable to the marketplace. Banker's Acceptances included in Level 3 represent securities that derive their fair value from cost. Typically, due to their short-term nature, cost approximates fair value for these investments.

Investments held at cost (Repurchase Agreements and Time Deposits with maturity less than 90 days) are not reported within the fair value hierarchy.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Board will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty or by the counterparty's trust department or agent but not in the name of the Board. The SIF held repurchase agreements totaling $9.0 billion as of June 30, 2022. Four of the repurchase agreements are bilateral agreements totaling $1.7 billion and the underlying securities (collateral) for these were held at SWIB's custodian. Nine of the repurchase agreements totaling $2.6 billion, were tri-party agreements. The underlying securities (collateral) for these repurchase agreements were held by the tri-party's agent, not in SWIB's name. The remaining repurchase agreements, totaling $4.7 billion, were related-party, bilateral agreements with the WRS. The underlying securities for these repurchase agreements were held by SWIB's custodian, in SWIB's name.

The related party repurchase transactions with the WRS were overnight agreements collateralized with U.S. Treasury securities. The WRS is also a participant in the SIF, with investments totaling $1.4 billion (Core Fund) and $377.8 million (Variable Fund) at June 30, 2022.

The SIF's custodial credit risk policy addresses the primary risks associated with safekeeping and custody. It requires that custodial institutions be selected through a competitive bid process and that the institution be designated a "Systemically Important Financial Institution" by the U.S. Federal Reserve. The policy also requires that the SIF be reflected as beneficial owner on all securities entrusted to the custodian and that the SIF has access to safekeeping and custody accounts. The custodian is also required to be insured for errors and omissions and must provide the SIF with an annual report on internal controls. The SIF's current custodial bank was selected in accordance with these guidelines and meets all requirements stipulated in the custodial credit risk policy.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. The SIF's investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or issue exposure limits based on credit rating. These guidelines do not place a limit on maximum exposure for any U.S. Treasury or Agency discount notes. As of June 30, 2022, the SIF has more than five percent of its investments in FHLB (38.7 percent), U.S. Treasury (9.1 percent) and Repurchase Agreement collateral (44.0 percent) consisting of various securities issued by the U.S. Government and its agencies. Since the Repurchase Agreements generally mature each day, new collateral, consisting of a different blend of U.S. Government and agency securities, is assigned each day.

Credit Quality Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board established investment guidelines with maximum exposure limits by security type based on the minimum credit ratings as issued by Nationally Recognized Statistical Rating Organizations (NRSROs).

The following table presents these credit ratings and aggregate exposures by investment type as of June 30, 2022 (in millions):

Investment Type	Ratings	Fair Value
Repurchase Agreements (Collateral):		
U.S. Government & Agencies Debt	AA	$ 9,023.4
Government Sponsored Entity		
U.S. Agency:		
Federal Home Loan Bank (FHLB)	A-1+	7,899.4
Federal Home Loan Bank (FHLB)	AA	41.1
Federal Home Loan Mortgage Corporation (FHLMC)	A-1+	306.9
Federal Farm Credit Bank (FFCB)	A-1+	483.6
Federal Farm Credit Bank (FFCB)	AA	15.0
U.S. Treasury:		
Short-Term (Bills and Notes)	A-1+	1,727.0
Long-Term (Notes)	AA	134.1
Commercial Paper	A-1+	497.2
Commercial Paper	A-1	179.0
Time Deposits	A-1+	150.0
Banker's Acceptances	A-1+	50.0
Corporate Notes	AAA	1.5
Corporate Notes	AA	21.1
Total Investments		$ 20,529.4

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Weighted Average Maturity (WAM) method is used to analyze interest rate risk. Investment guidelines mandate that the WAM for the entire portfolio will not exceed one year.

At June 30, 2022, the following table shows the investments by investment type, amount and the weighted average maturities (in millions):

Investment Type	Fair Value	Weighted Average Maturity (Days)
Government & Agencies	10,607.2	42
Repurchase Agreements	$ 9,023.4	1
Commercial Paper	676.2	16
Time Deposits	150.0	1
Banker's Acceptances	50.0	33
Corporate Notes	22.6	55
Total Investments	$ 20,529.4	
Portfolio Weighted Average Maturity (Days)		23

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. At June 30, 2022, the SIF was not exposed to foreign currency risk.

3. Lottery Investments and Related Future Prize Obligations

Investments of the State Lottery Fund totaling $9.9 million are held to finance grand prizes payable over a 20-year, 25-year or 30-year period. The investments in prize annuities are debt obligations of the U.S. government backed by its full faith and credit as to both principal and interest. Liabilities related to the future prize obligations are presented at their present value and included in "Accounts Payable and Other Accrued Liabilities".

The following is a schedule of future prize obligations (in millions):

Fiscal Year	Amount
2023	$ 2.4
2024	1.1
2025	0.3
2026	0.3
2027	0.3
Thereafter	1.2
Total future value	5.6
Less: Present value adjustment	(1.0)
Present value of payments	$ 4.6

NOTE 6. RECEIVABLES AND NET REVENUES

A. Receivables

Receivables at June 30, 2022 were as follows (in thousands):

	Taxes	Loans to Local Governments	Other Loans Receivable			Other Receivables	Due From Other Governments	Due From Component Units	Lease Receivables	Total Receivables
			Student Loans	Veterans Loans	Other Loans					
Governmental Activities:										
General	$1,747,269	$ —	$ —	$ —	$ 673	$ 873,984	$ 1,551,438	$ 2	$ —	$ 4,173,367
Transportation	105,425	—	—	—	14,093	9,230	234,495	—	—	363,242
Nonmajor Governmental	—	230,197	—	—	—	139,390	21,144	—	—	390,732
Total Governmental:	1,852,694	230,197	—	—	14,766	1,022,605	1,807,076	2	—	4,927,340
Government-wide Adjustments:										
Internal Service Funds	—	—	—	—	—	2,452	656	—	—	3,108
Accrual Adjustments	—	—	—	—	—	2,837	—	—	—	2,837
Fiduciary Receivables	—	—	—	—	—	78,260	—	—	—	78,260
Total - Governmental Activities	$1,852,694	$ 230,197	$ —	$ —	$ 14,766	$ 1,106,154	$ 1,807,733	$ 2	$ —	$ 5,011,546
Related revenue not recognized in the funds because it is not available	$ 387,265	$ —	$ —	$ —	$ —	$ 39,904	$ 66,683	$ —	$ —	$ 493,851
Business-type Activities:										
Current:										
Environmental Improvement	$ —	$ 197,114	$ —	$ —	$ —	$ 32	$ 10,181		$ —	$ 207,327
University of Wisconsin System	—	—	17,470	—	—	151,153	161,121	3,518	2,983	336,244
Unemployment Reserve	—	—	—	—	—	157,691	1,023	—	—	158,714
Nonmajor Enterprise	—	214	—	1	—	168,583	35,859	—	—	204,656
Total Current:	—	197,328	17,470	1	—	477,459	208,184	3,518	2,983	906,942
Noncurrent:										
Environmental Improvement	—	2,002,366	—	—	—	—	—	—	—	2,002,366
University of Wisconsin System	—	—	89,454	—	—	—	—	—	11,807	101,261
Unemployment Reserve	—	—	—	—	—	93,369	—	—	—	93,369
Nonmajor Enterprise	—	2,205	—	1	2,641	—	—	—	—	4,848
Total Noncurrent	—	2,004,571	89,454	1	2,641	93,369	—	—	11,807	2,201,843
Government-wide Adjustments:										
Fiduciary Receivables	—	—	—	—	—	11,560	—	—	—	11,560
Total – Business-type Activities	$ —	$ 2,201,900	$ 106,924	$ 2	$ 2,641	$ 582,388	$ 208,184	$ 3,518	$ 14,790	$ 3,120,346

B. Net Revenues

Certain revenues of the University of Wisconsin System are reported net of scholarship allowances. For Fiscal Year 2022, these scholarship allowances totaled as follows (in thousands):

Student Tuition and Fees	$ 331,291
Sales and Services of Auxiliary Enterprises	47,693
Total	$ 378,984

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows (in thousands):

Primary Government	Beginning Balance *	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 2,960,373	$ 41,195	$ (388)	$ 3,001,180
Buildings and Improvements	170,058	450	—	170,508
Library Holdings	59,528	162	—	59,690
Equipment	227	—	—	227
Construction and Software in Progress	2,407,339	536,150	(586,211)	2,357,277
Infrastructure	18,838,905	594,904	(41,835)	19,391,974
Total capital assets, not being depreciated	24,436,429	1,172,860	(628,434)	24,980,856
Capital assets, being depreciated:				
Land Improvements	242,621	8,262	(12)	250,872
Buildings and Improvements	2,672,933	47,330	(2,899)	2,717,364
Equipment	1,185,150	78,839	(27,999)	1,235,991
Right to Use Buildings	329,684	25,720	(4,314)	351,090
Right to Use Equipment	3,467	—	—	3,467
Totals	4,433,856	160,152	(35,224)	4,558,784
Less accumulated depreciation for:				
Land Improvements	174,451	11,179	(12)	185,619
Buildings and Improvements	1,425,478	75,023	(2,162)	1,498,339
Equipment	862,126	81,774	(25,631)	918,270
Right to Use Buildings	—	34,509	(221)	34,288
Right to Use Equipment	—	432	—	432
Totals	2,462,055	202,916	(28,025)	2,636,947
Total Capital Assets, being depreciated, net	1,971,801	(42,765)	(7,199)	1,921,837
Governmental activities capital assets, net	$ 26,408,230	$ 1,130,096	$ (635,633)	$ 26,902,693
Business-type activities:				
Capital assets, not being depreciated:				
Land and Land Improvements	$ 168,089	$ 4,952	$ (35)	$ 173,005
Construction and Software in Progress	546,721	339,207	(244,804)	641,125
Total Capital Assets, not being depreciated	714,810	344,159	(244,839)	814,130
Capital assets, being depreciated:				
Land Improvements	35,609	1,129	—	36,738
Library Holdings	1,138,044	22,986	(19,929)	1,141,102
Buildings	8,996,975	387,973	(8,145)	9,376,802
Equipment	1,357,888	92,612	(27,982)	1,422,518
Right to Use Land	1,297	872	—	2,169
Right to Use Buildings	311,160	2,508	—	313,667
Right to Use Equipment	12,279	887	—	13,167
Totals	11,853,252	508,967	(56,056)	12,306,163
Less accumulated depreciation for:				
Land Improvements	19,485	2,212	—	21,697
Library Holdings	988,250	22,181	(19,929)	990,502
Buildings	4,518,209	276,598	(5,076)	4,789,731
Equipment	1,016,222	81,977	(26,004)	1,072,195
Right to Use Land	453	479	—	932
Right to Use Buildings	25,005	26,554	—	51,558
Right to Use Equipment	4,138	4,329	—	8,466
Totals	6,571,762	414,329	(51,009)	6,935,081
Total Capital Assets, being depreciated, net	5,281,491	94,638	(5,047)	5,371,081
Business-type activities capital assets, net	$ 5,996,301	$ 438,797	$ (249,886)	$ 6,185,211

* Amounts for beginning balance include restatements of prior year's balances.

In addition to the capital assets reported by governmental and business-type activities, the fiduciary funds reported gross capital assets of $15.6 million, with accumulated depreciation totaling $10.7 million.

Depreciation Expense

Depreciation expense was charged to the primary government as follows (in thousands):

Governmental Activities			Business-type Activities		
Commerce	$	3,133	University of Wisconsin System	$	393,469
Education		3,665	Lottery		52
Transportation		15,175	Care and Treatment Facilities		9,754
Environmental Resources		21,239	Other Business-Type		11,054
Human Relations and Resources		102,453	Total depreciation expense - business-type activities	$	414,329
General Executive		15,126			
Judicial		4,701			
Legislative		680			
Internal Service Funds		36,745			
Total depreciation expense - governmental activities	$	202,916			

Construction and Software in Progress - Construction and software in progress of the primary government reported in the government-wide statement of net position at fiscal year-end included the following projects (in thousands):

Governmental Activities:	Allotments	Expended through June 30, 2022	Adjusted Encumbrances Outstanding	Unencumbered Allotment Balance
Reported through capital projects funds:				
I94 N-S Corridor Reconstruction	$ 74,694	$ 74,694	$ —	$ —
Stillwater/St Croix Crossing Bridge	60,637	60,637	—	—
Zoo Interchange	541,156	541,156	—	—
GBCI North and South Cell Hall Improvement	22,232	14,522	2,916	4,794
CCI Segregation Unit Expansion	11,976	11,144	286	546
Major Highway and Rehabilitation	100,028	100,028	—	—
Major Highway and Rehabilitation	68,822	68,822	—	—
Kettle Moraine Springs Hatchery Renovation	29,890	28,046	1,114	730
DNR South East Region HQ and Service Center Renovation	16,231	15,475	46	711
Interstate 94 North South Freeway Project	214,866	214,866	—	—
Appleton Readiness Center Renovation	20,234	3,465	9,661	7,108
Viroqua Readiness Center Replacement	23,994	629	1,030	22,334
Milwaukee Secure Detention Facility Ventilation Improvement	10,765	689	9,503	573
Other Projects with allotments totaling less than $10 million		76,554		
Subtotal		$ 1,210,727		
Projects funded with sources other than capital projects funds:				
Transportation-related		1,010,115		
Department of Health Services		105,667		
Department of Children and Families		16,890		
Department of Workforce Development		10,005		
Department of Natural Resources		3,874		
Total construction and software in progress - governmental		$ 2,357,277		
Business Activities:				
UW LaCrosse New FH and Soccer Sup Facility	38,065	32,815	2,283	2,967
UW Milwaukee Sandburg Hall Renovation	44,945	27,456	511	16,978
UW Milwaukee NWQ Student Health Service Renovation	59,780	41,661	9,786	8,333
UW Parkside Wyllie Hall Renovation	35,371	31,473	473	3,425
UW Platteville Sesquicentennial Hall	53,489	32,877	3,206	17,406
UW Madison Kohl Center Addition & Renovation	48,074	6,569	30,670	10,835
UW Madison Vet Med Addition & Renovation	128,603	45,422	71,224	11,957
UW Milwaukee Chemistry Building	129,535	19,547	71,628	38,360
UW Madison Gymnasium-Natatorium Replacement	111,391	57,980	19,878	33,534
UW Milwaukee Student Union Renovation	40,723	13,840	17,916	8,967
UW Madison Camp Randall Stadium Renovation	77,646	52,106	20,664	4,876
UW Madison Sellery Hall Addition Renovation	78,811	49,215	16,918	12,677
UW Eau Claire Science/Health Science Building	14,385	2,697	8,940	2,748
UW Stout South Hall Addition and Renovation	25,000	1,671	18,225	5,104
UW Osh Kosh Clow Hall Renovation Phase II	26,974	4,468	16,425	6,081
CWC Building 6 Remodeling Funding LTR	17,800	391	58	17,352
MMHI Lorenz HL Secure Treatment Units	24,706	24,195	95	416
MMHI Juvenile Center Utility Relations	10,300	6,879	6	3,415
MMHI MJTC Expansion Project	65,955	7,047	51,370	7,538
MMHI Food Service Renovation BTF Release	28,924	869	102	27,953
Veterans Homes Moses Skilled Nursing Facility-King	81,578	80,419	406	753
Projects with allotments totaling less than $10 million:				
University of Wisconsin System		49,871		
Other Projects with allotments totaling less than $10 million		51,656		
Total construction and software in progress - business type		$ 641,125		

Construction and software in progress of the University of Wisconsin System and of the other business-type activities as reported in the financial statements totaled $469.7 million and $171.5 million, respectively.

NOTE 8. ENDOWMENTS

Primary Government

University of Wisconsin System

The University of Wisconsin System invested its trust funds, principally gifts and bequests designated as endowments or quasi-endowments, in two of its own investment pools: the Long Term Fund and the Applied Security Analysis Program "RegentFund." In Fiscal Year 2018, the Board of Regents transferred its investment management responsibilities of the Long Term Fund to the State of Wisconsin Investment Board (SWIB) as permitted through Section 36.11 (11m) of the Wisconsin statutes. The RegentFund was established on April 1, 2019, as an investment fund for a limited number of participating Trust Funds accounts. The RegentFund is an intermediate-term fixed income portfolio, governed by and subject to a Board- approved Memorandum of Understanding, which includes detailed investment guidelines.

Benefiting University of Wisconsin System entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a 12-quarter moving average market value of the fund. The annual spending rate is currently 4.0 percent. Distributions from the RegentFund, principally quasi-endowments and unspent income distributions, consist of interest earnings distributed quarterly. Spending rate and interest distributions from both of these funds are transferred to the State Investment Fund, pending near-term expenditures. At June 30, 2022, net appreciation of the endowment accounts was $166.0 million which was available to meet spending rate distributions, of which $20.6 million was actually authorized for expenditure.

For University of Wisconsin System-controlled, donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act as adopted, permits the Board of Regents of the University of Wisconsin System to appropriate for current spending, an amount of realized and unrealized endowment appreciation as they determine to be prudent. Realized and unrealized appreciation in excess of that amount appropriated for current spending is retained by the endowments.

University of Wisconsin System investment policies and guidelines are governed and authorized by the Board of Regents. The approved asset allocation for the new SWIB-managed Long Term Fund has a target to public markets of the following: 57.0 percent public equities, 20.0 percent fixed income, and 23.0 percent inflation sensitive securities. Private markets are not included in the target asset allocation. The legacy private markets investments will self-liquidate as distributions are made from existing funds with no new commitments intended.

The fair value of Endowments as of June 30, 2022 was $530.2 million including an unrealized loss of $62.6 million when fair values as of June 30, 2022 are compared to asset acquisition costs.

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments since realized gains and losses are based on the difference between the selling price and the acquisition cost of the asset. Therefore, when assets are reported at fair value much of the realized gain or loss may have already been included in prior years as part of the overall change in the fair value of investments.

At June 30, 2022, the book value and fair value of principal funds under control of the University of Wisconsin System was (in millions):

Original Contributions and Distributed Net Gains	$	347.3
Realized Gains – Undistributed		245.5
Book Value		592.8
Unrealized Net Gains/Losses – Undistributed		(62.6)
Fair Value	$	530.2

On June 30, 2022, the portfolio at market, for the Long Term Fund, contained 38.9 percent in global equities, 17.0 percent in Treasury Inflation Protection Securities (TIPS), 16.8 percent in investment grade government/credit, 5.2 percent in hedged non-U.S. equities, 2.7 percent in real estate investment trusts, 2.4 percent in emerging markets equities, and 17.0 percent in private markets. The total return (loss) on the principal Long Term Fund including capital appreciation was (7.6) percent for the year.

On June 30, 2022, the portfolio at market, for the RegentFund, contained 93.2 percent in fixed income securities and 6.8 percent in cash and cash equivalents. The total return on the principal RegentFund including capital appreciation was (10.7) percent for the year.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances as of or for the year ended June 30, 2022 consists of the following (in thousands):

A. Due from/to Other Funds:

Due from Other Funds and the Due to Other Funds represent short-term interfund accounts receivable and payable. The balances in these accounts at June 30, 2022 were as follows (in thousands):

	Due to Other Funds:									
	General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Fiduciary	**Total**
Due from Other Funds:										
General	$ —	$ 21,860	$ 3,951	$ 566	$ 46,332	$ 3,711	$ 950	$ 863	$ 74,894	$ 153,127
Transportation	465	—	19,303	—	—	—	—	—	—	19,768
Nonmajor Governmental	159	12,471	638	689	1,195	4	9,710	666	—	25,532
Environmental Improvement	283	—	—	—	—	—	—	—	—	283
University of Wisconsin System	16,488	333	3,383	76	—	—	5	93	—	20,378
Unemployment Reserve	14	—	—	—	34	—	—	—	—	48
Nonmajor Enterprise	473	47	—	—	—	—	103,088	743	7,014	111,365
Internal Service	5,531	2,358	992	—	1,359	—	240	44	3,366	13,891
Fiduciary	16,473	1,983	1,296	3	29,822	—	7,512	563	1,432	59,085
Total	$ 39,887	$ 39,052	$ 29,564	$ 1,334	$ 78,741	$ 3,715	$ 121,504	$ 2,973	$ 86,706	$ 403,478

The balances in the Due from Other Funds and Due to Other Funds accounts typically result from the time lag between the dates that

(1) interfund goods and services were provided and when the payments occurred, and

(2) interfund transfers were accrued and when the liquidations occurred.

Most of the State's funds are presented on a fiscal year ended June 30. However, some funds are presented on a fiscal year ended December 31. As a result, inconsistencies may occur in amounts reported as interfund receivables or payables between funds with different fiscal year ends.

B. Interfund Receivables/Payables

Interfund Receivables/Payables represent short-term loans from one fund to another to cover cash overdrafts. Interfund receivables/payables at June 30, 2022 were as follows (in thousands):

	Interfund Receivable:	
	General	Total
Interfund Payables:		
Nonmajor Governmental	$ 3,028	$ 3,028
Nonmajor Enterprise	36,709	36,709
Internal Service	27,715	27,715
Total	$ 67,452	$ 67,452

C. Advances to/from Other Funds

Advances to/from Other Funds represent long-term loans to one fund from another fund. Advances at June 30, 2022 were as follows (in thousands):

	Advances from Other Funds (liability):	
	Nonmajor Governmental	Total
Advances to Other Funds (asset):		
Environmental Improvement	$ 6,599	$ 6,599
Nonmajor Enterprise	—	—
Total	$ 6,599	$ 6,599

D. Interfund Transfers

Interfund Transfers in and out that occurred during Fiscal Year 2022 were as follows (in thousands):

Transfers Out: / Transfers In:	General	Transportation	Nonmajor Governmental	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Enterprise	Internal Service	Total
General	$ —	$ 205,246	$ 842,094	$ —	$ 1,069,504	$ 60,000	$ 205,765	$ 346	$ 2,382,955
Transportation	652	—	174,075	—	—	—	—	317	175,043
Nonmajor Governmental	22,142	23,277	56,753	52	194,507	—	25,042	202	321,975
Environmental Improvement	—	—	8,013	—	—	—	—	—	8,013
University of Wisconsin System	23,932	—	76,841	—	—	—	—	—	100,773
Unemployment Reserve	1,486	—	—	—	—	—	—	—	1,486
Nonmajor Enterprise	13,913	—	10,044	—	—	—	243	—	24,200
Internal Service	1,761	38	2,518	—	6	—	72	545	4,940
Fiduciary	3	—	766	—	—	—	—	137	906
Total	$ 63,889	$ 228,561	$ 1,171,104	$ 52	$ 1,264,017	$ 60,000	$ 231,121	$ 1,546	$ 3,020,291

Transfers are typically used to move: (1) revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with statute or budgetary authorizations, and (4) accumulated surpluses from other funds to the General Fund when authorized by statute.

Most of the State's funds are presented on a fiscal year ended June 30. However, some funds are presented on a fiscal year ended December 31. As a result, inconsistencies may occur in amounts reported as interfund transfers between funds with different fiscal year ends. In addition, the transfer of capital assets between governmental and enterprise funds will result in an inconsistency.

Nonroutine and Other Transfers

Transfers considered non-routine or inconsistent with the fund making the transfer included the following (in thousands):

Transfer out from the General Fund:

Funds Reporting the Transfer In	Amount
Transportation	$ 134,152
Unemployment Reserve	60,000
Veterans Trust Fund	15,100

Transfers in to the General Fund:

Funds Reporting the Transfer Out	Amount
University of Wisconsin System	$ 15,683

Transfers out from the Petroleum Inspection Fund:

Fund Reporting the Transfer In	Amount
Transportation	$ 17,019

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2022, the following changes occurred in long term liabilities (in thousands):

Primary Government

Governmental Activities	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds, Long Term Notes and Certificates Payable:					
General Obligation Bonds and Notes for:					
Governmental Funds	$ 5,017,724	$ 739,842	$ 776,407	$ 4,981,158	$ 523,359
Internal Service Funds	308,596	56,574	63,520	301,650	15,159
Annual Appropriation Bonds	2,839,035	—	178,200	2,660,835	193,890
Revenue Bonds	1,819,055	143,180	251,245	1,710,990	163,832
Certificates of Participation for:					
Governmental Funds	46,944	23,605	21,971	48,578	9,487
Internal Service Funds	9,262	2,655	8,058	3,859	2,718
Issuance Premiums and (Discounts)	807,355	52,495	196,190	663,661	—
Total Bonds, Long Term Notes and Certificates Payable	10,847,970	1,018,352	1,495,591	10,370,731	908,445
Other Liabilities:					
Future Benefits and Loss Liability	146,478	40,443	33,999	152,922	48,096
Leases	352,793	995	29,191	324,597	29,046
Compensated Absences	2,516,266	215,265	183,941	2,547,589	181,103
Other Postemployment Benefits	600,067	73,249	—	673,317	—
Claims, Judgments and Commitments	717	—	125	592	—
Pollution Remediation Obligations	5,496	374	5,633	238	238
Total Governmental Activities Long-term Liabilities	$ 14,469,787	$ 1,348,678	$ 1,748,480	$ 14,069,985	$ 1,166,928

Repayment of the general obligation bonds and notes is made from the Bond Security and Redemption Fund. The amount presented in this fund represents the liability to be paid from resources accumulated to provide debt service payments in Fiscal Year 2022.

Repayment of the revenue bonds principal and interest is made from the appropriate debt service fund with payments secured by registration and inspection fees collected by the appropriate program. Most of the compensated absences, pension and other postemployment benefits liabilities are attributed to the General, Transportation and Conservation funds. Long-term liabilities for claims, judgments and commitments are generally liquidated with resources of the governmental activities.

Business-type Activities	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Bonds, Long Term Notes and Certificates Payable:					
General Obligation Bonds & Notes	$ 1,555,261	$ 181,194	$ 134,493	$ 1,601,962	$ 114,011
Revenue Bonds	285,200	100,000	40,230	344,970	29,375
Certificates of Participation	7,158	5,129	3,212	9,075	1,641
Issuance Premiums and (Discounts)	192,495	44,923	41,766	195,653	—
Total Bonds, Long Term Notes, and Certificates Payable	2,040,114	331,247	219,700	2,151,660	145,027
Other Liabilities:					
Future Benefits and Loss Liability	1,060,285	217,944	120,245	1,157,984	124,176
Leases	298,892	4,271	27,826	275,338	25,100
Compensated Absences	200,358	105,811	111,868	194,301	104,909
Other Postemployment Benefits	727,581	65,938	—	793,519	—
Asset Retirement Obligations	12,232	824	—	13,056	—
Total Business-type Activities Long-term Liabilities	$ 4,339,463	$ 726,035	$ 479,639	$ 4,585,859	$ 399,213

NOTE 11. BONDS, NOTES AND OTHER DEBT OBLIGATIONS

The following schedule summarizes outstanding bonds and long-term notes payable at June 30, 2022 (in millions):

Primary Government		
Governmental Activities:		
General Obligation Bonds and Notes	$	5,724.9
Annual Appropriation Bonds		2,703.2
Transportation Revenue Bonds		1,885.2
Certificates of Participation		57.4
Total Governmental Activities		10,370.7
Business-type Activities:		
General Obligation Bonds and Notes:		
University of Wisconsin System	$	1,693.7
Other Business-type		49.1
Environmental Improvement Revenue Bonds		398.6
Certificates of Participation		10.2
Total Business-type Activities		2,151.7
Total Primary Government	$	12,522.4

A. General Obligation Bonds

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, act upon, authorize, issue and sell all debt obligations of the State. To date, the Commission has authorized and issued general obligation bonds and notes primarily to provide funds for the acquisition or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. Occasionally, general obligation bonds are also issued for the purpose of providing funds for veterans housing loans and to refund general obligation bonds. All general obligation bonds and notes authorized and issued by the State are secured by a pledge of the full faith, credit and taxing power of the State of Wisconsin and are customarily repaid over a period of twenty to thirty years.

Article VIII of the Wisconsin Constitution and Wis. Stat. Section 18.05 set limits on the amount of debt that the State can contract in total and in any calendar year. In total, debt outstanding cannot exceed five percent of the value of all taxable property in the State. Annual debt issued cannot exceed the lesser of three-quarters of one percent or five percent of the value of all taxable property in the State less net indebtedness at January 1.

At June 30, 2022, $5.9 billion of general obligation bonds were legislatively authorized but unissued.

General obligation bonds issued and outstanding as of June 30, 2022 were as follows (in thousands):

Fiscal Year Issued	Series	Dates	Interest Rates	Maturity Through	Amount Issued	Amount Outstanding
2014	2013 Series 1	11/13	2.0 to 5.0	5/33	405,470	119,835
2015	2014 Series 3, 4; 2015 Series 1, and A	9/14, 1/15; 4/15, 2/15	1.0 to 5.0	5/29	978,945	422,200
2016	2015 Series C; 2016 Series 1 and A	9/15; 3/16, 3/16	1.75 to 5.0	5/36	977,435	491,855
2017	2016 Series B, C, D, 2; 2017 Series A	7/16, 7/16, 10/16, 8/16; 3/17	0.80 to 5.0	5/37	1,124,280	774,945
2018	2017 Series B, 1, 2, 3; 2018 Series A	11/17, 7/17, 11/17, 12/17; 3/18	2.0 to 5.0	5/38	1,635,975	1,336,280
2019	2018 Series B	10/18	5.0	5/39	258,965	189,565
2020	2019 Series A, B, 1; 2020 Series A, 1, and 2	8/19, 12/19, 10/19 6/20, 2/20, 2/20	1.63 to 5.0	5/40	1,355,910	1,297,775
2021	2020 Series B, 3; 2021 Series A, 1, 2, and 3	11/20, 7/20; 6/21, 2/21, 2/21, 3/21	0.11 to 5.0	5/42	1,274,610	1,220,905
2022	2021 Series B, 4; 2022 Series A, 1, and 2	12/21, 9/21; 5/22, 3/22, 3/22	1.08 to 5.0	5/42	977,610	977,610
					8,989,200	6,830,970
Premiums/Discounts						582,913
Total General Obligation Bonds					$ 8,989,200	$ 7,413,883

As of June 30, 2022, general obligation bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2023	$ 450,459	$ 217,204	$ 88,791	$ 64,342
2024	421,739	197,024	103,776	60,168
2025	414,852	179,763	119,658	55,996
2026	404,951	163,453	95,349	51,776
2027	383,943	147,025	134,702	47,824
2028 - 2032	1,693,977	498,487	507,973	166,613
2033 - 2037	1,061,182	218,166	335,543	78,043
2038 - 2042	423,575	41,166	190,500	19,846
	5,254,678	1,662,288	1,576,292	544,608
Premiums/Discounts	442,061		140,852	
Total	$ 5,696,739	$ 1,662,288	$ 1,717,144	$ 544,608

B. General Obligation Notes

1. Demand Notes

In May 2019, the State issued $53.8 million of General Obligation Demand Notes for general governmental purposes as authorized by law.

As of June 30, 2022, the State had $53.8 million in variable-rate general obligation demand notes outstanding that are demand notes marketed weekly pursuant an electronic bidding system referred to as the Clarity BidRate Alternative Trading System. The holders of the notes have the option to tender their notes weekly, and upon a tender if the remarketing of the tendered note is unsuccessful, the note will be purchased by the State pursuant to a self-liquidity agreement and become a contracted note. There were no contracted notes during Fiscal Year 2022.

The face value of the demand notes are reported as part of General Obligation Bonds and Notes in the Statements of Net Position and bear interest at rates determined and reset every seven days and computed on the basis of a 365/366 day year for the actual number of days elapsed and payable monthly on the first business day of the month. Principal outstanding at year end totaled $53.8 million.

As of June 30, 2022, general obligation demand note debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2023	$ —	$ 1,125	$ —	$ 1,027
2024	—	1,125	—	1,027
2025	—	1,125	—	1,027
2026	—	1,125	—	1,027
2027	—	1,125	—	1,027
2028 - 2032	—	5,626	—	5,134
2033 - 2037	13,712	5,626	4,795	5,134
2038	14,418	577	20,875	835
Total	$ 28,130	$ 17,455	$ 25,670	$ 16,237

Though the actual interest rate paid by the state for these notes will fluctuate as described above, the stated future interest payments in the preceding schedule above are based on an assumed 4.00% fixed annual rate, and not the 0.05% rate that was the actual reset rate in effect at June 30, 2022.

C. Annual Appropriation Bonds

2003 Annual Appropriation Bonds

In December 2003, the State issued $1.8 billion of General Fund Annual Appropriation Bonds consisting of Series A (Taxable Fixed Rate) and Series B (Taxable Auction Rate Certificates). These appropriation obligations were authorized by Wisconsin Statutes to obtain proceeds to pay the State's anticipated unfunded accrued prior service (pension) liability under Wis. Stat. Section 40.05(2)(b) and its unfunded accrued liability for sick leave conversion credits under Wis. Stat. Section 40.05(4)(b), (bc), and (bw) and Subchapter IX of Chapter 40.

In April and June 2008, the State issued $1.0 billion of General Fund Annual Appropriation Refunding Bonds to refund the Series B (Taxable Auction Rate Certificates) that were issued in 2003. The 2008 issuance consisted of Series A (Taxable Fixed Rate) and Series B and C (Taxable Floating Rate Notes).

In November 2012, the State issued $251.6 million bonds to refund a portion of the 2003 Series A bonds. In August 2016, the State issued $400.1 million of General Fund Annual Appropriation Refunding Bonds (Taxable) to refund the May 2018 maturities of the 2008 Series A Bonds.

In February 2020, the State issued $623.3 million of General Fund Annual Appropriation Refunding Bonds (Taxable) to refund the 2008 Series B bonds and 2008 Series C bonds, and make termination payments on the interest rate exchange agreements, or swap agreements relating to the 2008 Series B bonds and 2008 Series C bonds.

In March 2021, the State issued $118.7 million of General Fund Annual Appropriation Refunding Bonds (Taxable) to refund the 2012 Series A.

These appropriation obligations are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the obligations is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service. The Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on such obligations, expresses in Wis. Stat. Section 16.527(10) its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

The General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate) in the outstanding principal amount of $349.6 million ("2003 Series A Bonds"), bear interest at a rate of 5.70 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2016, Series A (Taxable) in the outstanding principal amount of $206.3 million (2016 Series A Bonds), bear interest at rates from 2.05 percent to 2.48 percent computed on the basis of a 30-day month and a 360-day year and for the number of days actually elapsed, payable semiannually on May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2020, Series A (Taxable) in the outstanding principal amount of $570.4 million (2020 Series A Bonds), bear interest at rates from 1.75 percent to 2.50 percent computed on the basis of a 30-day month and a 360-day year and for the number of days actually elapsed, payable semiannually on May 1 and November 1 until their maturity dates.

The General Fund Annual Appropriation Refunding Bonds of 2021, Series A (Taxable) in the outstanding principal amount of $118.0 million (2021 Series A Bonds), bear interest at rates from 0.31 percent to 1.64 percent computed on the basis of a 30-day month and a 360-day year and for the number of days actually elapsed, payable semiannually on May 1 and November 1 until their maturity dates.

As of June 30, 2022, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2023	$ 147.8	$ 38.9
2024	162.8	34.3
2025	177.9	27.7
2026	195.6	20.1
2027	145.7	12.1
2028 - 2032	414.4	25.7
	1,244.1	158.9
Unamortized Prem./Discount	(0.2)	
Total, net	$ 1,243.9	$ 158.9

2009 Annual Appropriation Bonds

In April 2009, the State issued $1.5 billion of General Fund Annual Appropriation Bonds. These appropriation obligations were authorized by Wisconsin Statutes for the purpose of purchasing the tobacco settlement revenues that had been sold by the Secretary of Administration to the Badger Tobacco Asset Securitization Corporation pursuant to Wis. Stat. Section 16.63. In August 2016, January 2017, May 2017, and January 2019, the State issued an aggregate $1.5 billion of General Fund Annual Appropriation Refunding Bonds (Taxable and Tax Exempt) to refund a portion of the appropriation obligations issued in 2009.

The 2016 Series B (Taxable) General Fund Annual Appropriation Bonds in the outstanding principal amount of $192.5 million bear interest rates from 2.05 percent to 3.29 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2017 Series A (Taxable) General Fund Annual Appropriation Bonds in the outstanding principal amount of $416.9 million bear interest rates from 2.68 percent to 3.95 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2017 Series B General Fund Annual Appropriation Bonds in the outstanding principal amount of $101.9 million bear interest rates from 4.00 percent to 5.00 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2017 Series C (Taxable) General Fund Annual Appropriation Bonds in the outstanding principal amount of $388.8 million bear interest rates from 2.51 percent to 3.15 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

The 2019 Series A (Forward Delivery) General Fund Annual Appropriation Bonds in the outstanding principal amount of $316.70 million bear interest rates at 5.00 percent computed on the basis of a 30-day month and a 360-day year, payable semiannually on each May 1 and November 1, until their maturity dates.

These appropriation obligations are not general obligations of the State, and do not constitute "public debt" of the State as that term is used in the Constitution and in the State Statutes. The payment of the principal of, and premium, if any, and interest on the obligations is subject to annual appropriation; that is, payments due in any fiscal year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature. The State is not legally obligated to appropriate any amounts for payment of debt service. The Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on such obligations, expresses in Wis. Stat. Section 16.527(10) its expectation and aspiration that it will do so. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation.

As of June 30, 2022, the debt service requirements for principal and interest on these bonds are as follows (in millions):

Fiscal Year Ended June 30	Principal	Interest
2023	$ 46.1	$ 55.5
2024	58.0	53.4
2025	53.7	50.7
2026	58.1	48.3
2027	436.3	45.6
2028 - 2032	183.9	130.3
2033 - 2037	580.8	75.7
	1,416.7	459.5
Unamortized Premium/Discount	42.6	
Total	$ 1,459.3	$ 459.5

D. Revenue Bonds

Chapter 18, Wisconsin Statutes, authorizes the State to issue revenue obligations secured by a pledge of revenues or property derived from the operation of a program funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

Transportation Revenue Bonds

Transportation Revenue Bonds are issued to finance part of the costs of certain transportation facilities and major highway projects. Chapter 18, Subchapter II of the Wisconsin Statutes as amended, Wis. Stat. Sec. 84.59 and a general bond resolution and series resolutions authorize the issuance of these bonds.

The Department of Transportation is authorized to issue a total of $4.3 billion of revenue bonds. Presently, there are twelve issues of Transportation Revenue Bonds outstanding totaling $1.7 billion. Debt service payments are secured by driver and vehicle registration fees and the program resolution provides for a reserve fund, which if funded, will be used in the event that a deficiency exists in the redemption fund.

The Transportation Revenue Bonds issued and outstanding as of June 30, 2022 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2021 1	8/21	0.6 - 2.3	7/37	$ 143,180	$ 143,180
2021 A	3/21	3.0 - 5.0	7/41	148,490	148,490
2020 1	7/20	0.3 - 1.9	7/34	315,840	315,840
2019 A	4/19	5.0	7/39	155,950	140,655
2017 2	12/17	5.0	7/32	368,595	362,625
2017 1	5/17	5.0	7/37	284,520	193,650
2015 A	12/15	3.0 - 5.0	7/36	225,000	139,270
2015 1	4/15	5.0	7/29	207,240	114,330
2014 2	12/14	5.0	7/27	94,130	68,790
2013 1	3/13	4.0 - 5.0	7/31	259,680	15,255
2012 2	6/12	5.0	7/22	116,400	27,315
2012 1	4/12	5.0	7/22	343,725	41,590
Total				2,662,750	1,710,990
Unamortized Premium / Discount					174,239
Total				$2,662,750	$ 1,885,229

Environmental Improvement Fund Revenue Bonds

The Environmental Improvement Fund (the Fund) provides loans and grants to local municipalities to finance wastewater treatment planning and construction. The Fund is authorized to issue Clean Water Revenue Bonds and Environmental Improvement Fund Revenue Bonds up to an amount of $2.6 billion in total.

Environmental Improvement Fund revenue bonds are payable only from revenues derived from 1) pledged loan amounts, 2) amounts in the Loan Fund, Reserve Fund (if any), and 3) all other pledged receipts.

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay outstanding revenue bonds. Proceeds from the bonds provided financing for loans to municipalities to construct or improve water and wastewater projects.

At June 30, 2022, there were five issues of Environmental Improvement Fund Revenue Bonds outstanding totaling $345.0 million.

Bonds issued and outstanding for the Environmental Improvement Fund as of June 30, 2022 were as follows (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued	Outstanding
2021-A	9/21	4.0 to 5.0	6/40	$ 100,000	$ 100,000
2020-A	5/20	5.0	6/39	80,000	76,745
2018-A	9/18	5.0	6/26	92,080	58,215
2017-A	6/17	3.0 to 5.0	6/35	218,705	101,770
2015-A	12/15	3.0 to 5.0	6/30	43,380	8,240
				534,165	344,970
Unamortized Premium / Discount					53,640
Total				$ 534,165	$ 398,610

As of June 30, 2022, revenue bond debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

	Governmental Activities		Business-Type Activities	
	Transportation Revenue Bonds		Environmental Improvement Fund Revenue Bonds	
Fiscal Year Ended June 30	Principal	Interest	Principal	Interest
2023	$ 145,685	$ 64,453	$ 29,375	$ 16,664
2024	137,645	58,604	30,840	15,195
2025	131,820	54,046	30,990	13,653
2026	126,565	49,478	30,470	12,104
2027	113,955	44,840	15,575	10,580
2028 - 2032	602,020	138,256	77,130	41,445
2033 - 2037	358,750	40,302	101,055	20,148
2038 - 2042	94,550	7,002	29,535	2,222
	1,710,990	456,981	344,970	132,011
Unamortized Premium / Discount	174,239		53,640	
Total	$ 1,885,229	$ 456,981	$ 398,610	$ 132,011

E. Certificates of Participation

The State established a facility in 1992 that provides lease purchase financing for property and certain service items acquired by state agencies. This facility is the Third Amended and Restated Master Lease between the State acting by and through the Department of Administration and U.S. Bank National Association. Lease purchase obligations under the Master Lease are not general obligations of the State but are payable from appropriations of State agencies participating in the Master Lease Program, subject to annual appropriation. The interest component of each lease/ purchase payment is subject to a separate determination.

Pursuant to the terms and conditions of this agreement, the trustee for the facility issues parity Master Lease certificates of participation that evidence proportionate interest of the owners thereof in lease payments. A common pool of collateral ratably secures all Master Lease certificates. Title in the property and service items purchased under the facility remains with the State and the State grants to the Trustee, for the benefit of all Master Lease certificate holders, a first security interest in the leased items.

The outstanding balance as of June 30, 2022 was as follows:

Balance Due	Average Life (Weighted Term)
$67.7 Million	3.02 Years

At June 30, 2022, the following parity Master Lease certificates were outstanding (in thousands):

Issue	Issue Date	Interest Rates	Maturity Through	Issued		Outstanding
2022-A	1/22	3.0 to 5.0	9/31	$ 23,960		$ 23,960
2021-A	2/21	3.0 to 5.0	3/29	31,375		29,160
2013-A	9/13	variable*	3/42	8,392	*	8,392
				63,727		61,512
Unamortized Premium / Discount						6,148
Total				$ 63,727		$ 67,660

*see Revolving Credit Agreement

As of June 30, 2022, Master Lease certificate debt service requirements for principal and interest for governmental activities and business-type activities are as follows (in thousands):

Fiscal Year	Governmental Activities		Business-Type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2023	$ 10,825	$ 2,023	$ 1,348	$ 386
2024	8,398	1,683	1,370	315
2025	7,922	1,335	1,407	259
2026	7,843	1,002	1,420	203
2027	6,834	634	1,401	139
2028-2032	10,287	515	2,130	178
2033-2037	144	66		
2038-2042	184	26		
	52,436	7,284	9,076	1,480
Unamortized Premium / Discount	4,988		1,160	
Total	57,425	7,284	10,236	1,480

Revolving Credit Agreement

Master Lease Certificates of Participation of 2013, Series A (Revolving Credit Agreement – Taxable) in the amount of $8.4 million. This Master Lease certificate evidences the State's obligation to repay advances under a Revolving Credit Agreement, dated September 1, 2013, as amended between U.S. Bank National Association (as trustee), the State of Wisconsin, acting by and through its Department of Administration, as lessee, and PNC Bank National Association. The scheduled termination date under the Revolving Credit Agreement, as amended, is September 1, 2024. This Master Lease certificate shall bear interest at the rates and mature on the dates provided for in the Revolving Credit Agreement. The balance of this Master Lease certificate may include some accrued interest that will be payable at the next semi-annual interest payment date.

The Third Amended and Restated Master Lease 1992-1 provides that certain lease schedules to the facility can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the lease schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the lease payments when due. At June 30, 2022, the State has not deposited with the Trustee amounts, that when invested, will terminate lease schedules.

F. Refundings, Exchanges and Early Extinguishments

Refunding Provisions of GASB Statement No. 23

The State implemented the provisions of GASB Statement No. 23. *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities* beginning with Fiscal Year 1996. This Statement requires proprietary activities to adopt certain accounting and reporting changes for both current refunding and advance refunding resulting in defeasance of debt. GASB Statement No. 23 permits, but does not require, retroactive application of its provisions. The State has chosen not to apply the provisions retroactively to previously issued financial statements.

Current Fiscal Year Refundings/General Obligation Bonds

In September 2021, the State issued $326.4 million of general obligation refunding bonds (2021 Series 4), the proceeds of $324.7 million were deposited in an escrow account to provide for future debt service payments and redemption of $285.6 million of various general obligation bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $62.9 million and an economic gain of $50.3 million.

In March 2022, the State issued $73.5 million of general obligation refunding bonds (2022 Series 1), of which $32.4 million is allocable to just the refunding and the remaining $41.1 million is allocable to the funding of commercial paper. The proceeds of $34.6 million were deposited in the bond security and redemption fund for the redemption of $34.6 million of various general obligation bonds for which redemption was paid from the bond security and redemption fund are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $3.0 million and an economic gain of $2.7 million.

In March 2022, the State issued $180.0 million of general obligation refunding bonds (2022 Series 2), the proceeds of $179.1 million were deposited in an escrow account to provide for future debt service payments and redemption of $164.4 million of various general obligation bonds for which future debt service payments and redemption are paid from the escrow account are considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $19.2 million and an economic gain of $17.6 million.

Prior Year Refundings/General Obligation Bonds

Government Accounting Standards Board Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. At

June 30, 2022, $982.5 million of general obligation bond principal has been defeased.

Current Fiscal Year Refundings/Revenue Bonds

In August 2021, the State issued $143.2 million of Transportation Revenue Refunding Bonds (2021 Series 1), the proceeds of $142.4 million were deposited in an escrow account to provide for future debt service payments and redemption of $126.5 million of various Transportation revenue bonds for which future debt service payments and redemption are paid from the escrow account and considered defeased and the associated liability removed from the financial statements. The refunding resulted in a decrease in total debt service payments by $23.0 million and an economic gain of $21.9 million.

In August 2021, a cash defeasance using funds from the State's Environmental Improvement Fund occurred. At that time, the State deposited $18.7 million of cash from the Environmental Improvement Fund into an escrow account to provide for future debt service payments and redemption of $16.4 million of various Environmental Improvement Fund revenue bonds. As a result of the cash defeasance, the $16.4 million of Environmental Improvement Fund revenue bonds for which future debt service payments and redemptions are paid from the escrow account are considered defeased and the associated liability removed from the financial statements.

Prior Year Refundings/Revenue Bonds

For financial reporting purposes, the following primary government revenue bonds have been defeased, and therefore, removed as a liability from the balance sheet:

- Environmental Improvement Fund revenue bonds – At June 30, 2022, revenue bonds outstanding of $268.2 million have been defeased.
- Transportation Revenue Bonds – At June 30, 2022, revenue bonds outstanding of $689.4 million have been defeased.

G. Short-term Financing

The State of Wisconsin Building Commission, an agency of the State, is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the Commission has authorized the issuance of notes. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

General Obligation Commercial Paper Notes

The State has authorized General Obligation Commercial Paper Notes for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional commercial paper notes are issued to pay for maturing commercial paper notes.

The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the notes. The State also intends to make regular payments to the issuing and paying agent that will be used to pay interest due on maturing notes. With the issuance on March 1, 2022 of its General Obligation Refunding Bonds (2022 Series 1), the State retired all of the outstanding commercial paper notes, and as of June 30, 2022, no commercial paper notes remain outstanding.

Short-term debt activity for the year ended June 30, 2022 for general obligation commercial paper notes was as follows (in millions):

Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
$ 92.5	—	$ 92.5	$ —

General Obligation Extendible Municipal Commercial Paper

The State has authorized General Obligation extendible municipal commercial paper for the acquisition, construction, development, extension, enlargement, or improvement of land, waters, property, highway, buildings, equipment or facilities. Periodically, additional extendible municipal commercial papers are issued to pay for maturing extendible municipal commercial paper. The State intends to make annual May 1 payments on the outstanding commercial paper notes that reflect principal amortization of the paper. The State also intends to make regular payments to the issuing and paying agent that will be used to pay the interest due on the maturing notes. At June 30, 2022, the amount of extendible municipal commercial paper outstanding was $73.4 million which had interest rates ranging from 1.10 percent to 1.35 percent and maturities from July 12, 2022, to August 17, 2022.

Short-term debt activity for the year ended June 30, 2022 for general obligation extendible municipal commercial paper was as follows (in millions):

Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
$ 125.4	—	$ 52.0	$ 73.4

H. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of June 30, 2022, a liability for arbitrage rebate did not exist.

I. Moral Obligation Debt

Through legislation enacted in 1999, the State authorized the creation of local districts. One district, the Wisconsin Center District, is currently authorized to issue bonds for specific purposes, and if the State determines that certain conditions are satisfied, the State may have a moral obligation to appropriate moneys to make up deficiencies in the district's special debt service reserve fund. To date, the Wisconsin Center District has the authority for up to $300.0 million in bonds for this purpose, plus refunding bonds.

The Wisconsin Center District has one outstanding series of bonds in the outstanding balance of $300.0 million and two outstanding refunding series with an outstanding balance of $111.8 million that are subject to the moral obligation pledge to appropriate moneys to make up deficiencies in the debt service reserve funds.

Through legislation enacted in 1999, the State authorized the issuance of up to $170.0 million principal amount of bonds to finance the development or redevelopment of sites and facilities to be used for public schools. If certain conditions are satisfied, and if a special debt service reserve fund is created for the bonds, the State will provide a moral obligation pledge, which would restore the special debt reserve fund established for the bonds to an amount not to exceed the maximum annual debt service on the bonds. One bond issue with an outstanding balance of $19.0 million has been issued that have a special debt service reserve fund secured by the State's moral obligation.

Through legislation enacted in 2017, subject to the Secretary of Administration's designation and determination of certain conditions being met, the State may provide a moral obligation pledge for up to 40% of a local governmental unit's aggregate municipal obligations issued to finance costs related to development occurring in, or for the benefit of, the electronics and information technology manufacturing zone. To date, one series of the Village of Mount Pleasant Tax Increment Revenue Bonds were issued (in 2018) with an outstanding balance of $120.0 million that is subject to the moral obligation.

J. Credit Agreements

In March 2019, the State entered into a credit agreement that provides the State a line of credit for liquidity support for up to $185.0 million of general obligation commercial paper notes. In January 2020, the line of credit was reduced to $155.0 million. In May 2021, the line of credit was further reduced to $113.0 million. In August 2021, the line of credit was further reduced to $93.0 million. With the issuance on March 1, 2022 of its General Obligation Refunding Bonds (2022 Series 1), the State retired all of the outstanding commercial paper notes. As result of the issuance, the of line of credit was not renewed prior to its expiration in March 2022.

NOTE 12. LEASE COMMITMENTS AND INSTALLMENT PURCHASES

The State leases office buildings, space, and equipment under a variety of agreements that vary in lease term, many of which are subject to appropriation from the State Legislature to continue the lease commitment. If such funding, i.e., through legislative appropriation, is judged to be assured, and the likelihood of cancellation through exercise of the fiscal funding clause is remote, leases are considered non-cancelable. Lease payments are generally fixed monthly or annually.

The State also leases land, facility space, and equipment to various third parties as the lessor. The University of Wisconsin System recognized revenue related to these leases totaling $5.4 million during FY 2022.

The University of Wisconsin System leases certain assets that are subsequently subleased to a third party. The non-cancelable terms of these leasing arrangements mature between 2023 and 2036. The discount rates applicable to these leasing arrangements range from 0.53% to 1.81%.

The State does not currently report any sale-leaseback or lease-leaseback transactions under GASB 87 as of June 30, 2022.

The State does not currently report any contracts with residual value guarantees, termination penalties, commitments prior to the commencement of the lease, or impairment under GASB 87 as of June 30, 2022.

A. GASB 87 Leases

GASB Statement No. 87, *Leases*, became effective for the reporting period ending June 30, 2022. With certain exceptions, under GASB 87 all leases are considered finance leases and are reported accordingly. The concept is that leases represent a means to finance the right to use an underlying asset. Lease commitments in the government-wide and proprietary fund statements are reported as liabilities at lease inception.The related assets along with the amortization are also reported at that time as right-to-use assets. Right-to-use assets at inception are recorded at the present value of total lease payments as shown in Note 7. These payments are discounted at the State's incremental borrowing rate. Lease payments are reported as a reduction of the liability.

For lessor transactions, the State records lease receivables and deferred inflows of resources based on the present value of expected receipts over the lease term. The expected receipts are recorded at the present value of total lease payments using the State's incremental borrowing rate.

Primary Government

For leases in governmental funds, "Other Financing Sources - Lease Acquisitions" and expenditures are recorded at lease inception. Lease payments are recorded as expenditures.

The following is an analysis of future principal and interest payment requirements related to the State's lease liability as of June 30, 2022 (in thousands):

	Governmental Activities	
Fiscal Year	**Principal**	**Interest**
2023	$ 29,046	$ 5,017
2024	27,551	4,622
2025	27,663	4,220
2026	27,208	3,810
2027	26,519	3,397
2028-2032	113,066	11,047
2033-2037	58,540	3,604
2038-2042	13,990	429
2043-2047	1,013	46
Total	$ 324,596	36,192

	Business- type Activities	
Fiscal Year	**Principal**	**Interest**
2023	$ 25,100	$ 4,602
2024	19,954	4,310
2025	17,749	4,036
2026	16,732	3,769
2027	15,143	3,507
2028-2032	67,589	13,788
2033-2037	53,795	8,103
2038-2042	35,325	4,090
2043-2047	23,939	813
Thereafter	13	—
Total	$ 275,339	$ 47,018

NOTE 13. POLLUTION REMEDIATION AND ASSET RETIREMENT OBLIGATIONS

Pollution Remediation Obligations

Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishes accounting and financial reporting standards for pollution remediation obligations. These are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation obligations that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plant decommissioning.

Measurement of Obligations

GASB Statement No. 49 requires the State to calculate pollution remediation obligations using the expected cash flow technique. These estimates are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors. Recoveries from other responsible parties may reduce the State's obligation. In accordance with the standard, if the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. Under specific circumstances capital assets may be created when pollution remediation is performed.

During the fiscal year, the State expended $5.6 million to clean up sites. Estimates of existing pollution remediation liabilities were also increased by $0.4 million. In total, the restated beginning liability of $5.5 million decreased to $0.2 million. There were no recoveries received from other responsible parties during the fiscal year and none are expected for the identified obligations.

Identified Remediation Obligations

Pollution remediation liabilities are updated annually and are based on engineering studies and the judgment of agency officials. The following table shows liabilities included in the Statement of Net Position as of June 30, 2022 (in millions):

Nature and Source of Pollution	Estimated Liability	Estimated Recovery
Contract agreement with EPA to clean up Superfund site for former wood treatment facility	$ 0.2	$ —
Voluntary commencement by the State to clean up heavy metal contamination of canal near former industrial site	—	—
Total estimated obligations	$ 0.2	$ —

In addition to the liability reported in the table above, the State expects to incur estimated costs of $10,000 per year indefinitely to pump and treat contamination at a former chrome plating facility. The State also expects to incur estimated costs of $70,000 per year indefinitely to operate and maintain a closed landfill. Both are Superfund sites and estimated total remediation costs for them cannot be reasonably determined. Therefore, a liability has not been reported in the Statement of Net Position for either site.

Asset Retirement Obligations

GASB Statement No. 83, Certain Asset Retirement Obligations (GASB 83), establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. In accordance with the statement, the University of Wisconsin System has recognized asset retirement obligations of $13.1 million as of June 30, 2022, related to decommissioning costs for a nuclear research reactor. This obligation was recognized based on the best estimate of the current value of outlays expected to be incurred. The corresponding deferred outflow of resources is amortized over the estimated remaining useful life of the associated tangible capital asset coinciding with a licensure period through the year 2031. The University of Wisconsin System has issued a statement to the U.S. Nuclear Regulatory Commission of intent to obtain funds necessary for decommissioning, when necessary. No restricted assets are set aside for payment of the asset retirement obligations.

NOTE 14. RETIREMENT PLAN

The Wisconsin Retirement System (WRS) was established and is administered by the State of Wisconsin to provide pension benefits for State and local government public employees. The WRS consists of the Core Retirement Investment Trust, the Variable Retirement Investment Trust, and the Police and Firefighters Trust. Although separated for accounting purposes, the assets of these trust funds can be used to pay benefits for any member of the WRS, and are reported as one pension plan.

The WRS is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes audited financial statements and required supplementary information for the year ending December 31, 2021, is available at www.etf.wi.gov.

Plan Description

The WRS, governed by Chapter 40 of the Wisconsin Statutes, is a cost-sharing multiple-employer defined benefit pension plan administered by the Department of Employee Trust Funds. Benefit terms may only be modified by the Legislature. It provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

As of December 31, 2021, the number of participating employers was:

State Agencies	56
Cities	189
Counties	71
Villages	291
Towns	287
School Districts	421
Wisconsin Technical College System Board Districts	16
Cooperative Educational Service Agencies	12
Other	212
Total Employers	1,555

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Vested employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits, or may leave contributions on deposit and defer application until eligible to receive a retirement benefit. The WRS also provides death and disability benefits for employees.

The Employee Trust Funds Board may periodically adjust annuity payments from the WRS based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payment may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the WRS' consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core Retirement Investment Trust annuities, decreases may be applied only to previously granted increases. By law, Core Retirement Investment Trust fund annuities cannot be reduced to an amount below the original, guaranteed amount set at retirement.

Accounting Policies and Plan Asset Matters

The financial statements of the WRS have been prepared in accordance with generally accepted accounting principles, using the flow of economic resources measurement focus and a full accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Plan member contributions are recognized in the period in which contributions are paid. Employer contributions to the plan are recognized in the accounting period in which the underlying earnings on which the contributions are based are paid and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All assets of the WRS are invested by the State of Wisconsin Investment Board. The retirement fund assets consist of shares in the Variable Retirement Investment Trust and the Core Retirement Investment Trust. The Variable Retirement Investment Trust consists primarily of equity securities. The Core Retirement Investment Trust is a balanced investment fund made up of fixed income securities and equity securities. Shares in the Core Retirement Investment Trust are purchased as funds are made available from retirement contributions and investment income, and sold when funds for benefit payments and other expenses are needed.

The assets of the Core and Variable Retirement Investment Trusts are carried at fair value with all market value adjustments recognized in current operations. Investments are revalued monthly to current market value. The resulting valuation gains or losses are recognized as income, although revenue has not been realized through a market-place transaction.

The WRS does not have any investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5.0 percent or more of plan net position.

Contributions Required

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. In 2016, executives & elected officials' contributions rates were changed to match General. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates as of June 30, 2022 are:

	Employee	Employer
General (including teachers)	6.50%	6.50%
Executives & Elected Officials	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

State of Wisconsin Net Pension Asset, Pension Contributions, Pension Revenue, and Deferred Outflows and Inflows of Resources

At June 30, 2022 the State reported a net pension asset of $2.30 billion for its proportionate share of the WRS' net pension asset. It is presented as a net pension asset on the Statement of Net Position for proprietary funds and on the government-wide Statement of Net Position.

The net pension asset was measured as of December 31, 2021, and the total pension liability was based on an actuarial valuation as of December 31, 2020. Update procedures were used to roll forward the total pension liability to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

The State's proportionate share of the net pension asset was determined based on the State's share of contributions to the WRS relative to the contributions of all participating employers. At December 31, 2021, the State's proportionate share was 28.5 percent, which is an increase of 0.4 percent from its proportionate share as of December 31, 2020.

For calendar year 2021, State employers made $333.9 million in contributions recognized by the WRS.

For the year ended June 30, 2022, the State recognized pension revenue of $196.5 million. At June 30, 2022, the State reported deferred outflows and inflows of resources related to pensions of $4.30 billion and $5.40 billion, respectively. Deferred outflows and inflows related to pensions, including the types and the amounts applicable to each type, can be found in table below (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Pension Experience	$ 3,705,525	$ (267,208)
Changes of Pension Assumptions	427,946	—
Net Difference Between Projected and Actual Earnings on Pension Investments	—	(5,131,432)
Changes in Proportionate Share	7,192	(4,609)
Pension Contributions Subsequent to the Measurement Date	162,200	—
Total	$ 4,302,863	$ (5,403,249)

The $162.2 million in deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability or an increase to the net pension asset in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Fiscal Year Ended June 30	Amount
2023	$ (105,479)
2024	(620,983)
2025	(273,322)
2026	(262,802)
2027	—
	$ (1,262,586)

A schedule presenting multi-year trend information of the State's proportionate share of the net pension liability or asset is presented as required supplementary information following the notes to the financial statements.

Actuarial Valuation

The pension measurements as of December 31, 2021 were based upon the following actuarial assumptions:

Actuarial Valuation Date	December 31, 2020
Measurement Date of Net Pension Liability (Asset)	December 31, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Long-Term Expected Rate of Return	6.8%
Discount Rate	6.8%
Salary Increases	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.7%

* No post-retirement adjustments are guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. The assumed annual adjustment is 1.7%, based on the investment return assumption and the post-retirement discount rate. This includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions are based upon an experience study conducted in 2021 using experience from 2018-2020. The total pension liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on WRS investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return, net of WRS investment expense and inflation, are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is reviewed every three years in conjunction with the WRS experience study. For each major asset class that is included in the Core Retirement Investment Trust fund's target asset allocation as of December 31, 2021, these best estimates of geometric long- term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Global Equities	52.0%	4.2%
Fixed Income	25.0	1.8
Inflation Sensitive	19.0	0.2
Real Estate	7.0	3.0
Private Equity/Debt	12.0	7.0

For each major asset class that is included in the Variable Retirement Investment Trust fund's target asset allocation as of December 31, 2021, these best estimates of geometric long-term real rates of return were used:

Asset Class	Target Allocation	Rate of Return
Domestic Equity	70.0%	3.7%
International Equity	30.0	4.6

The money-weighted rates of return on pension plan investment for the Core and Variable funds for the calendar year ended 2021 were 17.03% and 19.98%, respectively. The money-weighted rate of return expresses investment performance, net of pension plan expenses, adjusted for the changing amount actually invested.

Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. The discount rate is based on the expected rate of return on pension plan investments. Because of the unique structure of the WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the State's proportionate share of the net pension liability (asset), calculated using a single discount rate of 6.8%, as well as what the State's net pension liability (asset) would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

		State's share of the net pension liability (asset)
1% Decrease (5.8%)	$	1,627,617,268
Current Rate (6.8%)	$	(2,293,804,977)
1% Increase (7.8%)	$	(5,116,499,336)

NOTE 15. MILWAUKEE RETIREMENT SYSTEM

The Milwaukee Retirement System (MRS) is reported as an Investment Trust Fund. MRS participants provide assets to the State of Wisconsin, Department of Employee Trust Funds (DETF) for investing in the Core Retirement Investment Trust Fund (Core Fund) and the Variable Retirement Investment Trust Fund (Variable Fund) of the Wisconsin Retirement System. Participation of the MRS in the Core Fund and Variable Fund is described in the DETF Administrative Code, Chapter 10.12. The State of Wisconsin Investment Board (SWIB) manages the Core Fund and Variable Fund with oversight by a Board of Trustees as authorized in Wis. Stat. 25.14 and 25.17. SWIB is not registered with the Securities and Exchange Commission as an investment company.

The investments of the Core Fund and Variable Fund consist of a highly diversified portfolio of securities. Wis. Stat. 25.17(3)(a) allows investments in loans, securities and any other investments as authorized by Wis. Stat. 620.22. Permitted classes of investments include bonds of governmental units or of private corporations, loans secured by mortgages, preferred or common stock, real property and other investments not specifically prohibited by statute.

Investments are revalued monthly to fair value, with unrealized gains and losses reflected in income.

Monthly, the DETF distributes a pro-rata share of the total Core Fund and Variable Fund earnings less administrative expenses to the MRS accounts. The MRS accounts are adjusted to fair value and gains/losses are recorded directly in the accounts per DETF Administrative Code, Chapter 10.12(2). Neither State statute, a legal provision nor a legally binding guarantee exists to support the value of shares.

Copies of the separately issued financial report that includes audited financial statements along with the accompanying footnote disclosures and supplementary information for the Core Fund and the Variable Fund is available at www.swib.state.wi.us or may be obtained upon request from:

State of Wisconsin Investment Board
P.O. Box 7842
Madison, Wisconsin 53707-7842

NOTE 16. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PROGRAMS

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures in financial reports of state and local governmental employers. GASB statement 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, establishes reporting standards for other postemployment benefits included in the general purpose external financial reports of state and local governmental OPEB plans.

Under Chapter 40 of Wisconsin Statutes, the Department of Employee Trust Funds (ETF) and Group Insurance Board (GIB) have statutory authority for program administration and oversight of post-employment benefits. ETF administers postemployment benefit plans other than pension plans for the Retiree Health Insurance and Retiree Life Insurance plans, along with the Supplemental Health Insurance Conversion Credit Program (for retired state employees). ETF also administers the Local Retiree Health Insurance and the Local Retiree Life Insurance plans (for retired local government employees). The plans are reported as fiduciary funds in the State's ACFR.

ETF's separately issued financial statements contain further information. ETF's report may be obtained at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
PO Box 7931
Madison, Wisconsin 53707-7931

Basis of Accounting

The OPEB plans are reported in accordance with GASB standards and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. The OPEB liability, deferred outflows of resources and deferred inflows of resources, OPEB expense/(revenue), and fiduciary net position, if any, have been determined on the same basis. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

Retiree Health Insurance Funds

The Retiree Health Insurance plans offer group health insurance to retired State of Wisconsin and local government employees. Retirees pay the full premium amount. The State Retiree Health Insurance Fund includes the State, the University of Wisconsin, and other component units of the State. The Local Government Retiree Health Insurance Fund includes 393 local government employers. The plans are not administered through a trust. The Retiree Health Insurance Funds contain certain non-OPEB components relating to post-Medicare pharmacy and health insurance benefits. ETF and the GIB have statutory authority for program administration and oversight under Wisconsin Statutes Chapters 15.165 (2) and 40.03 (6).

State of Wisconsin and local government employees participating in the State Health Insurance Plan or the Wisconsin Public Employers Insurance Plan (local government plans) are eligible to continue their health insurance coverage after leaving covered employment. Membership as of December 31, 2021, included 28,756 former state employees or their beneficiaries and 2,095 former local government employees and beneficiaries.

Retirees may choose between several health plans with specific provider networks (i.e., Health Maintenance Organizations (HMO's), Preferred Provider Organizations (PPO's) or Medicare Advantage). The health plans must follow GIB guidelines for eligibility and program requirements. All health plans offer a prescribed benefit package called Uniform Benefits and participate in a yearly competitive premium rate bid process. The pharmacy benefit is self-insured by the GIB and administered by Navitus Health Solutions.

Effective January 1, 2012, prescription drug coverage for Medicare eligible retirees enrolled in the State group health insurance program is provided by a self-funded Medicare Part D Employer Group Waiver Plan (EGWP). A Medicare "Wrap" product is also included to provide full coverage to members, as required by Uniform Benefits, when they reach the Medicare coverage gap, also known as the "donut hole."

Retiree Life Insurance Funds

The State Retiree Life Insurance Fund includes the State, the University of Wisconsin, and other component units of the State, and is considered a single-employer defined benefit OPEB plan. The Local Government Retiree Life Insurance Fund included 724 local government employers as of December 31, 2021 and is considered a cost-sharing multiple-employer defined benefit OPEB plan. The plans are administered through a trust.

The plans provide post-employment life insurance coverage to all eligible employees of participating employers. The plans are established by Wisconsin Statutes Chapter 40.70. ETF contracts with Securian Financial Group, Inc (Securian) as a third party administrator for the Retiree Life Insurance plans. Benefit terms may be modified by the GIB, subject to state and federal legislative constraints.

Generally, members may enroll during a 30-day enrollment period after their date of hire. Members may also enroll after the initial 30-day enrollment period with evidence of insurability. Members under evidence of insurability enrollment must enroll in group life insurance coverage before age 55 to be eligible for Basic or Supplemental coverage.

Contributions

The GIB approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions for active members to provide them with basic coverage after age 65. There are no employer contributions for pre-65 annuitant coverage. All contributions are actuarially determined.

Coverage Type	State	Local
50 percent post retirement coverage	28 percent of the employee premium	40 percent of the employee premium
25 percent post retirement coverage	N/A	20 percent of employee premium

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per $1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2021 are as listed below:

Attained Age	State Basic	State Supple-mental	Local Basic	Local Supple-mental
Under 30	$0.0463	$0.0463	$0.0500	$0.0500
30-34	0.0463	0.0463	0.0600	0.0600
35-39	0.0463	0.0463	0.0700	0.0700
40-44	0.0695	0.0695	0.0800	0.0800
45-49	0.1158	0.1158	0.1200	0.1200
50-54	0.1852	0.1852	0.2200	0.2200
55-59	0.2547	0.2547	0.3900	0.3900
60-64	0.3473	0.3473	0.4900	0.4900
65-69	0.4515	0.4515	0.5700	0.5700

*Disabled members under age 70 receive a waiver of premium benefit

At retirement, the member must have active group life insurance coverage and satisfy one of the following:

- Wisconsin Retirement System (WRS) coverage prior to January 1, 1990, *or*
- At least one month of group life insurance coverage in each of five calendar years after 1989 *and* one of the following:
  - Eligible for an immediate WRS benefit, *or*
  - At least 20 years from their WRS creditable service as of January 1, 1990, plus their years of group life insurance coverage after 1989, *or*
  - At least 20 years on the payroll of their last employer.

In addition, terminating members and retirees must continue to pay the employee premiums until age 65 (age 70 if active).

Benefits and Membership

After retirement, basic coverage is continued for life in amounts for the insurance in force before retirement:

Age	State	Local
Before age 65	100%	100%
While age 65	75%	75%
While age 66	50%	50%
After age 66	50%	50% / 25% Employer Election

After retirement, supplemental and additional coverage may be continued until age 65 at 100 percent of the amount of the insurance in force before retirement at the employee's expense, and spouse and dependent coverage is terminated.

Membership as of December 31, 2021, included:

	State	Local	Total
Active*	50,355	75,179	125,534
Inactive Pre-Age 65 Annuitants	6,360	9,848	16,208
Inactive Post-Age 64 Annuitants	28,967	39,633	68,600
Totals	85,682	124,660	210,342

* Active membership includes disabled

Supplemental Health Insurance Conversion Credit (SHICC) Program

The SHICC program includes the State, the University of Wisconsin, and other component units of the State and is considered a single-employer defined benefit OPEB plan. The Department of Employee Trust Funds (ETF) and the ETF Board have the authority for program administration and oversight. The SHICC program is reported as an Other Post-Employment Benefit Trust Fund. The SHICC program was established by Wisconsin Statute 40.95 and is defined in the state compensation plan (Wis. Stat. 230.12(9)).

The SHICC program allows members with more than 15 years of eligible service to convert unused sick leave balances into credits to pay for post-retirement health insurance premiums. The SHICC benefit provides a limited match of the members credits earned through the Accumulated Sick Leave Conversion Credit (ASLCC) program. ASLCC program credits are computed at the time of retirement, layoff, or death by multiplying the number of hours of unused sick leave by the highest hourly pay rate at which the employee accrued sick leave that is eligible for conversion. Employment category and number of years of service are also factored into the calculation. The SHICC program also includes a provision for the restoration of 500 hours of credits upon retirement, layoff or death provided at least 500 hours or accrued sick leave were used for a single injury or illness during the three years immediately preceding the retirement, layoff or death while in state service.

All ASLCC program credits must be used before the SHICC program credits. Unused ASLCC and SHICC credits have no cash value, are carried forward from year to year without interest, and when total health insurance premiums paid on behalf of the retired employee equal or exceed the conversion credits, no further payments are made under the ASLCC and SHICC programs. ASLCC and SHICC credits may be escrowed indefinitely after retirement for participants who provide evidence of comparable health insurance coverage from another source.

Eligibility and Membership

Generally to be eligible to use SHICC credits to pay post-retirement health insurance premiums, members with 15 years of adjusted continuous service (or their insured surviving spouse and/or dependents) must be covered under the State of Wisconsin Group Health Insurance Program. If a member with 20 years of service leaves eligible service prior to retirement, the benefit is vested.

Membership as of December 31, 2021, included:

Employment Status	Count
Retirees and Beneficiaries	21,715
Inactive, Non-retired Members	366
Active Members	72,701
Total	94,782

At retirement, the member must have State of Wisconsin Group Health Insurance Program coverage and satisfy the following:

- Retire on an immediate annuity; or
- Retire and receive a lump-sum benefit; or
- Qualify for a Wisconsin Retirement System (WRS) disability retirement benefit, long-term disability benefit or a protective occupation duty disability benefit under Wisconsin Statute 40.65; or
- Have 20 years of WRS creditable service and are eligible for an immediate retirement benefit, but have chosen not to apply for retirement or disability benefit immediately

Eligible members may elect to escrow their SHICC credits (to be used at a later date) if they have comparable health insurance coverage through another source. If SHICC eligible members are not immediately eligible for an annuity, they must satisfy the following to defer vested (preserved) SHICC credits to pay health premiums when becoming a WRS annuitant:

- Terminate with 20 years of WRS creditable service (providing they do not elect a WRS separation benefit) or
- State constitutional officer, a member or an officer of the legislature of the head of a state department or agency who was appointed by the governor with senate confirmation and are not eligible for an immediate annuity when terminating from state employment (providing they do not elect a WRS separation benefit).

If not eligible for an immediate annuity and the member is permanently laid off from State employment, the member must have at least 15 years of adjusted continuous service to use SHICC credits to pay health premiums for up to five years after the layoff begins.

Contributions and Benefits

The ETF Board approves contribution rates annually, based on recommendations from the actuary. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions, in accordance with Wis. Stat. § 40.05 (4) (by). Employer contributions made during a member's working lifetime funds a post-retirement benefit. Employers made contributions totaling $15.7 million based upon a percentage of active member earnings for the year ending December 31, 2021.

The SHICC program provides matching sick leave hours, that are in addition to, but generally not to exceed the unused sick leave balances that are used to calculate benefits provided under the ASLCC program, to participants retiring (or terminating employment) with 15 or more years of eligible service, as follows:

Employment Category	Benefit Eligible Hours*
Protective	Match up to 78 hours (9.75 days) per full year of service through 24 years, plus 104 hours (13 days) per full year of service over 24 years.
Others	Match up to 52 hours (6.5 days) per full year of service through 24 years, plus up to 104 hours (13 days) per full year of service over 24 years.

*The SHICC program also includes a restoration benefit of up to 500 hours when certain criteria are met.

The SHICC program also provides benefits after a member's death. The member's surviving spouse and/or dependents may be eligible to use SHICC credits to pay State of Wisconsin Group Health Insurance premiums under the following conditions:

- Member was covered by the State of Wisconsin Group Health Insurance Program under a family policy on the member's date of death or the member is receiving a retirement disability benefit; or
- Member has preserved SHICC credits and the member dies before becoming a WRS annuitant; or
- Member has escrowed SHICC credits and the member dies.

All Plans Total OPEB Expense/(Revenue)

For the year ended June 30, 2022, OPEB expense/(Revenue) for all plans combined was $46.6 million by participating employers:

Primary Government	
State of Wisconsin	$ 25,969,616
University of WI System	15,856,795
Component Units	
UW Hospital and Clinics Auth.	4,328,331
WI Housing & Economic Development Auth.	294,703
WI Economic Development Corp.	186,237
Total	$ 46,635,682

A detailed schedule of OPEB expense (revenue) by plan can be found in note 17.

NOTE 17. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. State Retiree Health Insurance OPEB

The State Retiree Health Insurance program provides postemployment health insurance coverage to all eligible retired employees of the State, the University of Wisconsin, University of Wisconsin Hospital and Clinics Authority, Wisconsin Housing and Economic Development Authority and Wisconsin Economic Development Corporation. The employers do not directly pay any portion of the premium for participating retirees. However, because retirees pay the same premium rate set for active employees, an implicit rate subsidy exists for employers. This implicit rate subsidy is reported as an OPEB liability. At age 65, when eligible, retirees are required to enroll in Medicare. No assets have accumulated because there is no trust.

Retiree Health Insurance Plan Description

GASB standards classify the State Retiree Health Insurance program as a single employer defined benefit OPEB plan with multiple participating employers. Medical, prescription drug and dental benefits are provided to eligible retirees.

Retirees pay the full premium until age 65 directly to the plan either through "out-of-pocket" or from unused accumulated sick leave conversion credits or supplemental health insurance conversion credits. The value of the sick leave benefit is defined as compensated absences and reported under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences.*

Contribution requirements are established and may be amended by the GIB. Premiums for non-Medicare retirees are based on an effective rate structure for the health care service provider selected. Monthly rates range from $618 to $1,470 for single coverage and $1,509 to $3,641 for family coverage.

As of January 1, 2021 (most recent actuarial valuation date), membership consisted of:

Member Type	Number
Retired members or beneficiaries receiving OPEB benefits	8,219
Vested terminated members not yet receiving OPEB benefits	1,214
Active members	62,805
Total Members	72,238

Inclusion of OPEB Information for Component Units

GASB standards require the presentation of OPEB related amounts and information in the State's financial statements for both the State of Wisconsin (the primary government) and the component units. The component units are responsible for their share of the OPEB liabilities. Reported amounts related to the OPEB liability, OPEB expense/(revenue) and related deferred inflows and outflows for the OPEB plans may vary by an immaterial amount from the final amounts due to the timing of available information.

Total Retiree Health OPEB Liability

The actuarial valuation was based on the plan of retiree benefits and was made for purposes of fulfilling GASB accounting standards which require recognition of the employer cost of postemployment benefits over an employee's career. The total cost of providing postemployment benefits is projected, considering relevant assumptions, then discounted to determine the total OPEB liability.

To determine the total OPEB liability for the program, the actuary performed an actuarial valuation as of January 1, 2020 and adjusted for changes such as interest earned, contributions paid, and benefits paid through June 30, 2021. Based on this, the actuary determined the OPEB liability totaled $712.9 million.

The total OPEB liability was allocated to participating employers based on their proportionate share of health insurance premiums contributed for active employees. Amounts by participating employers as of a June 30, 2022 reporting date, are indicated in the table below (in millions):

Participating Employer	OPEB Liability
Primary Government	
State of Wisconsin	$ 316.5
University of Wisconsin System	316.7
Component Units	
UW Hospital and Clinics Auth.	77.4
WI Housing & Economic Development Auth.	1.4
WI Economic Development Corp.	0.9
Total OPEB Liability	$ 712.9

Changes in the Total OPEB Liability

Changes to the total OPEB plan liability during the fiscal year include the following (in millions):

Total OPEB Liability June 30, 2020	$ 642.0
Changes for the Year:	
Service cost	52.5
Interest	14.9
Difference between expected & actual experience	92.1
Changes of assumptions	(41.2)
Benefit payments*	(47.4)
Net Change in Total OPEB Liability	70.9
Total OPEB Liability June 30, 2021	$ 712.9

* Employer benefit payments of $47.4 million were actuarially determined and pertain to the implicit rate subsidy.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long- term perspective of the calculations.

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Actuarial Valuation Date	January 1, 2021
Measurement Date of Total OPEB Liability	June 30, 2021
Actuarial cost method	Entry Age Normal
Asset Valuation Method	N/A
Inflation	2.4%
Salary increases	Separate merit and longevity increase rates by employer and service, plus 3%
Discount Rate	Discount rate was changed to 2.16% for the June 30, 2021 measurement from 2.21% for the June 30, 2020 measurement
Healthcare Cost Trend Rates:	
Medical	4.10% for the first year then 6.75% grading down 0.25% per year to 4.50%
Prescription drug	10.67% for the first year then 7.50% grading down 0.25% per year to 4.50%
Dental	0.00% for first two years then 3.00% thereafter
Administrative Costs	(4.03) % for first year then 3.00% every year after
Mortality Rates	Wisconsin 2020 Mortality Table
Benefit Changes	None
Participation Rates	Active: 60% are assumed to elect coverage at retirement, and 12.5% of the 40% that defer are assumed to be covered over the next 5 years (1.0% per year), so 65% assumed to be covered after 5 years Deferred: 5% per year over 8 years
Assumed Claims	Per capita claims costs were based on premium equivalent rates for plan year 2021 and actuarial factors applied to weighted average premium rates to estimate costs
Termination Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2018-2020 experience study for the pension valuation
Disability Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2018-2020 experience study for the pension valuation
Normal Retirement Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2018-2020 experience study for the pension valuation
Lapse Rate	5% per year after the later of assumed commencement or the valuation date
Retiree Contribution Increase Rate	Retiree contributions are expected to increase with average benefit trend
Benefit End Date	Benefits end when participants turn 65 years old

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2021 using experience from 2018 to 2020. An actuarial experience loss increased the liability by $92.1 million due to demographic changes and actual 2021 contributions and benefit payments that were different form expected. Valuation assumption changes also decreased the liability by $41.2 million as the result of a decrease in obligations due to changes in the participation rate assumptions and the valuation-year per capita health costs based on recent experience, which was offset by an increase in obligations due to updating the healthcare trend rates, adopting updated demographic assumptions based on the WRS Experience Study for the period 2018 - 2020 and lowering the discount rate.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents each employer's proportionate share of the total liability and what it would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current discount rate (in millions):

	1% Decrease in Discount Rate (1.16%)	Current Discount Rate (2.16%)	1% Increase in Discount Rate (3.16%)
Primary Government	$ 679.2	$ 633.1	$ 589.5
Component Units	85.7	79.8	74.3
Total OPEB Liability	$ 764.9	$ 712.9	$ 663.8

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents each employer's proportionate share of the total liability and what it would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or higher than the current healthcare trend rate (in millions):

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Primary Government	$ 563.6	$ 633.1	$ 715.6
Component Units	71.1	79.8	90.3
Total OPEB Liability	$ 634.7	$ 712.9	$ 805.9

OPEB Expense/(Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, OPEB expense/(revenue) of $(2.5) million was recognized by participating employers:

Primary Government	
State of Wisconsin	$ (1,972,352)
University of WI System	(1,034,183)
Component Units	
UW Hospital and Clinics Auth.	454,861
WI Housing & Economic Development Auth.	7,725
WI Economic Development Corp	5,820
Total	$ (2,538,129)

At June 30, 2022, deferred outflows of resources and deferred inflows of resources for both the state and component units were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 131,586,782	$ (35,039,298)
Changes of Assumptions	41,218,552	(245,502,817)
Changes in Proportion	14,121,798	(14,121,798)
Amounts Paid Subsequent to the Measurement Date	47,688,080	—
Total	$ 234,615,212	$ (294,663,913)

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 116,849,470	$ (31,115,005)
Changes of Assumptions	36,602,202	(218,007,260)
Changes in Proportion	8,357,097	(13,053,548)
Amounts Paid Subsequent to the Measurement Date	42,347,163	—
Total	$ 204,155,932	$ (262,175,813)

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 14,737,312	$ (3,924,293)
Changes of Assumptions	4,616,350	(27,495,557)
Changes in Proportion	5,764,701	(1,068,250)
Amounts Paid Subsequent to the Measurement Date	5,340,917	—
Total	$ 30,459,280	$ (32,488,100)

The $47,688,080 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2023 for the state and component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state and component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2023	$	(22,154,736)
FY 2024		(22,154,736)
FY 2025		(22,154,736)
FY 2026		(22,154,736)
FY 2027		(22,154,736)
Thereafter		3,036,900

The $42,347,163 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2023 for the state (primary government). Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state will be recognized in future OPEB expense/(revenue) as follows:

FY 2023	$	(20,448,777)
FY 2024		(20,448,777)
FY 2025		(20,448,777)
FY 2026		(20,448,777)
FY 2027		(20,448,777)
Thereafter		1,876,831

The $5,340,917 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2023 for component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2023	$	(1,705,959)
FY 2024		(1,705,959)
FY 2025		(1,705,959)
FY 2026		(1,705,959)
FY 2027		(1,705,959)
Thereafter		1,160,069

The Schedule of Changes in the Total OPEB Liability and Related Ratios is presented as required supplementary information following the notes to the financial statements.

B. State Retiree Life Insurance OPEB

The State Retiree Life Insurance program provides postemployment life insurance coverage to all eligible retired employees of the State, the University of Wisconsin, University of Wisconsin Hospital and Clinics Authority, Wisconsin Housing and Economic Development Authority and Wisconsin Economic Development Corporation. Each employer's proportionate share of the net OPEB liability and collective OPEB expense, deferred inflows and outflows is based on the employer's contributions for the most recent calendar year compared to the total contributions of all employers.

Inclusion of OPEB Information for Component Units

GASB standards require the presentation of OPEB related amounts and information in the State's financial statements for both the State of Wisconsin (the primary government) and the component units. The component units are responsible for their share of the OPEB liabilities. Reported amounts related to the OPEB liability, OPEB expense and related deferred inflows and outflows for the OPEB plans may vary by an immaterial amount from the final amounts due to the timing of available information.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the State, including the University of Wisconsin System, reported a liability of $841.6 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as January 1, 2021 rolled forward to December 31, 2021. The State's proportion of the net OPEB liability was based on the State's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the State's proportion was 88.8 percent which was an increase of 0.7 percent from its proportion of 88.1 percent measured as of December 31, 2020.

Net OPEB liability amounts, by participating employers as of a June 30, 2022 reporting date, are indicated in the table below (in millions):

Participating Employer	Net OPEB Liability
Primary Government	
State of Wisconsin	$ 449.0
University of Wisconsin System	392.6
Component Units	
UW Hospital and Clinics Auth.	101.6
WI Housing & Economic Development Auth.	3.2
Wisconsin Economic Development Corp.	1.3
Total Net OPEB Liability	$ 947.7

For the year ended June 30, 2022, OPEB expense of $109.8 million was recognized by participating employers:

Primary Government	
State of Wisconsin	$ 53,319,654
University of WI System	44,293,360
Component Units	
UW Hospital and Clinics Auth.	11,541,539
WI Housing & Economic Development Auth.	429,262
WI Economic Development Corp.	180,417
Total	$ 109,764,232

For the year ended June 30, 2022, contributions of $1.7 million were recognized by the plan from participating employers:

Primary Government	
State of Wisconsin	$ 791,118
University of WI System	691,620
Component Units	
UW Hospital and Clinics Auth.	179,082
WI Housing & Economic Development Auth.	5,668
WI Economic Development Corp.	2,367
Total	$ 1,669,855

Changes in the Net OPEB Liability

Changes to the net OPEB plan liability during the fiscal year include the following (in millions):

Total OPEB Liability December 31, 2020	$ 1,200.7
Changes for the Year:	
Service cost	46.3
Interest	27.4
Difference between expected & actual experience	3.2
Changes of assumptions	13.4
Benefit payments	(23.7)
Net Change in Total OPEB Liability	66.6
Total OPEB Liability December 31, 2021	$ 1,267.3
Plan Fiduciary Net Position December 31, 2020	$ 333.7
Changes for the Year:	
Contributions from employers	1.7
Net investment income	8.7
Administrative expense	(0.9)
Benefit payments	(23.7)
Net change in Plan Fiduciary Net Position	(14.2)
Plan Fiduciary Net Position December 31, 2021	$ 319.5
Collective Net OPEB Liability December 31, 2020	$ 867.0
Net change in Collective Net OPEB Liability	80.8
Collective Net OPEB Liability December 31, 2021	$ 947.8

At June 30, 2022, deferred outflows of resources and deferred inflows of resources for the state and component units were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 2,719,361	$ (19,466,482)
Changes of Assumptions	246,910,494	(39,056,323)
Changes in Proportion	11,511,663	(11,511,667)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	10,359,620	—
Total	$ 271,501,138	$ (70,034,472)

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 2,414,640	$ (17,285,146)
Changes of Assumptions	219,242,691	(34,679,827)
Changes in Proportion	9,642,135	(7,630,806)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	9,198,761	—
Total	$ 240,498,227	$ (59,595,779)

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 304,721	$ (2,181,336)
Changes of Assumptions	27,667,803	(4,376,496)
Changes in Proportion	1,869,528	(3,880,861)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,160,859	—
Total	$ 31,002,911	$ (10,438,693)

Amounts reported as deferred outflows of resources and deferred inflows of resources for the state and component units will be recognized in future OPEB expense as follows:

FY 2023	$ 47,672,523
FY 2024	46,425,379
FY 2025	42,362,920
FY 2026	46,536,522
FY 2027	16,911,642
Thereafter	1,557,685

Amounts reported as deferred outflows of resources and deferred inflows of resources for the state (primary government) will be recognized in future OPEB expense as follows:

FY 2023	$ 42,479,051
FY 2024	41,371,657
FY 2025	37,971,289
FY 2026	41,785,683
FY 2027	15,517,715
Thereafter	1,777,053

Amounts reported as deferred outflows of resources and deferred inflows of resources for component units will be recognized in future OPEB expense as follows:

FY 2023	$ 5,193,469
FY 2024	5,053,719
FY 2025	4,391,632
FY 2026	4,750,833
FY 2027	1,393,931
Thereafter	(219,369)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents participating employer's proportionate share of the net OPEB liability and what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current discount rate (in millions):

	1% Decrease in Discount Rate (1.15%)	Current Discount Rate (2.15%)	1% Increase in Discount Rate (3.15%)
Primary Government	$ 1,107.0	$ 841.6	$ 639.3
Component Units	139.7	106.2	80.7
Net OPEB Liability	$ 1,246.7	$ 947.8	$ 720.0

Single Discount Rate

A single discount rate of 2.15% was used to measure the total OPEB liability for the current year as opposed to 2.22% for the prior year. The change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments to the extent that the plan's fiduciary net position is projected to be insufficient. The source of the municipal bond rate used is the Bond Buyers GO Index. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2033. Therefore, the long-term expected rate of return on plan investments was applied through 2033 and the municipal bond index rate was applied for all remaining periods of projected benefit payments to determine the Total OPEB Liability.

Long-term expected Return on Plan Assets

The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the retiree life insurance plans are held with Securian, the insurance carrier. Interest is calculated and credited to the plans based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset allocation targets and expected returns as of December 31, 2021 were:

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Intermediate Credit Bonds	Bloomberg Interm Credit	45 %	1.68 %
US Long Credit Bonds	Bloomberg Long Credit	5 %	1.82 %
US Mortgages	Bloomberg MBS	50 %	1.94 %
Inflation			2.30 %
Long-Term Expected Rate of Return			4.25 %

Actuarial assumptions

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2021 using experience from 2018 to 2020. The projections of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contributions schedule and that contributions are made by plan members retiring prior to age 65. The total OPEB liability in the January 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2021
Measurement Date of Net OPEB Liability:	December 31, 2021
Actuarial Cost Method:	Entry Age Normal
Experience Study:	January 1, 2018 - December 31, 2020, Published November 19, 2021
20 Year Tax-Exempt Municipal Bond Yield:	2.06%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.15%
Salary Increases Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

C. Supplemental Health Insurance Conversion Credit OPEB

The Supplemental Health Insurance Conversion Credit plan provides all eligible employees of the State, the University of Wisconsin, University of Wisconsin Hospital and Clinics Authority and Wisconsin Housing and Economic Development Authority with credits that can be used to pay for post-retirement health insurance. Each employer's proportionate share of the net OPEB liability/(asset) and collective OPEB expense/(revenue), deferred inflows and outflows is based on the employer's contributions for the most recent calendar year compared to the total contributions of all employers.

Inclusion of OPEB Information for Component Units

GASB standards require the presentation of OPEB related amounts and information in the State's financial statements for both the State of Wisconsin (the primary government) and the component units. The component units are responsible for their share of the OPEB liabilities. Reported amounts related to the OPEB liability, OPEB expense and related deferred inflows and outflows for the OPEB plans may vary by an immaterial amount from the final amounts due to the timing of available information.

OPEB Assets, OPEB Expense/(Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the State, including the University of Wisconsin System, reported an asset of $286.7 million for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of December 31, 2021 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021. The State's proportion of the net OPEB asset was based on the State's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the State's proportion was 87.1 percent which decreased by 0.7 percent from its proportion of 87.8 percent measured as of December 31, 2020.

Net OPEB liability/(asset) amounts, by participating employers as of a June 30, 2022 reporting date, are indicated in the table below (in millions):

Participating Employer	Net OPEB Liability/ (Asset)
Primary Government	
State of Wisconsin	$ (138.3)
University of Wisconsin System	(148.3)
Component Units	
UW Hospital and Clinics Auth.	(41.5)
WI Housing & Economic Development Auth.	(0.8)
Total Net OPEB Liability/(Asset)	$ (328.9)

For the year ended June 30, 2022, OPEB expense/(revenue) of $(60.6) million was recognized by participating employers:

Primary Government	
State of Wisconsin	$ (25,377,686)
University of WI System	(27,402,382)
Component Units	
UW Hospital and Clinics Auth.	(7,668,069)
WI Housing & Economic Development Auth.	(142,284)
Total	$ (60,590,421)

For the year ended June 30, 2022, contributions of $15.7 million were recognized by the plan from participating employers:

Primary Government	
State of Wisconsin	$ 6,584,744
University of WI System	7,059,851
Component Units	
UW Hospital and Clinics Auth.	1,976,349
WI Housing & Economic Development Auth.	36,993
Total	$ 15,657,937

Changes in the Net OPEB Liability/(Asset)

Changes to the net OPEB plan liability during the fiscal year include the following (in millions):

Total OPEB Liability December 31, 2020	$ 924.0
Changes for the Year:	
Service cost	23.5
Interest	63.7
Difference between expected & actual experience	(36.2)
Changes of assumptions	120.4
Benefit payments	(52.6)
Net Change in Total OPEB Liability	118.8
Total OPEB Liability December 31, 2021	$ 1,042.8
Plan Fiduciary Net Position December 31, 2020	$ 1,208.8
Changes for the Year:	
Contributions from employers	15.7
Net investment income	200.6
Administrative expense	(0.7)
Benefit payments	(52.6)
Net change in Plan Fiduciary Net Position	163.0
Plan Fiduciary Net Position December 31, 2021	$ 1,371.8
Collective Net OPEB Liability December 31, 2020	$ (284.8)
Net change in Collective Net OPEB Liability/(Asset)	(44.2)
Collective Net OPEB Liability/(Asset) December 31, 2021	$ (329.0)

At June 30, 2022, deferred outflows of resources and deferred inflows of resources for the state and component units were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ —	$ (142,480,861)
Changes of Assumptions	121,199,551	—
Changes in Proportion	1,354,698	(1,354,698)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	(169,277,134)
OPEB Contributions Subsequent to the Measurement Date	5,245,483	—
Total	$ 127,799,732	$ (313,112,693)

Deferred outflows of resources and deferred inflows of resources for the state (primary government) as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ —	$ (124,160,267)
Changes of Assumptions	105,615,369	—
Changes in Proportion	1,201,662	(983,246)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	(147,511,000)
OPEB Contributions Subsequent to the Measurement Date	2,414,483	—
Total	$ 109,231,514	$ (272,654,513)

Deferred outflows of resources and deferred inflows of resources for component units as of a June 30, 2022 reporting date were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ —	$ (18,320,594)
Changes of Assumptions	15,584,182	—
Changes in Proportion	153,036	(371,452)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	(21,766,134)
OPEB Contributions Subsequent to the Measurement Date	2,831,000	—
Total	$ 18,568,218	$ (40,458,180)

The $5,245,483 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2023 for the state and component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state and component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2023	$ (49,683,537)
FY 2024	(71,369,368)
FY 2025	(48,245,287)
FY 2026	(31,287,685)
FY 2027	(4,989,835)
Thereafter	15,017,269

The $2,414,483 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2023 for the state (primary government). Other amounts reported as deferred outflows of resources and deferred inflows of resources for the state will be recognized in future OPEB expense/(revenue) as follows:

FY 2023	$ (43,275,622)
FY 2024	(62,173,028)
FY 2025	(42,022,308)
FY 2026	(27,245,162)
FY 2027	(4,319,348)
Thereafter	13,197,986

The $2,831,000 in deferred outflows of resources resulting from amounts paid subsequent to the measurement date will be recognized as a decrease to the total OPEB liability in the year ended June 30, 2023 for component units. Other amounts reported as deferred outflows of resources and deferred inflows of resources for component units will be recognized in future OPEB expense/(revenue) as follows:

FY 2023	$ (6,407,915)
FY 2024	(9,196,340)
FY 2025	(6,222,979)
FY 2026	(4,042,523)
FY 2027	(670,487)
Thereafter	1,819,283

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents participating employer's proportionate share of the net OPEB liability/(asset) and what the liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current discount rate (in millions):

	1% Decrease in Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase in Discount Rate (7.80%)
Primary Government	$ (190.5)	$ (286.7)	$ (369.5)
Component Units	(28.1)	(42.3)	(54.5)
Net OPEB Liability/ (Asset)	$ (218.6)	$ (329.0)	$ (424.0)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rates

The following presents each employer's proportionate share of the net OPEB liability/(asset) and what it would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or higher than the current healthcare trend rate (in millions):

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Primary Government	$ (346.2)	$ (286.7)	$ (230.3)
Component Units	(51.1)	(42.3)	(34.0)
Net OPEB Liability/ (Asset)	$ (397.3)	$ (329.0)	$ (264.3)

Single Discount Rate

A single discount rate of 6.8% was used to measure the Total OPEB Liability for the current year, a decrease from 7.0% in the prior year. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.8%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability and projections were excluded from this report.

Long-term expected Return on Plan Assets

The assets of the SHICC are commingled with assets from other benefit programs and invested in the Core Retirement Investment Trust (Core Fund). Earnings are allocated between the benefit programs based on the average balance invested for each program. The State of Wisconsin Investment Board (SWIB) manages the Core Fund with oversight by the SWIB Board of Trustees, as authorized in Wis. Stat. § 25.17. The long-term expected rate of return is reviewed every three years in conjunction with the Wisconsin Retirement System experience study. Best estimates of geometric real rates of return of each major asset class included in the OPEB plan's target allocation as of December 31, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equities	52.0 %	4.2 %
Fixed Income	25.0 %	1.8 %
Inflation Sensitive Assets	19.0 %	0.2 %
Real Estate	7.0 %	3.0 %
Private Equity/Debt	12.0 %	7.0 %
Cash	(15.0)%	0.9 %
Total Fund	100.0 %	4.0 %
Inflation		2.4 %
Long-Term Expected Rate of Return		6.8 %

The long-term expected rate of return is 6.8% which is a decrease from 7.0% from the prior year. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Actuarial assumptions

Actuarial assumptions are based on the Wisconsin Retirement System experience study conducted in 2021 using experience from 2018 to 2020. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2021
Measurement Date of Net OPEB Liability/(Asset):	December 31, 2021
Experience Study	January 1, 2018 - December 31, 2020 Published November 18, 2021
Actuarial Cost Method:	Entry Age Normal
Long-Term Expected Rate of Return:	6.80%
Discount Rate:	6.80%
Salary Increases Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Health Care Cost Trend Rate:	6.0% for the first year grading down to an ultimate health care trend rate of 3.5% over a 12 year period.
Health Care Premiums	Actual premium amounts are used for current annuitants. For all non annuitants (active, preserved, and escrowed members), average premiums are calculated based on non Medicare and Medicare rates for one person and two person coverages.
Participation	100% of active and preserved members will begin using sick leave credits immediately upon reaching eligibility.
Usage for Escrowed Benefits:	50% of members currently in escrow status will at some point begin using their sick leave balances to pay for health care costs.
Sick Leave Accumulation:	The assumed annual sick leave accumulation for each individual is at their same rate as in the past (earned less used), but not more than 100% of the gross earned rate based on the person's employer and not less than 25% of their gross earned rate. The assumed annual gross earned rates range from 6.4 to 16.25 days depending on the employer.

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements from ETF. The report can be obtained at www.etf.wi.gov and on request from:

The Department of Employee Trust Funds
PO Box 7931
Madison, Wisconsin 53707-7931

NOTE 18. PUBLIC ENTITY RISK POOLS ADMINISTERED BY THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

The Department of Employee Trust Funds operates three public entity risk pools: group health insurance, group income continuation insurance and duty disability insurance. ETF's separately issued financial statements, which contain historical trend, revenue, and claims development information, are available at www.etf.wi.gov and on request from:

Wisconsin Department of Employee Trust Funds
PO Box 7931
Madison, WI 53707-7931
1-877-533-5020

The information provided in this note applies to the period ending December 31, 2021.

A. Description of Funds

The Health Insurance Fund offers group health insurance for current employees of the State government and of participating local public employers. All public employers in the State are eligible to participate. The State and 393 local employers currently participate. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. The fund includes both a self-insured, fee-for-service plan as well as various prepaid plans, primarily Health Maintenance Organizations (HMO's), a self-insured plan that provides for pharmacy benefits of covered members and a self-insured dental plan that provides dental benefits for members selecting dental insurance.

The Income Continuation Insurance Fund offers both long-term and short-term disability benefits (up to 75% of the average monthly earnings) for current employees of the State and of participating local public employers. All public employers in the State are eligible to participate. The State and 278 local employers currently participate in the plan and it is self-insured. The State and local government portions of the fund are accounted for separately and have separate contribution rates, benefits, and actuarial valuations. Since March 2012, premiums have been suspended for the local employers as a result of the funded status of the local employer program.

The Duty Disability Fund offers special disability insurance for the State and local WRS participants in protective occupations. Participation in the program is mandatory for all WRS employers with protective occupation employees. The State and 500 local employers currently participate. The plan is self-insured, and the risk is shared between the State and local government employers in the plan. Contributions are actuarially determined and are employer paid. Contributions are based on a graduated, experience-rated formula. During 2021, contribution rates ranged from 0.09% to 2.24% of covered payroll based on employer experience.

B. Accounting Policies for Risk Pools

Basis of Accounting - All Public Entity Risk Pools are accounted for in enterprise funds using the full accrual basis of accounting and the flow of economic resources measurement focus.

Valuation of Investments - Assets of the Health Insurance, Income Continuation Insurance and Duty Disability Insurance funds are invested in the Core Retirement Investment Trust. Investments are valued at fair value.

Unpaid Claims Liabilities - Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The estimate includes the effects of inflation and other societal and economic factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Unpaid claims liability is presented at face value and is not discounted for health insurance. It is discounted using an interest rate of 6.8 percent for income continuation and duty disability insurance, as face value of the liability for these programs is not available. The liabilities for income continuation, duty disability, and health insurance were determined by actuarial methods.

Administrative Expenses - All maintenance expenses are expensed in the period in which they are incurred. Acquisition costs are immaterial and are treated as maintenance expenses.

Reinsurance - Health insurance plans provided by HMO's and health insurance for local government annuitants are fully insured by outside insurers. All remaining risk is self-insured with no reinsurance coverage.

Risk Transfer - Participating employers are not subject to supplemental assessments in the event of deficiencies. If the assets of the fund were exhausted, participating employers would not be responsible for the fund's liabilities.

Premium Setting - Premiums are established by the GIB (Health Insurance and ICI) and ETF Board for Duty Disability in consultation with actuaries.

Statutory Authority - All programs are operated under the authority of Chapter 40, Wisconsin Statutes.

C. Unpaid Claims Liabilities

As discussed in Section B of this Note, each fund establishes a liability for both reported and unreported insured events, which is an estimate of future payments of losses. The following represents changes in those aggregate liabilities for the nonreinsured portion of each fund during Calendar Year 2021 (in millions):

	Income Continuation Insurance		Duty Disability Insurance		Pharmacy Benefits		Dental	
	2021	2020	2021	2020	2021	2020	2021	2020
Unpaid claims and claim adjustment expenses at beginning of the calendar year	$ 96.4	$ 96.1	$ 467.7	$ 466.3	$ (33.7)	$ (27.9)	$ 1.5	$ 1.8
Incurred claims and claim adjustment expenses:								
Provision for insured events of the current calendar year	24.5	24.8	38.1	34.0	188.4	176.1	46.0	38.1
Changes in provision for insured events of prior calendar years	(4.7)	(5.2)	54.3	4.0	0.2	0.1	(0.1)	(0.7)
Total incurred claims and claim adjustment expenses	19.8	19.6	92.4	38.0	188.6	176.2	45.9	37.4
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current calendar year	4.7	4.0	0.0	0.0	227.4	209.8	44.4	36.6
Claims and claim adjustment expenses attributable to insured events of prior calendar years	15.8	15.3	36.4	36.6	(33.5)	(27.8)	1.4	1.1
Total payments	20.5	19.3	36.4	36.6	193.9	182.0	45.8	37.7
Total unpaid claims and claim adjustment expenses at end of the calendar year	$ 95.7	$ 96.4	$ 523.8	$ 467.7	$ (39.0)*	$ (33.7)*	$ 1.6	$ 1.5

*Total unpaid claims at the end of 2021 is $39.0 million in rebates due from pharmaceutical companies. Total unpaid claims at the end of 2020 is $33.7 million in rebates due from pharmaceutical companies.

NOTE 19. SELF-INSURANCE

It is the general policy of the State not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the State believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The fund services most claims for risk of loss to which the State is exposed, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation. All funds and agencies of the State participate in the Risk Management Fund.

State Property Damage

Property damages to State-owned properties are covered by the State's self-funded property program up to $4.0 million per occurrence and $6.5 million annual aggregate. When claims, which exceed $100,000 per occurrence, total $6.5 million, the State's private insurance becomes available. Losses to property occurring after the annual aggregate are first subject to a $100,000 deductible. The amount of loss in excess of $100,000 is covered by the State's private insurance company. During Fiscal Year 2022, the excess insurance limits were written to $500 million.

The liabilities for State property damage are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities is based on the reserves on open claims and paid claims. Losses incurred but not reported are expected to be immaterial. Claims incurred but not paid as of June 30, 2022 are estimated to total $12.7 million.

Property Damages and Bodily Injuries to Third Parties

The State is self-funded for third party liability and effective 7/1/20 retains $5.0 million per occurrence and participates in a 1/6th quota share for the next $6 million excess of the $5 million per occurrence retention. Additional layers of excess insurance are in place above $11 million, with total policy limits during Fiscal Year 2022 at $49.0 million.

The liabilities for property damages and injuries to third parties are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The estimate for future benefits and loss liabilities for the prior fiscal year was the reserves on open claims. The estimate for future benefits and loss liabilities is calculated by an actuary based on the reserves on open claims and prior experience. No liability is reported for environmental impairment liability claims either incurred or incurred but not reported because existing case law makes it unlikely the State would be held liable for material amounts. Because actual claims liabilities depend upon complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Immaterial non-incremental claims adjustment expenses are not included as part of the liability. Claims incurred but not paid as of June 30, 2022 are estimated to total $56.2 million.

Worker's Compensation

The Worker's Compensation Program was created by Wisconsin Statutes Chapter 102 to provide benefits to workers injured on the job. All employees of the State are included in the program. An injury is covered under worker's compensation if it is caused by an accident that arose out of and in the course of employment.

The responsibility for claiming compensation is on the employee. A claim must be filed with the program within two years from the date of injury; otherwise the claim is not allowable.

The worker's compensation liability has been determined by an actuary using paid claims and current claims reserves. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by external factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims incurred but not paid as of June 30, 2022 are estimated to total $87.0 million.

Changes in the balances of claims liability for the Risk Management Fund during the current and prior fiscal years are as follows (in thousands):

	2022	2021
Beginning of fiscal year liability	$ 146,478	$ 128,242
Current year claims and changes in estimates	40,443	52,533
Claim payments	(31,076)	(32,873)
	155,845	147,902
Excess insurance reimbursable	(2,923)	(1,424)
Balance at fiscal year-end	$ 152,922	$ 146,478

Settlements have not exceeded coverages for each of the past three fiscal years.

Annuity Contracts

The Risk Management Fund purchased annuity contracts in various claimants' names to satisfy claim liabilities. The likelihood that the fund will be required to make future payments on those claims is remote and, therefore, the fund is considered to have satisfied its primary liability to the claimants. Accordingly, the annuity contracts are not reported in, and the related liabilities are removed from, the fund's balance sheet. The aggregate outstanding amount of liabilities removed from the financial statements at June 30, 2022 is $4.7 million.

NOTE 20. INSURANCE FUNDS

A. Injured Patients and Families Compensation Fund

The Injured Patients and Families Compensation Fund was created in 1975 for the purpose of providing excess medical malpractice coverage for claims exceeding the legal primary insurance limits prescribed in Wis. Stat. Section 655.23(4), or the maximum liability limit for which the health care provider is insured, whichever limit is greater. Management of the Fund is vested with a 13-member Board of Governors, which is chaired by the Commissioner of Insurance. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay Injured Patients and Families Compensation Fund assessment fees. Risk of loss is retained by the Fund.

The Board of Governors authorized a premium holiday beginning in the fiscal year 2021 and extended the holiday through fiscal year 2022. Also during fiscal year 2021, the Board approved an investment portfolio automatic rebalancing policy, changing the threshold from 20 percent to 17.5 percent.

The Future Benefits and Loss Liability account includes individual case estimates for reported losses and estimates for incurred but not reported losses based upon the projected ultimate losses recommended by a consulting actuary. The liability for incurred but not reported losses as of June 30, 2022, is determined by deducting individual case estimates of the liability for reported losses and net losses paid from inception of the Fund, and adding a risk margin to the projected ultimate loss liabilities, as follows (in thousands):

Projected ultimate loss liability	$	1,238,455
Less: Net loss paid from inception		(944,398)
Less: Liability for reported losses		(171,174)
Risk Margin		73,514
Liability for incurred but not reported losses	$	196,397

The Future Benefits and Loss Liability account also includes an estimate of the loss adjustment expense (LAE). Using the data available through September 30 of the fiscal year, the actuary estimated the liability for LAE as 18 percent of the estimated unpaid losses as of June 30, 2022. The percentage used in the financial statements was different, since the actuary's estimate was adjusted to reflect actual LAE payments. Specifically, the loss adjustment expenses paid from the inception of the Fund through June 30, 2022, are deducted from the projected ultimate LAE to determine the liability for LAE as June 30, 2022 as follows (in thousands):

Projected ultimate LAE liability	$	167,816
Less: LAE paid from inception		(115,215)
Risk Margin		13,150
Liability for LAE	$	65,751

In accordance with Section Ins. 17.27(3), Wis. Adm. Code, the liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to these estimated loss liabilities. These estimated loss liabilities are discounted only to the extent that they are matched by cash and invested assets. Using the actuarially determined discount factor of 0.928, which is based on an investment yield assumption of 2.0 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2022 (in thousands):

Estimated liability for incurred but not reported losses	$	196,397
Estimated liability for reported losses		171,174
Estimated liability for loss adjustment expense		65,751
Total estimated loss liabilities		433,322
Less: Amount representing interest		(31,176)
Discounted loss liabilities	$	402,146

Included in the above estimates of loss liabilities, both undiscounted and discounted, is a 25 percent risk margin, which was recommended by the actuary and approved by the Board of Governors.

The Office of the Commissioner of Insurance contracts for periodic actuarial audits of the Fund. This audit includes a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Fund's liabilities. The actuarial audits have concluded that the Fund's loss liability estimates are reasonable, although conservative. The Fund's contracted actuary has considered the recommendations made in the actuarial audits and appropriately incorporated any necessary changes based on those recommendations into the actuarial methodology and assumptions used to calculate the Fiscal Year 2022 liabilities estimate.

In addition to discounted loss liabilities, the Future Benefit and Loss Liabilities account also includes a future medical expenses liability and a contributions being held liability. The future medical expenses liability consists of those accounts required by Wis. Stat. Sec. 655.015 to be established if a settlement or judgment provides for future medical expense payments in excess of $100,000. The accounts are managed by the Fund and earn a proportionate share of the Fund's interest. Any account balance remaining when a claimant dies reverts back to the Fund. The contributions being held liability consists of nonrefundable payments, generally in amounts equal to the primary coverage in effect for related claims, that primary insurers have voluntarily presented to the Fund and which are negotiable with the Fund in exchange for a release of payment for any future defense costs that may be incurred on the claim. This amount is held as a liability to the Fund until a payment on the claim is made.

The breakdown of Future Benefit and Loss Liabilities, including the portions that are estimated as current and noncurrent as of June 30, 2022 (in thousands), is as follows:

Discounted loss liabilities	$	402,146
Future medical expense liability		61,707
Total estimated loss liabilities		463,853
Current portion		(56,039)
Noncurrent portion	$	407,814

The uncertainties inherent in projecting the frequency and severity of large claims because of the Injured Patients and Families

Compensation Fund's unlimited liability coverage and extended reporting and settlement periods makes it likely that the amounts ultimately paid will differ from the recorded estimated loss liabilities. These differences cannot be quantified.

The estimated amounts included in the balance of Future Benefits and Loss Liabilities are continually reviewed and adjusted as the Fund gains additional experience. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

The following is a reconciliation of the change in the balance of Future Benefits and Loss Liabilities during Fiscal Year 2022 (in thousands):

Liability at the beginning of the year	$	428,807
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior years		45,015
Less: current year payments attributable to claims incurred in current and prior years		(9,968)
Liability at the end of the year	$	463,854

B. State Life Insurance Fund

The State Life Insurance Fund was created under Chapter 607, Wisconsin Statutes, to offer life insurance to residents of Wisconsin in a manner similar to private insurers. This fund functions much like a mutual life insurance company and is subject to the same regulatory requirements as any life insurance company licensed to operate in Wisconsin.

Premiums are reported as earned when due. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the life of the contracts. This association is accomplished by means of the provision for liabilities for future benefits and the amortization of acquisition costs.

The State Life Insurance Fund does not pay commissions nor does it incur agent expenses.

Future benefits and loss liabilities have been computed by the net level premium method based upon estimated future investment yield and mortality. The composition of liabilities and the more material assumptions pertinent thereto are presented below (in thousands):

Issue Year	Ordinary Life Insurance in Force	Amount of Policy Liability
1913-1966	$ 4,885	$ 4,094
1967-1976	22,340	14,992
1977-1985	56,728	25,553
1986-1994	41,439	10,589
1995-2012	40,800	8,597
2013-2018	5,648	569
2019+	2,118	102
	$ 173,956	$ 64,496

Basis of Assumption

Issue Year	**Interest Rate**	**Mortality**
1913-1966	3.0%	American Experience, ANB*
1967-1976	3.0	1958 CSO, ALB, Unisex
1977-1985	4.0	1958 CSO, ALB, Female Setback 3 years
1986-1994	5.0	1980 CSO, ALB, Aggregate
1995-2008	4.0	1980 CSO, ALB, Aggregate
2009-2012	4.0	2001 CSO, ALB, Aggregate
2013-2018	3.5	2001 CSO, ALB, Aggregate
2019-2020	3.5	2017 CSO, ALB, Aggregate
2021+	3.0	2017 CSO, ALB, Aggregate

* Age Next Birthday

All of the State Life Insurance Fund's life insurance in force is participating. This Fund is required by statute to maintain surplus at a level between 7 percent and 10 percent of statutorily admitted assets as far as practicably possible. All excess surplus is to be returned to the policyholders in the form of policyholder dividends. Policyholder dividends are declared each year in order to achieve the required level of surplus.

The statutory assets at December 31, 2021 were $112.9 million and statutory capital and surplus was $10.5 million. Fund equity at June 30, 2022 was $11.6 million.

NOTE 21. SEGMENT INFORMATION AND CONDENSED FINANCIAL DATA

Primary Government

The State issues revenue bonds as a component of the total funding for the Direct Loan Portfolio, which is accounted for as part of the Environmental Improvement Fund. The Direct Loan Portfolio is also funded by grants from the U.S. Environmental Protection Agency (the "EPA"). Loans in this portfolio are made for water and wastewater projects. Repayments from loans in this portfolio, grants and revenue bond proceeds are used to fund new loans.

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay outstanding revenue bonds. Investors in these revenue bonds rely solely on the revenues generated from the loans within the Direct Loan Portfolio. Condensed financial statement information of the Direct Loan Portfolio as of and for the year ended June 30, 2022 is presented below (in thousands):

Condensed Statement of Net Position

Assets:		
Current Assets	$	385,257
Other Assets		1,641,236
Total Assets		2,026,493
Deferred Outflows of Resources		819
Total Assets and Deferred Outflows of Resources	**$**	**2,027,312**
Liabilities:		
Due to Other Funds		10,510
Other Current Liabilities (Including Current Portion of Long-term Debt)		29,319
Noncurrent Liabilities		321,746
Total Liabilities		361,574
Net position:		
Restricted		1,665,737
Total Net Position		1,665,737
Total Liabilities and Net Position	**$**	**2,027,312**

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues (Expenses):		
Loan Interest	$	—
Interest Income used as Security for Revenue Bonds		37,704
Miscellaneous Other		1,649
Interest Expense		(9,086)
Other Operating Expenses		(4,050)
Operating Income (Loss)		**26,218**
Nonoperating Revenues (Expenses):		
Investment Income		187
Intergovernmental Grants		42,856
Grants Awarded		(17,606)
Income (Loss) before Transfers		51,655
Transfers In (Out)		(6,453)
Change in Net Position		**45,201**
Beginning Net Position		**1,620,536**
Ending Net Position	**$**	**1,665,737**

Condensed Statement of Cash Flows

Net Cash Provided (Used) by:		
Operating Activities	$	(104,490)
Noncapital Financing Activities		81,460
Investing Activities		187
Net Increase (Decrease)		(22,843)
Beginning Cash and Cash Equivalents		239,165
Ending Cash and Cash Equivalents	$	216,322

NOTE 22. COMPONENT UNITS – CONDENSED FINANCIAL INFORMATION

Significant financial data for the State's discretely presented component units for the year ended December 31, 2021 or June 30, 2022 is presented below (in thousands):

	Wisconsin Housing and Economic Development Authority	Wisconsin Health Care Liability Insurance Plan	University of Wisconsin Hospitals and Clinics Authority	Wisconsin Economic Development Corporation	University of Wisconsin Foundation	Total
Condensed Statement of Net Position						
Assets:						
Cash, Investments and Other Assets	$ 2,902,538	$ 62,862	$ 3,972,108	$ 90,929	$ 4,951,112	$ 11,979,550
Due from Primary Governments	—	—	22,215	—	—	22,215
Cash and Investments with other Component Units	—	—	170,783	—	—	170,783
Capital Assets, net	37,874	—	1,406,616	790	14,098	1,459,378
Total Assets	2,940,412	62,862	5,571,722	91,719	4,965,210	13,631,926
Deferred Outflows of Resources	18,408	—	659,989	8,308	—	686,705
Total Assets and Deferred Outflows	$ 2,958,820	$ 62,862	$ 6,231,711	$ 100,027	$ 4,965,210	$ 14,318,630
Liabilities:						
Accounts Payable and Other Current Liabilities	$ 163,775	$ 3,360	$ 732,381	$ 12,593	$ 211,731	$ 1,123,839
Due to Primary Government	—	—	39,077	—	—	39,077
Amounts Held for Other Component Units	—	—	—	—	162,860	162,860
Other Liabilities	5,913	—	1,876	—	—	7,789
Long-term Liabilities (Current and Noncurrent portions)	1,889,340	18,458	1,447,972	4,258	40,645	3,400,674
Total Liabilities	2,059,028	21,818	2,221,306	16,851	415,236	4,734,239
Deferred Inflows of Resources	25,370	—	811,251	10,381	—	847,002
Net Position:						
Net Investment in Capital Assets	17,874	—	549,887	138	14,098	581,998
Restricted	839,374	41,044	389,037	45,822	4,426,856	5,742,134
Unrestricted	17,174	—	2,260,230	26,834	109,020	2,413,257
Total Net Position	874,422	41,044	3,199,154	72,795	4,549,974	8,737,389
Total Liabilities, Deferred Inflows and Net Position	$ 2,958,820	$ 62,862	$ 6,231,711	$ 100,027	$ 4,965,210	$ 14,318,630
Condensed Statement of Activities						
Program Expenses:						
Depreciation	$ 605	$ —	$ 135,660	$ 847	$ 2,122	$ 139,235
Payments to Primary Government	—	—	72,182	—	272,226	344,408
Other	283,942	4,778	3,697,367	108,118	57,926	4,152,132
Total Program Expenses:	284,547	4,778	3,905,209	108,966	332,274	4,635,774
Program Revenues:						
Charges for Goods and Services	7,994	2,020	3,951,733	170	—	3,961,918
Investment and Interest Income	57,088	1,376	—	—	(466,213)	(407,749)
Operating Grants and Contributions	208,454	—	—	106,681	378,420	693,555
Miscellaneous	16,719	30	76,213	—	4,404	97,366
Total Program Revenues	290,255	3,427	4,027,946	106,852	(83,390)	4,345,089
Net Program Revenue/(Expense)	5,708	(1,352)	122,737	(2,114)	(415,664)	(290,685)
General Revenues:						
Interest and Investment Earnings	(93,404)	—	(221,598)	(569)	—	(315,571)
Miscellaneous	—	—	57,569	3,031	—	60,600
Contributions to Endowments	—	—	13,799	—	—	13,799
Change in Net Position	(87,696)	(1,352)	(27,493)	348	(415,664)	(531,858)
Net Position, Beginning of Year	962,118	42,396	3,226,647	72,447	4,965,639	9,269,246
Net Position, End of Year	$ 874,422	$ 41,044	$ 3,199,154	$ 72,795	$ 4,549,974	$ 8,737,389

NOTE 23. RESTATEMENTS OF BEGINNING FUND BALANCES/NET POSITIONS AND OTHER CHANGES

The following reconciliations summarize restatements of the end-of-year fund balance and net position amounts as reported in the 2021 Annual Comprehensive Financial Report to the beginning-of-year amounts reported for Fiscal Year 2022 (in thousands):

A. Fund Statements – Governmental Funds

	Major Funds			
	General	Transportation	Nonmajor Funds	Total Governmental
Fund Balances at June 30, 2021 as reported in the 2021 Annual Comprehensive Financial Report	$ 1,180,415	$ 1,041,061	$ 2,112,819	$ 4,334,296
Enterprise fund reclassification	2,105			$ 2,105
Correction of Accounts Payable	3,269			$ 3,269
Correction of accounts receivable		1,675		$ 1,675
Revenue Corrections			47	$ 47
Fund Balances July 1, 2021 as restated	$ 1,185,789	$ 1,042,737	$ 2,112,866	$ 4,341,392
Effect of adjustments on the amount of excess revenues and other sources over expenditures and other uses of Fiscal Year 2021	$ 3,269	$ 1,675	$ 47	$ 4,991

B. Fund Statements – Proprietary Funds

	Major Funds					
	Environmental Improvement	University of Wisconsin System	Unemployment Reserve	Nonmajor Funds	Total Enterprise	Internal Service Funds
Net Positions at June 30, 2021 as reported in the 2021 Annual Comprehensive Financial Report	$ 2,174,848	$ 6,000,279	$ 1,151,759	$ 2,352,188	$ 11,679,074	$ (428,001)
Adoption of GASB Statement No. 87, Leases	—	(1,465)	—	—	(1,465)	—
Adjustments to assets and liabilities	—	—	—	(5,309)	(5,309)	—
Enterprise fund reclassification	—	—	—	(2,098)	(2,098)	—
Capital assets adjustments	—	—	—	(563)	(563)	—
Net Positions July 1, 2021 as restated	$ 2,174,848	$ 5,998,814	$ 1,151,759	$ 2,344,217	$ 11,669,639	$ (428,001)
Effect of adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2021	$ —	$ —	$ —	$ (5,873)	$ (5,873)	$ —

C. Government-wide Statements

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
Net Positions at June 30, 2021 as reported in the 2021 Annual Comprehensive Financial Report	$ 19,555,404	$ 11,598,329	$ 31,153,733	$ 9,270,820
Capital asset corrections	(4,080)	—	(4,080)	—
Enterprise fund reclassification	(7)	(2,098)	(2,105)	—
Liability Correction	2,778		2,778	—
Adoption of GASB Statement No. 87, Leases	—	(1,465)	(1,465)	(1,574)
Other adjustments of assets and liabilities as of June 30, 2021	7,096	(5,873)	1,223	—
Net Positions July 1, 2021 as restated	$ 19,561,190	$ 11,588,894	$ 31,150,084	$ 9,269,246
Effect of adjustments on the amount of net increase (decrease) in net positions of Fiscal Year 2021	$ 3,689	$ (5,873)	$ (2,184)	$ —

NOTE 24. LITIGATION, CONTINGENCIES AND COMMITMENTS

A. Litigation and Contingencies

The State is a participant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations.

The State accrues liabilities related to legal proceedings, if a loss is probable and reasonably estimable. Such losses, totaling $0.6 million on June 30, 2022 reported in the governmental activities, are discussed below:

The Work Injury Supplemental Benefit Fund, administered by the Department of Workforce Development, provides compensatory payments to survivors of fatally injured employees or disabled employees with work-related injuries. The liability for annuities to be paid totaled $0.6 million at June 30, 2022.

Other Claims, Judgments, and Contingencies

The State is also named as a party in other legal proceedings where the ultimate disposition and consequence are not presently determinable. The potential loss amount relating to an unfavorable outcome for certain of these proceedings could not be reasonably determined at this time. However, the ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not have a material adverse effect on the State's financial position.

In August 2018, the Department of Health Services (DHS) received notification from the U.S. Department of Health and Human Services (DHHS) recommending a $27.6 million disallowance related to the Medicaid program. DHHS concluded DHS did not refund the full federal share of Medicaid-related settlements and judgements from October 2008 through September 2016. DHS partially disagreed with the report. The Centers for Medicare and Medicaid Services (CMS) reviewed the report and determined that DHHS underreported the settlement and requested that DHS refund $31.0 million to the federal government. In February 2021 DHS submitted a formal objection letter to CMS and in August 2022 CMS issued a disallowance in the amount of $24.9 million. DHS intends to appeal this disallowance.

St. Mary's Springs Academy filed a just compensation appeal against the Department of Transportation (DOT). The issue is the amount of compensation to St. Mary's Springs Academy for property acquisition as part of a highway project. Depending on the verdict, DOT may be liable for additional damages and attorney's fees. It is believed that the maximum total liability would be approximately $1.8 million because of damages already paid by DOT. It is the State's position that it is not liable for any new compensation or fees and costs of St. Mary's. The State is vigorously defending this case, with mediation scheduled for December 2022 and a trial scheduled for March 2023.

KJS Amoco Inc. filed a civil lawsuit against DOT for relocation benefits due to commercial displacement following DOT's total acquisition of leased property. The plaintiff is seeking payment of approximately $11.4 million. DOT successfully obtained dismissal of a second plaintiff and the claims of that plaintiff. Cross motions for summary judgement on the remaining claim have been filed and are in the process of being briefed, with a trial date not yet scheduled. It is the State's position that it is not liable for this claim and is vigorously defending this case.

At the end of FY 2022, the Unemployment Reserve Fund, administered by the Department of Workforce Development (DWD), had a backlog related to weekly claims filed. DWD accrued a liability in the Unemployment Reserve Fund for benefits paid through October 31, 2022 that were related to weeks prior to June 30, 2022. However, an estimate of payments related to the remaining backlog, totaling 5,926 adjudication issues and 1,369 appeals as of October 30, 2022, cannot be estimated and therefore a liability for these claims has not been reported.

A class action lawsuit alleging discrimination under the Rehabilitation Act and the ADA as well violation of the "when due" clause of the Social Security Act and the Due Process Clause of the Fourteenth Amendment was filed against the DWD in September 2021. The plaintiffs seek to invalidate Wis Stat. 108.04(12)(f) and 108.04(2)(h) which prohibit recipients of social security disability insurance payments from receiving regular unemployment compensation benefits. In addition to an injunction, the plaintiffs seek back payments for any weeks that members of the class would have been eligible for regular unemployment benefits, excluding the weeks for which they received PUA instead, and reimbursement for any collection costs and penalties.

The case was pled as a class action, but the State successfully moved for an order allowing the district court to rule on a summary judgement motion first. That summary judgement motion is now pending, which seeks complete dismissal of the case.

Several employees of the Department of Corrections (DOC) filed a Wis. Stat. Chapter 109 wage claim action against DOC seeking unpaid wages for tasks they claim are integral and indispensable to their primary work duties. The plaintiffs are seeking class action certification, which was granted in September 2022 by the circuit court. DOJ has appealed the decision certifying the class, with an opening brief due in December 2022. The State is vigorously defending its position.

In FY 2020, Intersystems Corporation filed a claim against the Department of Revenue (DOR) asserting that DOR owed Intersystems Corporation a refund of $73.9 million plus interest for 2010-2017. The issue is whether or not fees from sublicensing software sold to Epic, who is domiciled in Wisconsin, may be treated as Wisconsin sales in the sales factor. The case is currently being appealed to the Wisconsin Tax Appeals Commission, but DOR believes that its position is meritorious and will defend the matter vigorously.

In FY 2022, Caidan Enterprises Incorporated filed a claim against DOR asserting that DOR owed Caidan approximately $15.0 million in income tax and interest for the 2015-2018 tax years because Caidan should not pay taxes on gain that was not unitary. The case is currently being appealed to the Wisconsin Tax Appeals Commission, but DOR believes the gain was not unitary and will defend the matter vigorously.

B. Commitments

Primary Government

As of June 30, 2022, encumbrances of the General Fund totaled $1.9 billion, encumbrances of the Transportation Fund totaled $2.1 billion, and encumbrances of other non-major governmental funds totaled $216.2 million. Obligations at June 30, 2022 representing multi-year, long-term commitments included (in thousands):

Transportation Fund	$	565,961
Capital Improvement Fund – WisDOT Harbors, Rails and Highway Programs		30,515
Transportation Revenue Bonds Capital Projects Fund		30,770
General Fund – Housing Programs		81,987

The Environmental Improvement Fund (the Fund) was established to administer the Clean Water Fund Loan Program. Loans and grants are made to local units of government for wastewater treatment projects for terms of up to 20 years. Loans are made at a number of prescribed interest rates based on environmental priority. The loans contractually are revenue obligations or general obligations of the local governmental units. Additionally, various statutory provisions exist which provide further security for payment. The Fund has made financial assistance commitments of $257.6 million as of June 30, 2022. These loan and grant commitments are expected to be met through proceeds from issuance of revenue obligations and additional federal grants.

The Injured Patients and Families Compensation Fund may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the Fund may have ultimate responsibility for annuity payments if the annuity company defaults on annuity payments. The total estimated replacement value of the Fund's annuities as of June 30, 2022 was $32.8 million. The replacement value calculation includes only annuities where the Fund remains the owner. Annuities with qualified assignments are no longer included. The Fund reserves the right to pursue collection from State guarantee funds.

State Public Deposit Guarantee - As required by Wis. Stat. Sec. 34.08, the State is to make payments to public depositors for proofs of loss (e.g., loss resulting from a bank failure) up to $400 thousand per depositor above the amount of federal insurance. This statutory requirement guarantees that the State will make payments in favor of the public depositor that has submitted a proof of loss. Payments would be made in the order in which satisfactory proofs of loss are received by the State's Department of Financial Institutions, until the designated appropriation is exhausted. At June 30, 2022, the appropriation available totaled $75.4 million. Losses become fixed as of the date of the loss. A public depositor experiencing a loss must assign its interest in the deposit, to the extent of the amount paid, to the Department of Financial Institutions. Any recovery made by the Department of Financial Institutions under the assignment is to be repaid to the appropriation. The possibility of a material loss resulting from payments to and recovery from public depositors is remote.

NOTE 25. TAX ABATEMENTS

Wisconsin statutes authorize tax abatements to encourage economic development and other actions beneficial to the State or its citizens resulting in a reduction in tax revenue the State would otherwise be entitled to collect. GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement agreements entered into by a reporting government, along with agreements entered into by other governments, which reduce the reporting government's tax revenues. Most tax abatement programs meeting the criteria for disclosure in the State's ACFR are certified by the Wisconsin Economic Development Corporation (WEDC), a separate legal entity also reported as a component unit in the ACFR. WEDC enters into the abatement agreements and administers the programs. The Wisconsin Department of Revenue (DOR) is responsible for ensuring the certified tax abatements were properly applied when processing income tax returns filed by recipients. The table below describes abatement programs that impact tax revenues for the State of Wisconsin.

State Agency Programs	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Historical Homeowners Tax Credit - Administered by Wisconsin Historical Society	Wis. Stats. 44.02(24)	Preserving or rehabilitating historic property located in Wisconsin	Income Tax	Own and occupy as personal residence property Costs must relate only to preservation or rehabilitation work done Costs must be more than $10,000	Nonrefundable state income tax credit	25% of qualified expenditures for the current year for individuals	DOR may recover all or a portion of the credit if the claimant has not complied with all requirements
WHEDA Programs	**Authority**	**Purpose**	**Tax Abated**	**Primary Criteria**	Mechanism	**Abatement Calculation**	**Recapturing Abatements**
Low Income Housing Tax Credit Administered by Wisconsin Housing and Economic Development Authority	Wis. Stats. 234.45	Low-income housing tax credits	Income Tax	Person has an ownership interest in the qualified development The tax credit is necessary for financial feasibility of the qualified development Maintenance and operation as a qualified development for the compliance period and in compliance with Title VIII of the federal Civil Rights Act of 1968, as amended The allocation certificate is issued in accordance with the qualified allocation plan	Nonrefundable state income tax credit	A claimant may claim as a credit against the taxes imposed, up to the amount of the tax, the amount allocated by the authority	DOR may recover the credit based on the amount determined under section 42(j) of the Internal Revenue Code

WEDC Programs	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Business Development Credit (also includes the Economic Development and Jobs Tax Credit programs)	Wis. Stats. 238.308	Provides incentives for job creation, capital investment, training, and corporate location or retention for new and current businesses in Wisconsin	Income Tax	Person increases net employment in the state from net employment in the state during the year before certification	Refundable state income tax credit or offset against economic development surcharge	Up to 10% of eligible employee wages Up to 5% of additional eligible employee wages in economically distressed area Up to 50% of eligible training costs For investments of $1.0 million or greater or investments of less than $1.0 million but at least $10,000 per eligible employee: Up to 3% of personal property investment and up to 5% of real property investment Certain percentage of wages paid to eligible headquarters employees	WEDC may require repayment of tax benefits claimed for a year in which the person failed to employ an eligible employee required by the agreement
Development Opportunity Zone Tax Credit	Wis. Stats. 238.395	Incent new and expanding businesses in the cities of Beloit, Janesville, and Kenosha Incent the creation of jobs for target group members	Income Tax	Business located in or relocating to, Beloit, Janesville, or Kenosha	Nonrefundable state income tax credit	Credits ranging from $6,000 to $8,000 per job for an FTE paying at least 150% of federal minimum wage Up to 3% of all eligible capital investments Up to 50% of eligible environmental remediation costs	WEDC may revoke tax benefits if false or misleading information is provided, if the business ceases to operate in the zone or moves outside the development zone
Enterprise Zone Tax Credit	Wis. Stats. 238.399	Incent expansion of existing Wisconsin businesses or relocation of major business operations from other states to Wisconsin	Income Tax	Businesses located in, or relocating to, an enterprise zone in Wisconsin Business that begins or expands operations in an enterprise zone Business makes a significant capital contribution Positions created as a result of tax credits must be maintained for at least five years	Refundable state income tax credit	WEDC determines the maximum amount of tax credits a business may claim Credit of up to 7% of the net increase in zone payroll less certain adjustments Credit up to 100% of job-related training costs Up to 10% of significant capital expenditures Up to 1% of amount paid for property, goods or services purchased from Wisconsin vendors	WEDC may require a business to repay tax benefits for which the business failed to maintain employment levels or a significant capital investment in property WEDC may revoke tax benefits if false or misleading information is provided, if the business ceases to operate in the zone or moves outside the development zone
Electronics and Information Technology Manufacturing Zone Tax Credit	Wis. Stats. 238.396	Incent a project (Foxconn) involving the attraction of major business operations to Wisconsin to support the creation of jobs	Income Tax	Business that begins operations in the zone Services must be performed in the state Business maintains job creation threshold and requirements as designated by WEDC Business makes a significant capital expenditure in the zone	Refundable state income tax credit	Job creation credit equal to no more than 17% of payroll within the state for the benefit of the operations within the zone Investment credit where the business may claim up to 15% of its significant capital expenditures	WEDC may require the business to repay any tax benefits the business claims for a year in which the business failed to maintain employment levels or a significant capital investment in property

WEDC Programs, continued	Authority	Purpose	Tax Abated	Primary Criteria	Mechanism	Abatement Calculation	Recapturing Abatements
Qualified New Business Venture (Consists of Early Stage Seed Investment and Angel Investment Credits)	Wis. Stats. 238.15	Promote development of research and development and early-stage capital availability by providing tax credit incentives for private equity investment in technology- based Wisconsin businesses with significant long- term growth potential	Income Tax	Investor must keep investment in a certified business or with a certified fund manager for no less than 3 years unless the investment becomes worthless or the person has kept the investment for at least 12 months and a bona fide liquidity event occurs during the 3 year period Certified businesses are those headquartered in the State and engaged in innovation within certain sectors such as manufacturing, biotechnology, agriculture, etc. or that process or assemble items such as medical devices, pharmaceuticals, computer hardware or software, etc.	Nonrefundable state income tax credit	25% of the value of the investment made in the certified company	The certified business must pay a penalty ranging from 60% to 100% of the tax credit provided if it relocates out of state during the 3 years after it received an investment
Historical Preservation Tax Credit (Supplement to Federal Historic Rehabilitation Tax Credit)	Wis. Stats. 238.17	Incentive for businesses to rehabilitate historic structures in Wisconsin used for production of income	Income Tax	Must own the historic property Building must be depreciable property that is either nonresidential real property, residential rental property, or real property with a class life of more than 12.5 years Rehabilitation expenditures are more than the greater of $50,000 or the adjusted basis Expenditure test must be met within a 24-month (or, for phased rehabilitation projects, a 60-month) period	Nonrefundable state income tax credit	20% of qualified rehabilitation expenditures for the current year The state credit must be claimed ratably over a five-year period beginning in the taxable year the building is placed in service effective for amounts paid or incurred after December 31, 2017[1]	If sale or noncompliance occurs within 5 years then a prorated amount of the credit received will be added back to the individual's tax liability

[1] State law automatically adopted the provision in the federal Tax Cuts and Jobs Act signed into law on December 22, 2017. The federal law effectively modified the timing for claiming the state credit from one year to over five years with a transition rule in place that applies to projects contracted and completed prior to tax year 2021.

The gross dollar amount by which the State's tax revenues were reduced as a result of abatement agreements during the fiscal year ended June 30, 2022 (in millions):

	Amount
State Agency Administered Program	
Historical Homeowners Tax Credit	$ 1.6
WEDC Administered Programs	
Business Development Credit *	12.2
Development Opportunity Zone Tax Credit	0.3
Enterprise Zone Tax Credit	74.8
Qualified New Business Venture	8.7
Historical Preservation Tax Credit	14.7
Total State Agency and WEDC:	$ 112.3

* Includes Economic Development, Jobs Tax Credit and Business Development Credit abatements

Tax Abatement-related Commitments

2017 Wis. Act 58 created an electronics and information technology manufacturing zone in southeast Wisconsin (the Foxconn project). Subject to the Act, the state may contract public debt in an amount not to exceed $252.4 million in general fund-supported general obligation bonds to be used for road expansion and improvements to the I-94 North-South corridor. The Act also recognized a moral obligation in which the legislature expresses its expectation and aspiration, if ever called upon to do so, to make an appropriation to pay no more than 40 percent of the principal and interest of a local governmental unit's municipal obligations used to finance costs related to the zone.

NOTE 26. SUBSEQUENT EVENTS

Primary Government

Long-term Debt

General Obligation Bonds – In February 2022, the State entered into a forward delivery bond purchase agreement for the issuance of general obligation refunding bonds and a preliminary closing for those bonds occurred in March 2022. Subject to the forward delivery agreement, the State expects to issue $125.8 million of 2023 Series 1 general obligation refunding bonds in January 2023 to be used for the current refunding of certain principal of previously issued general obligation bonds. When issued, the interest rates are expected to be 5.0 percent payable semiannually beginning November 1, 2023. The bonds mature May 1, 2024, May 1, 2027, and May 1, 2028.

In July 2022, the State issued $134.8 million of 2022 Series A general obligation floating rate notes to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment of facilities for public purposes. The interest rates associated with these notes are variable rate with interest payable monthly beginning August 1, 2022. The notes mature May 1, 2023 and May 1, 2025.

In October 2022, the State issued $54.1 million of 2022 Series 3 general obligation refunding bonds to be used for the current refunding of certain principal of previously issued general obligation bonds. The interest rate associated with these bonds was set at 5.0 percent payable May 1, and November 1, 2023. The bonds mature November 1, 2023.

In November 2022, the State issued $257.1 million of 2022 Series 4 general obligation refunding bonds to be used for the current and advance refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning May 1 2023. The bonds mature annually beginning May 1, 2025 through May 1, 2043.

In November 2022, the State issued $20.6 million of 2022 Series 5 general obligation refunding bonds (taxable) to be used for the advance refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 4.8 percent to 5.7 percent payable semiannually beginning May 1, 2023. The bonds mature May 1, 2027, May 1, 2028, May 1, 2031, and then annually beginning May 1, 2033 through May 1, 2037.

Environmental Improvement Fund Revenue Bonds – In November 2022, the State issued $50.0 million of 2022 Series A environmental improvement fund revenue bonds (green bonds) to make pledged loans for the program. The interest rates associated with these bonds were set at 5.0 percent payable semiannually beginning June 1, 2023. The bonds mature annually beginning June 1, 2024 through June 1, 2043.

Short-term Debt

General Obligation Notes – In August 2022, the State issued $73.5 million of general obligation extendible municipal commercial paper notes to be used to finance, or to fund previously issued general obligation extendible municipal commercial paper notes.

Investments

In December 2022, the State became aware that one of its limited partnership investments, the Blackstone Real Estate Income Trust (BREIT), had received repurchase requests in the third quarter of 2022 that exceeded the 2% of NAV monthly redemption limit and 5% of NAV quarterly limitation for the fund. Consequently, BREIT repurchased approximately 43% of each investor's repurchase request in November 2022. In December 2022, redemption restrictions were implemented and only 0.3% of the fund NAV will be eligible for repurchase. If BREIT receives elevated repurchase requests in the first quarter of 2023, Blackstone intends to fulfill repurchases at the 2% of NAV monthly limit, subject to the 5% of NAV quarterly limit. As of June 30th, 2022, the Common School Fund had approximately $66.0 million invested in BREIT. In August 2022, the Common School Fund redeemed approximately $10.0 million of shares in BREIT. The Common School Fund has no intention of selling additional shares of BREIT at this time.

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Required Supplementary Information

Postemployment Benefits - State Health Insurance Program

Schedule of Changes to the Total OPEB Liability and Related Ratios (in millions)
As of the Measurement Date June 30

	2017	2018	2019	2020	2021
Total OPEB Liability:					
Service cost	$ 72.1	$ 58.0	$ 40.3	$ 48.5	$ 52.5
Interest	23.6	27.1	21.7	24.5	14.9
Difference between expected & actual experience	(4.1)	0.8	65.1	(40.1)	92.1
Changes of assumptions	(109.3)	(224.8)	56.7	(16.6)	(41.2)
Benefit payments	(38.4)	(40.8)	(40.9)	(56.8)	(47.4)
Net Change in Total OPEB Liability	(56.1)	(179.7)	142.9	(40.5)	70.9
Total OPEB Liability – Beginning	775.4	719.3	539.6	682.5	642.0
Total OPEB Liability – Ending	$ 719.3	$ 539.6	$ 682.5	$ 642.0	$ 712.9
Covered-employee payroll	$ 3,690.7	$ 3,729.7	$ 3,905.8	$ 4,030.8	$ 4,107.0
Total OPEB Liability as a percentage of covered-employee payroll	19.49 %	14.47 %	17.47 %	15.93 %	17.36 %

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (6/30/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027 (6/30/26 measurement date).

Note to preceding required supplementary information - State Health Insurance Program

The State Health Insurance OPEB plan does not have assets in trust or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, and participation rate assumptions. Employer benefit payments were actuarially determined and pertain to the implicit rate subsidy.

Postemployment Benefits - State Life Insurance Program

Schedule of Changes in the Total OPEB Liability/(Asset) and Related Ratios (in millions)
As of the Measurement Date December 31

	2017	2018	2019	2020	2021
Total OPEB Liability:					
Service cost	$ 26.2	$ 30.7	$ 25.4	$ 36.3	$ 46.3
Interest	30.7	31.2	33.2	29.9	27.4
Difference between expected & actual experience	(5.3)	(17.5)	(6.1)	(10.4)	3.2
Changes of assumptions	49.0	(94.9)	223.0	138.5	13.4
Benefit payments	(17.7)	(19.5)	(19.9)	(24.7)	(23.7)
Net Change in Total OPEB Liability	82.9	(70.1)	255.6	169.6	66.6
Total OPEB Liability - Beginning	762.6	845.5	775.5	1,031.1	1,200.7
Total OPEB Liability - Ending	**845.5**	**775.5**	**1,031.1**	**1,200.7**	**1,267.3**
Plan Fiduciary Net Position:					
Contributions from employers	1.4	1.4	1.2	1.5	1.7
Transfer from active life insurance program	—	—	13.1	—	—
Net investment income	11.6	10.9	10.4	9.8	8.7
Administrative expense	(0.7)	(0.7)	(0.8)	(0.9)	(0.9)
Benefit payments	(17.7)	(19.5)	(19.9)	(24.7)	(23.7)
Net change in Plan Fiduciary Net Position	(5.4)	(8.0)	4.0	(14.3)	(14.2)
Plan Fiduciary Net Position – Beginning	357.4	352.0	344.0	348.0	333.7
Plan Fiduciary Net Position – Ending	**352.0**	**344.0**	**348.0**	**333.7**	**319.5**
Collective Net OPEB Liability/(Asset) – Beginning	**405.1**	**493.5**	**431.5**	**683.1**	**867.0**
Net change in Collective Net OPEB Liability/(Asset)	**88.4**	**(62.0)**	**251.6**	**183.9**	**80.8**
Collective Net OPEB Liability/(Asset) – Ending	**$ 493.5**	**$ 431.5**	**$ 683.1**	**$ 867.0**	**$ 947.8**
Plan Fiduciary Net Position as a percentage of the total OPEB Liability/(Asset)	41.63 %	44.36 %	33.75 %	27.79 %	25.21 %
Covered-employee payroll	$ 3,184.0	$ 3,182.5	$ 3,299.5	$ 3,456.5	$ 3,529.3
Net OPEB Liability as a percentage of covered-employee payroll	15.50 %	13.56 %	20.70 %	25.08 %	26.86 %

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (12/31/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027 (12/31/26 measurement date).

Schedule of Contributions to State Life Insurance OPEB Plan (in millions)
As of the Measurement Date December 31

	2017	2018	2019	2020	2021
Contractually required contribution	$ 1.4	$ 1.4	$ 1.1	$ 1.5	$ 1.7
Contributions in relation to the contractually required contribution	1.4	1.4	1.1	1.5	1.7
Contribution deficiency	—	—	—	—	—
Covered-employee payroll	$ 3,184.0	$ 3,182.5	$ 3,299.5	$ 3,456.5	$ 3,529.3
Contributions as a percentage of covered-employee payroll	0.042 %	0.044 %	0.033 %	0.043 %	0.048 %

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (12/31/17 measurement date) was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027 (12/31/26 measurement date).

Postemployment Benefits - Supplemental Health Insurance Conversion Credit Program

Schedule of Changes in the Total OPEB Liability/(Asset) and Related Ratios (in millions)
As of the Measurement Date December 31

	2017	2018	2019	2020	2021
Total OPEB Liability:					
Service cost	$ 23.1	$ 23.4	$ 25.5	$ 24.1	$ 23.5
Interest	65.8	66.0	65.5	64.4	63.7
Difference between expected & actual experience	(31.6)	(41.6)	(55.3)	(47.6)	(36.2)
Changes of assumptions	—	25.2	—	—	120.4
Benefit payments	(56.4)	(55.4)	(52.9)	(49.5)	(52.6)
Net Change in Total OPEB Liability	0.9	17.6	(17.2)	(8.6)	118.8
Total OPEB Liability - Beginning	931.3	932.2	949.8	932.6	924.0
Total OPEB Liability - Ending	**932.2**	**949.8**	**932.6**	**924.0**	**1,042.8**
Plan Fiduciary Net Position:					
Contributions from employers	17.9	18.2	14.3	15.1	15.7
Net investment income	141.7	(36.5)	180.2	159.4	200.6
Administrative expense	(0.3)	(0.2)	(0.3)	(0.6)	(0.7)
Benefit payments	(56.4)	(55.4)	(52.9)	(49.5)	(52.6)
Net change in Plan Fiduciary Net Position	102.9	(73.9)	141.3	124.4	163.0
Plan Fiduciary Net Position – Beginning	914.1	1,017.0	943.1	1,084.4	1,208.8
Plan Fiduciary Net Position – Ending	**1,017.0**	**943.1**	**1,084.4**	**1,208.8**	**1,371.8**
Collective Net OPEB Liability/(Asset) – Beginning	17.2	(84.8)	6.7	(151.8)	(284.8)
Net change in Collective Net OPEB Liability/(Asset)	(102.0)	91.5	(158.5)	(133.0)	(44.2)
Collective Net OPEB Liability/(Asset) – Ending	**$ (84.8)**	**$ 6.7**	**$ (151.8)**	**$ (284.8)**	**$ (329.0)**
Plan Fiduciary Net Position as a percentage of the total OPEB Liability/(Asset)	109.10 %	99.29 %	116.28 %	130.82 %	131.55 %
Covered-employee payroll	$ 4,454.5	$ 4,562.6	$ 4,796.1	$ 5,018.5	$ 5,215.5
Net OPEB Liability as a percentage of covered-employee payroll	(1.90)%	0.15 %	(3.17)%	(5.68)%	(6.31)%

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (12/31/17 measurement date) was the first year for reporting* this information, a full 10-year schedule will not be available until fiscal year 2027 (12/31/26 measurement date).

Schedule of Contributions to Supplemental Health Insurance Conversion Credit OPEB Plan (in millions)
As of the Measurement Date December 31

	2017	2018	2019	2020	2021
Contractually required contribution	$ 17.9	$ 18.2	$ 14.4	$ 15.1	$ 15.7
Contributions in relation to the contractually required contribution	17.9	18.2	14.4	15.1	15.7
Contribution deficiency	—	—	—	—	—
Covered-employee payroll	$ 4,454.5	$ 4,562.6	$ 4,796.1	$ 5,018.5	$ 5,215.5
Contributions as a percentage of covered-employee payroll	0.400 %	0.399 %	0.300 %	0.301 %	0.301 %

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 (12/31/17 measurement date) was the first year for reporting* this information, a full 10-year schedule will not be available until fiscal year 2027 (12/31/26 measurement date).

*In FY 2020 it was determined that the SHICC Program was an OPEB to the State and should've been reported with the implementation of GASB 75. Therefore, FY 2020 was the first year it is reported in the statements.

State's Proportionate Share of the Net Pension Liability or Net Pension (Asset)

The State's proportionate share of the net pension liability (NPL) or net pension (asset) (NPA) of the Wisconsin Retirement System is provided below:

Fiscal Year*	State's Proportion of the NPL/(NPA) (a)	State's Proportionate Share of the NPL/(NPA) (b)	State's Covered Payroll (c)	State's Share of the NPL/(NPA) as a Percentage of Covered Payroll (b / c)	WRS' Net Position as a Percentage of the Total Pension Liability (d)
2022	(28.5)%	$ (2,293,804,977)	$ 4,540,800,913	(50.5)%	106.0%
2021	(28.1)	(1,756,102,234)	4,401,057,149	(39.9)	105.3
2020	(27.7)	(895,288,646)	4,159,693,791	(21.5)	103.0
2019	27.7	985,537,744	3,972,324,722	24.8	96.5
2018	(27.8)	(826,113,891)	3,867,555,186	(21.4)	102.9
2017	28.0	232,791,419	3,806,871,835	6.1	99.1
2016	28.1	455,475,378	3,790,475,424	12.0	98.2
2015	(28.0)	(686,873,469)	3,735,598,305	(18.4)	102.7

* The amounts presented were measured as of the calendar year-end or for the calendar year ended that occurred within the fiscal year listed.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

State's Pension Contributions

The State's pension contributions to the Wisconsin Retirement System are provided below:

Fiscal Year*	State's Actuarially Determined Contributions (a)	State's Contributions Made (b)	Contribution Excess/ (Deficiency) (b - a)	State's Covered Payroll (c)	State's Contributions Made as a Percentage of Covered Payroll (b / c)
2022	$ 333,860,600	$ 333,860,600	$ —	$ 4,540,800,913	7.4%
2021	324,683,196	324,683,196	—	4,401,057,149	7.4
2020	292,078,527	292,078,527	—	4,159,693,791	7.0
2019	284,968,840	284,968,840	—	3,972,324,722	7.2
2018	280,500,929	280,500,929	—	3,867,555,186	7.3
2017	263,970,133	263,970,133	—	3,806,871,835	6.9
2016	270,985,300	270,985,300	—	3,790,475,424	7.2
2015	275,968,183	275,968,183	—	3,735,598,305	7.4

* The amounts presented were measured for the calendar year ended that occurred within the fiscal year listed.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

Infrastructure Assets Reported Using the Modified Approach

The State has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the State can demonstrate that these assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The State owns approximately 11,200 centerline miles of road and 5,100 bridges.

Road Network

Condition assessments are completed on a two-year cycle with the most current results reported for each State road. The State completes the assessment of the Eastern half of the State in one year and the Western half of the State in the next. Numerous measures are used to assess the condition of the State's road network. The State has adopted the International Roughness Index (IRI), as defined by the Federal Highway Administration, as one of its condition measures. IRI is a direct measure of road roughness, with an IRI of 2.69 mm/m (170 inches/mile) or greater being defined as a "poor" ride. Roads with a "poor" IRI assessment may cause negative impacts for the traveling public by decreasing driver comfort and potentially increasing the damage to vehicles and goods. It is the State's policy to ensure no more than 15 percent of its roads receive a "poor" IRI assessment.

Recent condition assessment results are as follows:

Year Ended June 30	Miles of Road	Percent Rated "Poor"	Established Percent	Variance Favorable/ (Unfavorable)
2022	11,200	7.8	15.0	7.2
2021	11,200	7.5	15.0	7.5
2020	11,200	7.6	15.0	7.4
2019	11,200	7.6	15.0	7.4
2018	11,200	7.4	15.0	7.6
2017	11,200	7.4	15.0	7.6
2016	11,200	8.9	15.0	6.1
2015	11,200	7.3	15.0	7.7
2014	11,200	8.3	15.0	6.7
2013	11,200	6.2	15.0	8.8

Each year the State estimates the costs to maintain and preserve the road network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2022	$ 1,265.2	$ 688.9	$ 576.3
2021	939.8	571.4	368.4
2020	828.6	671.0	157.6
2019	847.9	612.0	235.9
2018	748.0	616.7	131.3
2017	770.3	629.3	141.0
2016	617.6	564.7	52.9
2015	603.4	643.3	(39.9)
2014	619.4	605.9	13.5
2013	580.9	561.8	19.1

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. In addition, the State of Wisconsin, Department of Transportation's multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years.

Bridge Network

Condition assessments are completed on a two-year cycle, with more frequent inspections completed if warranted. The most current assessment results are reported for each State bridge, making the overall assessment a blend of measures completed in the current fiscal year and those completed in the prior year.

The structural condition rating is a broad measure of the condition of a bridge. Each bridge is rated using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings. The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. The NBI uses a 10-point scale for condition codes and appraisal ratings. A bridge is considered "structurally deficient" if any condition code is 4 or less, or if either appraisal code is 2 or less.

“Structurally deficient” bridges cause negative impacts for the public by increasing the likelihood that heavy loads will need to be rerouted to less efficient routes, thus increasing logistic costs for State businesses. It is the State’s policy to ensure no more than 15 percent of its bridges are “structurally deficient”.

Recent condition assessment results are as follows:

Year Ended June 30	Number of Bridges	Percent Structurally Deficient	Established Percent	Variance Favorable/ (Unfavorable)
2022	5,100	2.5	15.0	12.5
2021	5,100	2.3	15.0	12.7
2020	5,200	2.3	15.0	12.7
2019	5,200	2.6	15.0	12.4
2018	5,200	3.0	15.0	12.0
2017	5,200	3.1	15.0	11.9
2016	5,200	3.1	15.0	11.9
2015	5,200	3.2	15.0	11.8
2014	5,100	3.3	15.0	11.7
2013	5,100	3.1	15.0	11.9

Each year, the State estimates the costs to maintain and preserve the bridge network at, or above, the established condition level. Actual maintenance/preservation costs compare to estimates as follows:

Year Ended June 30	Estimated Costs (In millions)	Actual Costs (In millions)	Variance (In millions) Favorable/ (Unfavorable)
2022	$ 58.0	$ 58.6	$ (0.6)
2021	59.0	77.2	(18.2)
2020	107.3	67.5	39.8
2019	63.1	65.8	(2.7)
2018	92.1	89.9	2.2
2017	56.9	59.3	(2.4)
2016	78.6	128.3	(49.7)
2015	57.1	164.4	(107.3)
2014	261.2	131.0	130.2
2013	123.2	115.3	7.9

Estimated costs are developed at the beginning of the fiscal year based on projects planned for the current and future years. The types of projects ultimately contracted and incurring costs during the year are often very different. The State of Wisconsin, Department of Transportation’s multi-year contracting process, allowing encumbrances to carry forward, makes a comparison of actual to estimated amounts difficult since expenditures for the current year may have been budgeted and committed to a project in prior years. Estimated and actual costs for 2014 have been restated from amounts reported in prior years due to an error in classification of costs on a capital project as maintenance/ preservation costs.

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Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2022

(In Thousands)

	Original Budget		Final Budget		Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year					$ 5,308,758
Revenues and Transfers (Inflows):					
Taxes	$ 17,916,777		$ 18,957,509		20,578,238
Departmental:					
Tribal Gaming	—		—		—
Other	27,555,746	(A)	27,553,052	(A)	27,498,447
Transfers from:					
Nonmajor Governmental Funds	(A)		(A)		1,939
Nonmajor Enterprise Funds	(A)		(A)		—
Total Revenues and Transfers (Inflows)	$ 45,472,523		$ 46,510,561		$ 48,078,624
Amounts Available for Appropriation					$ 53,387,382
Appropriations (Outflows):					
Commerce	412,288		599,763		423,974
Education	15,195,985		18,395,419		15,779,830
Environmental Resources	301,996		484,560		331,695
Human Relations and Resources	17,473,214		24,733,064		21,459,946
General Executive	1,248,078		5,367,260		3,049,138
Judicial	154,065		161,149		156,445
Legislative	88,552		88,592		81,695
Tax Relief and Other General	2,831,708		2,876,465		2,758,366
Transfers to:					
Transportation Fund	178,870		178,870		178,870
Nonmajor Governmental Funds	—		—		15,683
Nonmajor Enterprise Funds	—		—		249,666
Total Appropriations (Outflows)	$ 37,884,756		$ 52,885,142		$ 44,485,308
Fund Balances, End of Year					8,902,074
Less Encumbrances Outstanding at June 30, 2022					(2,300,737)
Fund Balances, End of Year - Budgetary Basis					6,601,337

Reconciliation of the End of Year,	
Budgetary Basis, Fund Balance to the Detail Reported in the Annual Fiscal Report:	
General Purpose:	
Designated	$ 677,779
Undesignated	4,298,919
Total General Purpose	4,976,698
Program Revenue	1,624,639
Fund Balances, End of Year Budgetary Basis	$ 6,601,337

(A) Interfund transfers to the General Fund were budgeted under departmental revenue during Fiscal Year 2022.

Budgetary Comparison Schedule - Transportation Fund

For the Fiscal Year Ended June 30, 2022

(In Thousands)

	Original Budget	Final Budget	Actual Amounts
Unexpended Budgetary Fund Balances, Beginning of Year			$ 845,610
Revenues (Inflows):			
Taxes	$ 1,160,411	$ 1,160,411	1,160,411
Departmental	2,061,251	2,061,251	2,061,251
Transfers from:			
General Fund	178,870	178,870	178,870
Nonmajor Governmental Funds	17,019	17,019	17,019
Total Revenues (Inflows)	3,417,551	3,417,551	3,417,551
Amounts Available for Appropriation			4,263,161
Appropriations and Transfers (Outflows):			
Environmental Resources	3,238,105	6,894,649	3,120,983
General Executive	2,135	2,135	1,755
Tax Relief and Other General	23,468	25,179	23,766
Total Appropriations and Transfers (Outflows)	$ 3,263,708	$ 6,921,963	3,146,504
Fund Balances, End of Year			1,116,657
Less Encumbrances Outstanding at June 30, 2022			(2,220,641)
Fund Balances, End of Year			
Budgetary Basis			$ (1,103,984)

Notes To Required Supplementary Information

NOTE 1. BUDGETARY INFORMATION

A. Budgetary – GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (more fully described in RSI Note 1-B) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis and perspective differences as of June 30, 2022 is presented below (in thousands):

	General Fund	Transportation Fund
Fund balance June 30, 2022 (budgetary basis – budgetary fund structure):		
General Purpose Revenue – fund balance per budgetary basis *Annual Fiscal Report*		
Undesignated fund balance	$ 4,298,919	
Designated fund balance	677,779	
Total General Purpose Revenue fund balance	4,976,698	
Program Revenue – fund balance per budgetary basis *Annual Fiscal Report*	1,624,639	
Fund balance June 30, 2022 (budgetary basis – budgetary fund structure) as reported on the budgetary comparison schedule	6,601,337	$ (1,103,985)
Reclassifications:		
To eliminate encumbrances reported as expenditures under budgetary reporting *(basis difference)*	2,300,737	2,220,641
To eliminate the effect of uncollected revenue adjustments under budgetary reporting *(basis difference)*	806,680	
To include activities of funds such as the Medical Assistance Trust, Hospital Assessment, Critical Hospital Assessment, Budget Stabilization, and Permanent Endowment Funds (reported as special revenue funds under budgetary reporting) as part of the General Fund *(perspective difference)*	2,012,800	—
To remove activities reported in another GAAP fund type *(perspective differences)*:		
Enterprise funds (except for the University of Wisconsin System)	2,551	—
University of Wisconsin System	(1,602,074)	—
Internal Service funds	(93,636)	—
Transportation Revenue Bonds capital project fund	—	—
Fund balance June 30, 2022 (GAAP fund structure – budgetary basis, excluding encumbrances treated as expenditures at year end)	10,028,395	1,116,656
Adjustments *(basis differences)*:		
To accrue receivables and establish payables for individual income taxes (net)	(833,669)	—
To defer revenues for gross receipts public utility taxes	(260,486)	—
To adjust revenues and expenditures for tax-related items and other tax credit/aid programs (net)	(713,060)	(497)
To adjust expenditures for the intergovernmental shared revenue program	(498,343)	—
To adjust expenditures for State property tax credit/relief program	(804,917)	—
To record unspent CRF and ARPA funds as unearned as of 6/30/2022	(2,141,940)	—
To accrue unpaid Medicaid payments to providers (net of receivable from federal government)	(127,928)	—
To adjust revenues and expenditures for certain major Health Services, and Children and Families human services payments to local governments	(174,848)	—
To accrue receivable for Medicaid drug rebates (net of payable to federal government)	211,016	—
To accrue WHISP payments and claims	(73,642)	—
To adjust expenditures/revenues for other Health Services, Workforce Development, Children and Families, and Corrections accruals and deferrals	(21,935)	—
To recognize the tobacco settlement revenue receivable	64,279	—
To adjust expenditures and revenues for State Energy Program and other revolving loan programs	674	—
To adjust revenues and expenditures for other items (net)	(8,114)	201,752
Fund balance June 30, 2022 (GAAP fund structure – GAAP basis) as reported on the governmental fund statements	$ 4,645,482	$ 1,317,911

B. Budgetary Basis of Accounting

The State's biennial budget is prepared using a modified cash basis of accounting. The final budget is primarily a general purpose revenue and expenditure budget. General purpose revenues consist of general taxes and miscellaneous receipts which are paid into the General Fund, lose their identity, and are then available for appropriation by the Legislature. The remaining revenues consist of program revenues, which are credited by law to an appropriation to finance a specified program or State agency, and segregated revenues which are paid into separate identifiable funds.

While State departments and agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget except for revenue estimates of the Lottery Fund. As a result, legally budgeted revenues for these categories are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedules.

Expenditure budgeting differs for the various types of appropriations. For most appropriations, budgeted expenditures equal the amount from the adopted budget plus any subsequent legislative or administrative revisions. Various supplemental appropriations were approved during the year and have been incorporated into the budget figures.

While State statutes prohibit spending beyond budgetary authority, a provision is made to include the value of accounts receivable, inventories and work in process in identifying available revenues. The State also utilizes nonbudget accounts for which no budget is established but expenditures may be incurred. As a result, actual expenditures may exceed budgeted amounts in certain categories.

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Other variances arise because the State's biennial budget is developed according to the statutorily required fund structure which differs extensively from the fund structure used in the GAAP basis financial statements. This difference is primarily caused by the elimination of the University of Wisconsin System, and various fiduciary, proprietary and other governmental fund activities from the statutorily General and Transportation funds. In addition, funds such as the Medical Assistance Trust, Hospital Assessment, Budget Stabilization and Permanent Endowment, special revenue funds under statutory reporting, are included as part of the General Fund under GAAP reporting. As a consequence of these differences, a reconciliation between budgetary basis and GAAP basis is provided in Note 1-A of the notes to the required supplementary information.

The Budgetary Comparison Schedules for the General and the Transportation Fund present both the original and final appropriated budgets, as well as the actual inflows, outflows, and fund balance on the budgetary basis. The supplementary budget comparison schedule provides this same information (with the exception of the original budget data) for the nonmajor governmental funds with annual budgets. The capital project and debt service funds are excluded from this schedule because no comprehensive budget is approved for these funds. One special revenue fund, the Wisconsin Public Broadcasting Foundation, has been excluded from reporting because it is a blended component unit that is neither budgeted nor included under statutory reporting. Of the permanent funds, only the Historical Society Fund and a portion of the Common School and Normal School funds are budgeted.

The State's biennial budget was enacted on July 8, 2021 and published on July 9, 2021. This legislation is recognized by State officials as the original budget and is treated as such on the Budgetary Comparison Schedules.

While the legal level of budgetary control for the reported funds is maintained at the appropriation line as specified by the Legislature in Chapter 20 of the Wisconsin Statutes, this level of detail is impractical for inclusion in the Annual Comprehensive Financial Report. Accordingly, a supplementary report is available upon request which provides budgetary comparisons at the legal level of control.

Unexpended appropriation balances lapse at year-end or forward to the subsequent fiscal year depending on the type of appropriation involved:

- *Continuing* - unexpended balances automatically forward to ensuing years until fully depleted or repealed by subsequent action of the Legislature.
- *Annual*:
  - *General Purpose Revenue* - unencumbered balances lapse at year end.
  - *Program Revenue* - unexpended cash balances may be forwarded to the next fiscal year.
- *Biennial* - unexpended balances or deficits automatically forward to the second year. At the end of the second year all unencumbered general purpose revenue balances lapse.
- *Sum sufficient* - moneys are appropriated and expended in the amounts necessary to accomplish the purpose specified.

Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with Department of Administration approval. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance.


FORWARD

PART III

GENERAL OBLIGATIONS

Part III of the 2022 Annual Report provides information about general obligations issued by the State of Wisconsin **(State)** in the form of bonds, extendible municipal commercial paper (**EMCP**), floating rate notes **(Floating Rate Notes)**, and variable rate demand obligation notes **(VRDO Notes)**. The State provides selected information in this introduction for the convenience of the readers; however, readers should review all information presented in this Part III of the 2022 Annual Report to make an informed investment decision.

Total Outstanding Balance (12/15/2022)		$6,820,116,000
Amount Outstanding of Fixed-Rate Obligations		6,558,050,000
Amount Outstanding of Variable-Rate Obligations		262,066,000
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations		3.84%
Ratings[a] (Fitch/Kroll/Moody's/S&P)		
Bonds/VRDO Notes/Floating Rate Notes		AA+/AAA/Aa1/AA+
EMCP/VRDO Notes		F1+/K1+/P-1/A-1+
Authority	Chapters 18 and 20, Wisconsin Statutes	
Registrar/Paying Agent	The Secretary of Administration is the registrar and paying agent for all outstanding fixed-rate general obligations. U.S. Bank Trust Company, National Association serves as issuing and paying agent for the EMCP, and The Bank of New York Mellon Trust Company, N.A. serves as paying agent and tender agent for the VRDO Notes and paying agent for the Floating Rate Notes.	
Security	The Wisconsin Constitution pledges the full faith, credit, and taxing power of the State to its general obligations and requires the Legislature to provide for their payment by appropriation. The Wisconsin Statutes establish additional protections, provide for the repayment of all general obligations, and establish, as security for the payment of all debt service on general obligations, an irrevocable appropriation as a first charge on all revenues of the State.	

(a) The ratings presented are the ratings assigned to the State's general obligations without regard to any bond insurance policy. No information is provided in the 2022 Annual Report about any rating assigned to any general obligations based on any bond insurance policy. Not every rating agency has been asked to rate every series of general obligation bonds, EMCP, VRDO Notes, and Floating Rate Notes.

Contact: Capital Finance Office
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P.O. Box 7864
Madison, WI 53707-7864
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Websites: doa.wi.gov/capitalfinance
wisconsinbonds.com

The State of Wisconsin Building Commission (**Commission**) supervises all matters concerning the State's issuance of general obligations. The Capital Finance Office, which is part of the Division of Executive Budget and Finance within the State of Wisconsin Department of Administration (**Department of Administration**), is responsible for managing the State's borrowing programs. The law firms of Foley & Lardner LLP and Quarles & Brady LLP provided bond counsel services in connection with the issuance of the outstanding general obligations. Requests for additional information about general obligations of the State may be directed to the Capital Finance Office.

All outstanding fixed-rate general obligations have been issued in book-entry-only form. Two series of bonds commonly referred to as Higher Education Bonds had final maturity dates of May 1, 2011 and May 1, 2012. These Higher Education Bonds were issued in fully-registered form and U.S. Bank National Association is the registrar and paying agent. Any holder that has not presented these Higher Education Bonds for payment should contact the Capital Finance Office for information on redeeming such bonds.

General obligations issued by the State have been issued as both tax-exempt obligations and taxable obligations.

The 2022 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of a term used in one part of the 2022 Annual Report may differ from that of the same term used in another part, and the total amount shown in a table may vary from the related sum due to rounding. No information or resource referred to in the 2022 Annual Report is part of the report unless expressly incorporated by reference.

Part II of the 2022 Annual Report contains general information about the State, including but not limited to operating data such as revenues, expenditures, budgets, General Fund data, information on significant pending litigation, and statistical information on the State's economic condition and the Wisconsin Retirement System, along with the audited general purpose external financial statements for the fiscal year ending June 30, 2022 and the independent auditor's report that is provided by the State Auditor.

Certain statements in this Part III of the 2022 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2022 Annual Report, 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.

COVID-19 UPDATE

Responses commencing in calendar year 2020 and continuing in calendar year 2022 to the COVID-19 pandemic have had an impact on economic activity in the State. See "COVID-19 UPDATE" in Part II of the 2022 Annual Report for further information on the COVID-19 pandemic, including recent developments and actions the State has taken to address the pandemic, and the impact the pandemic has had on the State. Any impact of the pandemic on the State's finances and, in particular, its General Fund, may affect its general obligations.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

See "ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS" in Part II of the 2022 Annual Report for further information relating to these factors that may present a risk to the State's finances and, in particular, its General Fund that could then affect its general obligations.

SECURITY PROVISIONS FOR GENERAL OBLIGATIONS

Security

The Wisconsin Constitution pledges the full faith, credit, and taxing power of the State to its general obligations and requires the Legislature to provide for their payment by appropriation.

The Wisconsin Statutes establish additional protections and provide for the repayment of all general obligations. The Wisconsin Statutes establish, as security for the payment of all debt service on general obligations, a first charge on all revenues of the State. Further, a sufficient amount of those revenues is irrevocably appropriated, so that no subsequent legislative action is required to release such revenues, and those amounts are held in segregated funds or accounts.

The Wisconsin Statutes also provide that the validity of general obligations shall not be affected by any defect in their contracting, that all instruments evidencing general obligations are valid and incontestable, and that any legislative, judicial, or administrative determination that proceeds of general obligations may not be spent shall not affect their validity.

The State has never defaulted in the punctual payment of principal or interest on any general obligation and has never attempted to prevent or delay a required payment. The State has reserved no right to reduce or modify any terms affecting the security or source of payment of its general obligations.

In the event of default, the Wisconsin Constitution guarantees recourse by allowing a suit to be brought against the State to compel payment. Statutory provisions expedite the bringing of a suit. Further, in the event of a final judgment against the State, payment will be made as specifically provided, together with interest at a rate of 10% per annum until the date of payment. The venue for all actions in which the sole defendant is the State, any State board or commission, or any State officer, employee, or agent in an official capacity shall be the county designated by the plaintiff unless another venue is specifically authorized by law.

The Wisconsin Statutes also provide that, if payment has been made or duly provided for by the date that a general obligation becomes due for payment, then interest ceases to accrue, and the general obligation is no longer outstanding. If any general obligation is not presented for payment, then the money held for its payment shall be administered under the unclaimed property statutory provisions.

Flow of Funds to Pay Debt Service on General Obligations

The State's General Fund is available for the payment of debt service on all general obligations. Should the General Fund have insufficient resources to pay debt service, there is a single irrevocable and unlimited appropriation from all revenues of the State for timely payment of all general obligations. It is this appropriation, which pledges all revenues of the State for payment of debt service, that enables the State to issue a general obligation that is undifferentiated by the purpose for which proceeds are used.

For budgetary control purposes, different internal funds flows apply to general obligations, depending on whether they are issued as bonds or notes and, in some cases, depending on the purpose for which they are issued.

With respect to general obligation bonds, all funds necessary for timely payment of principal and interest are deposited in the statutorily created Bond Security and Redemption Fund at least 15 days in advance of the due date. Furthermore, if operating notes are outstanding, no impoundment payments required in connection with operating notes may be made until the amounts required to be paid into the Bond Security and Redemption Fund during the ensuing 30 days have been so deposited.

With respect to general obligation notes, funds for the payment of principal and interest are deposited in a separate and distinct account within the statutorily created Capital Improvement Fund for the repayment of notes. Proceeds of general obligations may also be used to retire notes. The Wisconsin Statutes specifically provide that if, at any time, there is not on hand in the Capital Improvement Fund sufficient money for the payment of principal and interest on general obligation notes, then the Department of Administration shall transfer to the Capital Improvement Fund, from an irrevocable and unlimited appropriation as a first charge upon all revenues of the State, the amount necessary to pay the principal of, and interest on, general obligation notes when due.

Interest on the outstanding EMCP is paid when the notes become due, and interest on the outstanding VRDO Notes and Floating Rate Notes is paid monthly. It is collected in the same manner as other general obligation notes and is deposited by the State with the applicable paying agent. The State's practice is to make deposits at regular intervals, chosen at its discretion.

Purposes of General Obligations

The Wisconsin Constitution provides that the State may issue general obligations for three categories of borrowing. The first is to acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, railways, buildings, equipment, or facilities for public purposes. The second is to make funds available for veterans housing loans. The third is to fund or refund any outstanding State general obligations. Subject to constitutional limitations about purposes and amounts, procedures governing the use of the borrowing authority are to be established by the Legislature. There is no constitutional requirement that the issuance of general obligations receive the direct approval of the electorate.

Limitations on Issuance of General Obligations

All general obligations issued by the State fall within a debt limit set forth in the Wisconsin Constitution and the Wisconsin Statutes. There is an annual limit of three-quarters of one percent, and a cumulative limit of five percent, of the aggregate value of all taxable property in the State. Currently, the annual limit is $5,588,711,543 and the aggregate limit is $37,258,076,955. A funding or refunding bond issue does not count for purposes of the annual debt limit, and a funded or refunded bond issue does not count for purposes of the cumulative debt limit. Accrued interest on any general 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. See Table III-5 in "DEBT INFORMATION".

Authorization of General Obligations

Within prescribed limitations, the Wisconsin Constitution assigns to the Legislature, acting by vote of a majority of the members elected to each of the two houses, all matters relating to the issuance of general obligations. The quorum in such votes is 60% of the membership. Among these assigned powers is the authority to establish the purposes (uses) and fix the amounts for which general obligations may be issued.

To date, the Legislature has authorized the issuance of general obligations for more than 120 distinct borrowing purposes and has limited the amount of general obligations that may be issued for each purpose. In practice, as a part of the budget, these amounts are adjusted to accommodate newly budgeted activity. As of the date of the 2022 Annual Report, approximately 60 of the distinct borrowing purposes essentially have no remaining borrowing authority or are subject to statutory restrictions that keep them from being used. The Legislature has delegated to the Commission responsibility to establish the form and terms of the issuance and sale of general obligations. Table III-1 describes, as of December 15, 2022, the amounts authorized, issued, and credited to the Capital Improvement Fund for each borrowing purpose.

Table III-1
GENERAL OBLIGATION ISSUANCE STATUS REPORT
December 15, 2022

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[(a)]	Credit to Capital Improvement Fund: Premium[(a)]	Total Authorized Unissued Debt
University of Wisconsin; academic facilities	$3,564,643,100	$2,548,717,013	$13,084,724	$137,791,744	$865,049,619
University of Wisconsin; self-amortizing facilities	3,260,597,100	2,662,070,392	2,967,557	123,595,543	471,963,608
Natural resources; Warren Knowles - Gaylord Nelson stewardship 2000 program	1,178,850,000	950,798,026	410,794	43,598,301	184,042,879
Natural resources; municipal clean drinking water grants	9,800,000	9,518,744	141,818		139,438
Clean water fund program	659,783,200	655,063,494		4,641,114	78,592
Safe drinking water loan program	74,950,000	69,215,472	123	2,183,403	3,551,002
Natural resources; nonpoint source grants	94,310,400	93,954,702	190,043	165,649	6
Natural resources; nonpoint source compliance	57,050,000	43,051,791	2,498	4,564,305	9,431,406
Natural resources; environmental repair	57,000,000	52,961,373	203,594	883,261	2,951,772
Natural resources; urban nonpoint source cost-sharing	61,600,000	51,755,655	31,189	3,038,948	6,774,208
Natural resources; contaminated sediment removal	40,000,000	28,635,461		2,042,780	9,321,759
Natural resources; environmental segregated fund supported administrative facilities	19,969,200	16,525,460	161	1,468,283	1,975,296
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	36,323,200	22,919,742	141,325	68	13,262,065
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		37,033
Natural resources; segregated revenue supported facilities	157,541,500	105,985,943	93,544	6,606,105	44,855,908
Natural resources; general fund supported administrative facilities	16,514,100	14,370,211	21,753	685,914	1,436,222
Natural resources; ice age trail	750,000	750,000			

Table III-1 – Continued
GENERAL OBLIGATION ISSUANCE STATUS REPORT
December 15, 2022

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[(a)]	Credit to Capital Improvement Fund: Premium[(a)]	Total Authorized Unissued Debt
Natural resources; dam safety projects	$39,500,000	$24,982,929	$51,291	$2,335,385	$12,130,395
Natural resources; segregated revenue supported land acquisition	2,500,000	2,500,000			
Natural resources; Warren Knowles - Gaylord Nelson stewardship program	231,000,000	229,300,016	1,306,879	143,979	249,126
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	272,000,000	235,980,986	64	34,027,801	1,991,149
Transportation; rail passenger route development	89,000,000	72,819,072	3,016	2,856,171	13,321,741
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	1,453,550,000	1,258,433,137	3,018,078	107,724,471	84,374,314
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	305,227,664	253,723,619	141,819	42,653,118	8,709,108
Transportation; southeast Wisconsin freeway megaprojects subject to contingency	252,400,000	206,457,567	94,291	33,174,596	12,673,546
Transportation; design−build projects	20,000,000				20,000,000
Transportation; harbor improvements	167,300,000	130,866,823	234,581	11,999,723	24,198,873
Transportation; rail acquisitions and improvements	300,300,000	215,623,164	5,187	23,697,982	60,973,667
Transportation; local roads for job preservation, state funds	2,000,000	2,000,000			
Corrections; correctional facilities	989,501,800	899,906,377	11,468,918	16,383,479	61,743,026

Table III-1 – Continued
GENERAL OBLIGATION ISSUANCE STATUS REPORT
December 15, 2022

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[a]	Credit to Capital Improvement Fund: Premium[a]	Total Authorized Unissued Debt
Corrections; self-amortizing facilities and equipment	$2,116,300	$2,115,438	$99		$763
Corrections; juvenile correctional facilities	74,443,200	28,538,452	108,861	$988	45,794,899
Secured residential care centers for children and youth	80,000,000	504,108		103,885	79,392,007
Health services; mental health and secure treatment facilities	358,796,500	197,354,571	895,996	7,029,616	153,516,317
Agriculture; soil and water	82,075,000	70,418,092	9,110	4,603,611	7,044,187
Agriculture; conservation reserve enhancement	28,000,000	20,264,910	3,160	988,947	6,742,983
Administration; Black Point Estate	1,600,000	1,598,655	445		900
Administration; energy conservation projects; capital improvement fund	270,000,000	174,143,332		12,307,231	83,549,437
Building commission; previous lease rental authority	143,071,600	143,068,654			2,946
Building commission; refunding tax-supported 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	9,510,000,000	7,489,021,046			2,020,978,954
Building commission; housing state departments and agencies	967,725,300	774,154,411	2,356,097	41,829,026	149,385,766
Building commission; 1 West Wilson street parking ramp	15,100,000	14,805,521	294,479		
Building commission; project contingencies	47,961,200	47,445,936	64,761	221,173	229,330
Building commission; capital equipment acquisition	125,660,000	123,961,256	740,327	343,697	614,720
Building commission; discount sale of debt	90,000,000	73,492,486			16,507,514
Building commission; discount sale of debt (higher education bonds)	100,000,000	99,988,833 [b]			11,167
Building commission; other public purposes	3,313,406,900	2,645,961,509	8,728,619	103,626,971	555,089,801

Table III-1 – Continued
GENERAL OBLIGATION ISSUANCE STATUS REPORT
December 15, 2022

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[(a)]	Credit to Capital Improvement Fund: Premium[(a)]	Total Authorized Unissued Debt
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	11
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	45,000,000	33,909,754		926,706	10,163,540
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	6,492,285	3,011	785,418	103,586
Family justice center	10,625,000	9,109,385		1,515,566	49
Marquette University; dental clinic and education facility	25,000,000	23,942,583	818	1,056,495	104
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	4,383,263		616,673	64
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	476,628		83,327	45
Carroll University	3,000,000	2,393,760		403,102	203,138
Wisconsin Agricultural Education Center, Inc.	5,000,000	4,522,862		477,090	48
Eau Claire Confluence Arts, Inc.	15,000,000	13,461,714		1,537,698	588
Psychiatric and behavioral health treatment beds; Marathon County	5,000,000				5,000,000
Administration; school educational technology infrastructure financial assistance	71,911,300	71,480,216	431,066		18
Myrick Hixon EcoPark, Inc.	500,000	500,000			
Madison Children's Museum	250,000	250,000			

Table III-1 – Continued
GENERAL OBLIGATION ISSUANCE STATUS REPORT
December 15, 2022

Program Purpose	Legislative Authorization	General Obligations Issued to Date	Credit to Capital Improvement Fund: Interest Earnings[a]	Credit to Capital Improvement Fund: Premium[a]	Total Authorized Unissued Debt
Administration; public library educational technology infrastructure financial assistance	$269,000	$268,918	$42		$40
Educational communications board; educational communications facilities	24,169,000	24,112,683	38,515	$11,925	5,877
La Crosse Center	5,000,000	4,104,366		895,560	74
St. Ann Center for Intergenerational Care, Inc., Bucyrus Campus	5,000,000	4,245,324		754,625	51
Brown County innovation center	5,000,000	4,115,765		739,566	144,669
Beyond Vision; VisABILITY Center	5,000,000				5,000,000
Building Commission; projects	25,000,000	436,763		27,236	24,536,001
Building Commission; center	15,000,000	830,226		51,771	14,118,003
Museum of nature and culture	40,000,000				40,000,000
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	22,951,919	137	3,169,487	528,457
Historical society; historic sites	17,912,800	9,252,929	847	329,933	8,329,091
Historical society; museum facility	74,384,400	4,362,469			70,021,931
Historical society; Wisconsin history center	16,000,000	8,642,568	457	1,360,780	5,996,195
Public instruction; state school, state center and library facilities	37,350,600	11,845,469	32,509	467,826	25,004,796
Military affairs; armories and military facilities	81,922,400	43,783,067	198,829	2,115,786	35,824,718
Veterans affairs; veterans facilities	27,359,900	11,112,996	50,593	311,371	15,884,940
Veterans affairs; self-amortizing mortgage loans	2,122,542,395	2,122,542,395			
Veterans affairs; refunding bonds	1,015,000,000	761,594,245			253,405,755
Veterans affairs; self-amortizing facilities	94,271,100	51,070,173	2,427	5,837,313	37,361,187
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	55,187,100	52,699,335	22,401	13,596	2,451,768
Total	$39,230,472,347	$32,718,592,511	$74,220,810	$847,134,890	$5,590,527,988

(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) 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

DEBT INFORMATION

Table III-2 shows general obligations that have outstanding balances as of December 15, 2022 and history of other issuances during the past 20 years. If payment has been made or duly provided for by the date that a general obligation becomes due for payment, then interest ceases to accrue, and the general obligation is no longer outstanding for purposes of the following tables.

Table III-2
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate General Obligations				
2002- Bonds Series H (Taxable)	12/30/02			
Term Bonds		2033	$15,000,000	-0-
2003- Refunding Bonds Series 1 (Taxable)	4/3/03	2019	7,000,000	-0-
Refunding Bonds Series 2	4/14/03			
Serial Bonds		2007-21	10,650,000	-0-
Term Bonds		2024	3,090,000	-0-
Bonds Series A	5/1/03	2004-23	173,900,000	-0-
Bonds Series B (Taxable)	7/24/03	2033	30,000,000	-0-
Bonds Series C	10/15/03			
Serial Bonds		2005-24	251,865,000	-0-
Term Bonds		2026	5,420,000	-0-
Term Bonds		2029	9,190,000	-0-
Term Bonds		2034	18,655,000	-0-
Refunding Bonds Series 3	10/30/03			
Serial Bonds		2004-07	9,495,000	-0-
Term Bonds		2013	16,210,000	-0-
Term Bonds		2025	13,000,000	-0-
Term Bonds		2026	29,185,000	-0-
2004- Refunding Bonds Series 1	1/28/04	2006-19	146,970,000	-0-
Refunding Bonds Series 2	1/28/04	2006-20	175,830,000	-0-
Refunding Notes Series 1	3/16/04	2004	175,000,000	-0-
Bonds Series A	4/14/04	2005-24	307,435,000	-0-
Bonds CWF Global Certificate	5/1/04	2009-24	116,840,688	-0-
Refunding Bonds Series 3	6/15/04	2006-22	175,000,000	-0-
Refunding Bonds Series 4	7/29/04	2006-20	117,200,000	-0-
Bonds Series B (Taxable)	8/12/04			
Term Bonds		2014	1,000,000	-0-
Bonds Series C (Taxable)	8/12/04			
Term Bonds		2019	1,000,000	-0-
Bonds Series D (Taxable)	8/26/04			
Term Bonds		2034	20,000,000	-0-
Bonds Series E	10/21/04	2006-25	225,000,000	-0-

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2005- Bonds Series A	2/10/05	2016-25	$131,485,000	-0-
Refunding Bonds Series 1	2/10/05	2006-21	430,240,000	-0-
Bonds Series B	4/20/05	2006-15	148,515,000	-0-
Bonds Series C (Taxable)	4/7/05			
Term Bonds		2035	5,000,000	-0-
Bonds Series D	8/11/05	2007-25	186,640,000	-0-
Bonds Series E	12/8/05	2007-11	48,275,000	-0-
2006- Refunding Bonds Series 1	1/31/06	2007-15	96,780,000	-0-
Bonds Series A	3/28/06	2015-26	331,215,000	-0-
Bonds Series B (Taxable)	7/7/06			
Term Bonds		2037	2,000,000	-0-
Bonds Series C	8/2/06	2008-37	61,685,000	-0-
Bonds Series D	9/13/06	2018-26	176,490,000	-0-
2007- Bonds Series A	2/1/07	2014-20	158,390,000	-0-
Refunding Bonds Series 1	2/1/07	2026	299,005,000	-0-
Bonds CWF Series A	2/1/07	2027	13,148,554	-0-
Bonds CWF Series B	2/1/07	2008-27	6,851,446	-0-
Bonds Series B	6/27/07		150,000,000	-0-
Refunding Bonds Series 2	10/31/07			
Serial Bonds		2008-17	13,905,000	-0-
Term Bonds		2022	2,510,000	-0-
Term Bonds		2027	4,155,000	-0-
Refunding Bonds Series 3	10/31/07	2026	3,835,000	-0-
Bonds Series C	12/5/07	2009-28	154,890,000	-0-
2008- Bonds Series A	4/30/08	2009-28	164,535,000	-0-
Bonds Series B (Taxable)	5/30/08			
Term Bonds		2038	4,445,000	-0-
Bonds CWF Series A	6/17/08	2026-28	16,600,000	-0-
Refunding Bonds Series 1	6/26/08			
Serial Bonds		2009-18	3,120,000	-0-
Term Bonds		2018	14,680,000	-0-
Serial Bond		2023	175,000	-0-
Refunding Bonds Series 2	6/26/08			
Term Bonds		2020	1,880,000	-0-
Bonds Series C	9/4/08	2010-29	302,200,000	-0-
Bonds, Series D	12/23/08	2012-30	100,000,000	-0-
2009- Bonds CWF Series A	1/27/09	2016-26	17,700,000	-0-
Bonds Series A	6/18/09	2012-22	47,440,000	-0-
Bonds Series B (Taxable)	6/18/09			
Serial Bonds		2023-26	24,610,000	-0-
Term Bonds		2030	29,925,000	-0-
Bonds Series C	9/3/09	2012-22	197,265,000	-0-

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Bonds Series D (Taxable)	9/3/09			
Serial Bonds		2023-30	$182,890,000	-0-
Term Bonds		2034	13,990,000	-0-
Term Bonds		2040	28,945,000	-0-
Refunding Bonds Series 1	9/15/09	2011-16	54,355,000	-0-
2010- Refunding Bonds Series 1	3/3/10	2012-29	201,165,000	-0-
Bonds Series A	4/7/10	2012-19	143,525,000	-0-
Bonds Series B (Taxable)	4/7/10	2020-30	179,105,000	-0-
Bonds CWF Series A	4/13/10	2025-31	15,243,000	-0-
Bonds Series C	9/2/10	2021-19	146,680,000	-0-
Bonds Series D (Taxable)	9/2/10			
Serial Bonds		2020-26	155,835,000	-0-
Term Bonds		2032	118,025,000	-0-
Term Bonds		2041	35,880,000	-0-
Bonds CWF Series B	12/7/10	2030-31	15,000,000	-0-
2011- Bonds Series A	2/11/11	2012-31	428,740,000	-0-
Refunding Bonds Series 1	6/2/11	2013-22	275,375,000	-0-
Bonds Series B	8/4/11	2013-32	329,260,000	-0-
Refunding Bonds Series 2	10/31/11	2013-22	316,070,000	-0-
Bonds Series C	12/22/11	2023-32	138,260,000	-0-
2012- Refunding Bonds Series 1	3/30/12	2014-31	221,460,000	-0-
Bonds CWF Series A	4/24/12	2014-30	12,300,000	-0-
Refunding Bonds Series 2	5/1/12	2018-29	143,555,000	-0-
Bonds Series A	6/5/12			
Serial Bonds		2022-35	167,475,000	-0-
Term Bonds		2037	7,960,000	-0-
Term Bonds		2042	23,580,000	-0-
Bonds Series B	11/1/12	2022-33	293,070,000	-0-
2013- Bonds Series A	5/9/13	2014-33	410,250,000	-0-
Refunding Bonds Series 1	11/7/13	2016-33	405,470,000	119,835,000 [(a)]
2014- Refunding Bonds Series 1	2/4/14	2015-20	181,595,000	-0-
Bonds Series A	2/13/14	2015-34	231,405,000	-0-
Bonds CWF Series A	4/17/14	2014-33	10,700,000	-0-
Refunding Bonds Series 2	4/24/14	2015-34	241,985,000	-0- [(a)]
Bonds Series B	7/29/14	2016-31	250,990,000	-0-
Refunding Bonds Series 3	9/3/14	2020-29	275,865,000	-0-
Refunding Bonds Series 4	1/15/15	2019-28	257,415,000	154,975,000 [(a)]
Refunding Notes Series A-E	5/1/15	2017-21	279,810,000	-0-
2015- Bonds Series A	2/19/15	2021-35	331,915,000	17,235,000 [(a)]
Refunding Bonds Series 1	4/14/15	2015-29	171,045,000	109,080,000 [(a)]

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
Bonds Series B	6/30/15	2017-21	88,830,000	-0-	
Bonds Series C	9/16/15	2017-36	$387,025,000	$69,045,000	(a)
2016- Refunding Bonds Series 1	3/8/16	2019-28	295,225,000	172,800,000	
Bonds Series A	3/16/16	2024-36	295,185,000	229,325,000	
Bonds Series B	7/28/16	2018-23	83,980,000	15,575,000	
Bonds Series C (Taxable)	7/28/16	2018-26	9,735,000	4,640,000	(a)
Refunding Bonds Series 2	8/25/16	2021-30	370,850,000	235,385,000	(a)
Bonds Series D	10/25/16	2018-37	324,405,000	107,385,000	(a)
2017- Bonds Series A	3/29/17	2022-37	335,310,000	296,615,000	(a)
Refunding Bonds Series 1	7/21/17	2021-31	345,275,000	288,830,000	
Refunding Bonds Series 2	11/15/17	2020-28	382,680,000	317,560,000	
Bonds Series B	11/30/17	2019-38	272,665,000	170,465,000	(a)
Refunding Bonds Series 3	12/28/17	2026-34	347,030,000	347,030,000	
2018- Bonds Series A	3/15/18	2019-36	288,325,000	131,120,000	(a)
Bonds Series B	10/11/18	2020-39	258,965,000	189,565,000	(a)
2019- Bonds Series A	8/7/19	2021-40	220,640,000	203,930,000	
Refunding Bonds Series 1 (Taxable)	10/30/19	2023-33	329,665,000	180,130,000	(a)
Bonds Series B	12/5/19	2021-40	264,975,000	243,780,000	
2020 - Refunding Bonds Series 1	2/11/20	2029-40	108,665,000	108,665,000	
Refunding Bonds Series 2	2/11/20	2029-40	218,350,000	180,005,000	(a)
Bonds Series A	6/18/20	2021-40	213,615,000	196,560,000	
Refunding Bonds Series 3	7/15/20	2022-42	163,955,000	97,710,000	(a)
Bonds Series B	11/5/20	2022-41	224,500,000	214,820,000	
2021- Refunding Bonds Series 1	2/2/21	2026-31	133,840,000	133,840,000	
Refunding Bonds Series 2 (Taxable)	2/2/21	2022-41	236,540,000	235,030,000	
Refunding Bonds Series 3 (Taxable)	3/17/21	2022-28	295,240,000	265,745,000	(a)
Bonds Series A	6/24/21	2022-41	220,535,000	212,010,000	
Refunding Bonds Series 4 (Taxable)	9/23/21	2027-36	326,370,000	326,370,000	
Bonds Series B	12/2/21	2023-42	212,825,000	212,825,000	
2022- Refunding Bonds Series 1	3/1/22	2023-28	73,475,000	73,475,000	
Refunding Bonds Series 2 (Taxable)	3/16/22				
Serial Bonds		2028-32	143,585,000	143,585,000	
Term Bonds		2037	36,445,000	36,445,000	
Bonds Series A	5/26/22	2032-42	184,910,000	184,910,000	
Refunding Bonds Series 3	10/6/22	2023	54,075,000	54,075,000	
Refunding Bonds Series 4	11/3/22	2025-43	257,090,000	257,090,000	

Table III-2 – Continued
OUTSTANDING GENERAL OBLIGATIONS BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Refunding Bonds Series 5 (Taxable)	11/3/22	2027-37	$20,585,000	$20,585,000
Total Fixed-Rate General Obligations				$6,558,050,000
Variable-Rate General Obligations				
2005- CP Notes Series A	12/14/05		$100,350,000	-0-
EMCP Series A (AMT)	12/29/05		61,000,000	-0-
2006- EMCP Series A	2/9/06		161,905,000	-0-
CP Notes Series A	8/2/06		123,510,000	-0-
EMCP Series B	12/1/06		91,720,000	-0-
EMCP Series C (AMT)	12/1/06		4,445,000	-0-
2008- EMCP Series A	Various		452,189,000	-0-
Bonds CWF Series A	3/18/08		10,300,000	-0-
2013- CP Notes Series A	12/10/13		58,825,000	-0-
2016- CP Notes Series A	9/15/16		136,050,000	-0-
2019- VRDO Notes, Series A	5/30/19		53,800,000	$53,800,000
2022- Floating Rate Notes Series A	7/7/22		134,820,000	134,820,000
EMCP Series A	8/18/22		73,446,000	73,446,000
Total Variable-Rate General Obligations				$262,066,000
TOTAL OUTSTANDING GENERAL OBLIGATIONS				$6,820,116,000

(a) Pursuant to a refunding or defeasance escrow agreement, the principal of, and interest on, all or a portion of the bonds will be paid as it comes due or will be called for redemption prior to maturity. The principal amount of bonds for which payment is provided is not treated as outstanding for purposes of this table.

Source: Department of Administration

On February 28, 2022, the State entered into a forward delivery bond purchase agreement that, upon meeting certain conditions, will result in the issuance on or about January 31, 2023 of the State's General Obligation Refunding Bonds of 2023, Series 1 (Forward Delivery) **(2023 Series 1 Bonds)** in the par amount of $126 million. The proceeds of the 2023 Series 1 Bonds, when issued, are expected to be used to refund on May 1, 2023 the outstanding principal of certain general obligation bonds in the aggregate outstanding principal amount of $135 million. The 2023 Series 1 Bonds are not included in Table III-2.

Table III-3 provides a historical view of the amount of outstanding general obligations as of December 15th for the previous ten years and the other following tables provide additional data about the State's outstanding general obligations.

Table III-3
HISTORICAL SUMMARY OF OUTSTANDING GENERAL OBLIGATIONS

Year (December 15)	Outstanding Amount
2012	$8,014,705,521
2013	8,027,531,244
2014	7,856,685,602
2015	7,988,224,416
2016	8,071,307,580
2017	7,342,045,000
2018	7,751,862,888
2019	7,635,229,888
2020	7,406,774,888
2021	7,117,878,628

Source: Department of Administration

Table III-4
PER CAPITA STATE GENERAL OBLIGATION DEBT

Year (January 1)	Outstanding Indebtedness[(a)] (Amounts in Thousands)	Debt Per Capita	Debt Per Capita as % of Per Capita Income
2012	$7,878,628	$1,377.14	3.20%
2013	8,385,972	1,461.73	3.38
2014	8,344,530	1,450.97	3.23
2015	8,134,099	1,412.17	3.02
2016	8,238,758	1,427.12	3.00
2017	8,389,197	1,447.66	2.94
2018	8,155,030	1,402.65	2.72
2019	8,212,806	1,410.65	2.65
2020	7,832,171	1,329.29	2.40
2021	7,654,755	1,298.30	2.18

(a) As of January 1.

Sources: Legislative Audit Bureau
Tables II-31 and II-34 in Part II of the 2022 Annual Report

Table III-5
LIMITATION ON ANNUAL AGGREGATE PUBLIC DEBT THAT MAY BE CONTRACTED

The State Constitution provides that the aggregate debt contracted by the State in calendar year 2022 shall not exceed the lesser of (a) or (b):

(a)	3/4 of 1% x $745,161,539,100		$5,588,711,543
(b)	5% x $745,161,539,100	$37,258,076,955	
	Deduct: Net Indebtedness 1/1/2022	(7,589,777,915)	
			$29,668,299,040

The amount of $745,161,539,100 shown above is the aggregate full market value of all taxable property in the State for the year 2022 as certified by the Department of Revenue.

The amount of $7,589,777,915 shown above is the net indebtedness as of January 1, 2022 as certified by the Legislative Audit Bureau.

The lesser of (a) or (b) is $5,588,711,543. Aggregate debt contracted by the State in calendar year 2022 shall not exceed this amount.

Source: Department of Administration

Table III-6
ANNUAL DEBT LIMIT COMPARED
TO ACTUAL BORROWING

Calendar Year	Annual Debt Limitation	Actual Borrowing	Borrowing as Percentage of Limitation
2013	$3,506,269,230	$642,295,000	18.3%
2014	3,596,099,766	598,170,000	16.6
2015	3,679,519,080	750,475,000	20.4
2016	3,788,432,462	625,595,588	16.5
2017	3,944,884,094	607,975,000	15.4
2018	4,121,495,186	547,290,000	13.3
2019	4,356,545,425	539,415,000	12.4
2020	4,598,526,806	438,115,000	9.5
2021	4,911,152,819	433,360,000	8.8
2022	5,588,711,543	319,730,000	5.7

Source: Department of Administration

Table III-7
DEBT STATEMENT
(December 15, 2022)

	Tax-Supported Debt		Revenue Supported Debt[a]		
	General Fund	Segregated Funds[b]	Veterans Housing	Other[c]	Total
Total General Obligations (Outstanding Indebtedness)..	$3,512,680,364	$1,449,682,450	$0	$1,857,753,186	$6,820,116,000

(a) Revenue-Supported Debt represents general obligation debt of the State issued to fund particular programs and facilities with the initial expectation that revenues and other proceeds derived from the operation of the programs and facilities will amortize the allocable debt without recourse to the General Fund.

(b) Includes the Transportation Fund and certain administrative facilities for the Department of Natural Resources.

(c) Includes university dormitories, food service, intercollegiate athletic facilities, certain facilities on the State Fairgrounds, and capital equipment acquisition.

Source: Department of Administration

Table III-8
COMPARISON OF OUTSTANDING INDEBTEDNESS TO EQUALIZED VALUATION OF PROPERTY

Calendar Year	Value of Taxable Property[a] (Amounts in Thousands)	Outstanding Net Indebtedness[b] (Amounts in Thousands)	Debt as Percentage of Equalized Value
2013	$467,502,564	$8,385,972	1.79%
2014	479,023,957	8,344,531	1.74
2015	490,602,544	8,134,099	1.66
2016	505,124,328	8,238,758	1.63
2017	525,984,545	8,389,197	1.59
2018	549,532,691	8,155,029	1.48
2019	580,872,723	8,212,806	1.41
2020	613,136,908	7,832,171	1.28
2021	654,820,375	7,654,754	1.16
2022	745,161,539	7,589,778	1.02

(a) As of August 14th of the applicable year.
(b) As of January 1st of the applicable year.

Sources: Department of Revenue and Wisconsin Legislative Audit Bureau

Table III-9
DEBT SERVICE PAYMENT HISTORY:
AMOUNT PAID ON GENERAL
OBLIGATIONS

Fiscal Year	Principal	Interest	Total Debt Service
To June 30, 1999	$3,491,052,184	$3,097,004,550	$6,588,056,734
1999-2000	244,211,911	183,158,974	427,370,885
2000-01	285,088,311	209,230,800	494,319,111
2001-02	273,060,055	202,386,510	475,446,565
2002-03	270,544,076	216,328,685	486,872,761
2003-04	310,843,832	183,991,355	494,835,187
2004-05	361,327,888	185,242,899	546,570,787
2005-06	349,172,670	216,358,460	565,531,130
2006-07	379,470,000	233,687,100	613,157,100
2007-08	350,005,000	268,124,600	618,129,600
2008-09	397,266,258	255,994,695	653,260,953
2009-10	119,029,189	251,749,918	370,779,107
2010-11	222,253,398	263,514,405	485,767,803
2011-12	159,343,712	262,202,521	421,546,233
2012-13	626,021,930	300,123,248	926,145,178
2013-14	736,319,021	322,918,374	1,059,237,395
2014-15	527,677,280	308,323,446	836,000,726
2015-16	554,334,289	316,040,351	870,374,640
2016-17	620,619,350	326,382,360	947,001,710
2017-18	592,765,000	328,799,622	921,564,622
2018-19	695,104,823	344,975,068	1,040,079,891
2019-20	558,920,482	321,652,785	880,573,267
2020-21	606,627,717	298,081,503	904,709,220
2021-22	589,272,973	287,050,767	876,323,740
7/1/2022-12/15/2022	220,385,324	149,035,316	369,420,640
Totals	$13,540,716,673	$9,332,358,312	$22,873,074,985

Source: Department of Administration

Table III-10
DEBT SERVICE MATURITY SCHEDULE:
AMOUNT DUE ANNUALLY ON GENERAL OBLIGATION BONDS
ISSUED TO DECEMBER 15, 2022

Fiscal Year	Principal	Interest	Total Debt Service
2023[(a)]	$318,864,676	$132,510,169	$451,374,845
2024	525,515,000	257,192,125	782,707,125
2025	534,510,000	235,759,049	770,269,049
2026	500,300,000	215,229,294	715,529,294
2027	518,645,000	194,849,492	713,494,492
2028	454,115,000	170,396,150	624,511,150
2029	460,355,000	151,155,599	611,510,599
2030	442,230,000	132,053,219	574,283,219
2031	433,265,000	113,743,035	547,008,035
2032	411,985,000	97,751,481	509,736,481
2033	383,280,000	84,649,882	467,929,882
2034	284,315,000	70,361,307	354,676,307
2035	280,090,000	58,361,354	338,451,354
2036	249,490,000	46,819,588	296,309,588
2037	199,550,000	36,016,350	235,566,350
2038	210,070,000	27,102,342	237,172,342
2039	150,930,000	17,171,209	168,101,209
2040	132,720,000	10,368,389	143,088,389
2041	76,995,000	4,711,792	81,706,792
2042	43,360,000	1,658,196	45,018,196
Totals	$6,610,584,676	$2,057,860,022	$8,668,444,698

(a) For the fiscal year ending June 30, 2023, the table includes debt service amounts for the period December 15, 2022 through June 30, 2023.

Source: Department of Administration

Table III-11
EXPECTED AMORTIZATION SCHEDULE:
GENERAL OBLIGATION VARIABLE RATE OBLIGATIONS[(a)]
(Issued to December 15, 2022)

Year Ending June 30	Principal
2023	$34,810,954
2024	23,758,462
2025	135,836,428
2026	13,860,156
2027	-0-
2028	-0-
2029	53,800,000
Total	$262,066,000

(a) In general, the State has treated each EMCP and CP Note issue as if it were a long-term bond issue by making a scheduled principal payment or payments on May 1; in certain prior fiscal years, principal amounts that were budgeted for payment on May 1 were re-amortized.

Source: Department of Administration

Table III-12
SOURCE OF DEBT SERVICE PAYMENTS
ON GENERAL OBLIGATIONS
(June 30, 2022)

	Fiscal Year 2021-22	%	Fiscal Year 2020-21	%	Fiscal Year 2019-20	%
Tax-Supported Debt						
General Fund	$534,777,395	61.0	$553,714,617	61.2	$533,273,741	60.6
Segregated Funds	157,135,189	17.9	174,893,237	19.3	166,883,124	19.0
Subtotal	691,912,584	79.0	728,607,854	80.5	700,156,865	79.5
Revenue-Supported Debt						
Veterans	-0-	-0.0-	-0-	-0.0-	-0-	-0.0-
University of Wisconsin	147,690,770	16.9	136,913,876	15.1	142,113,648	16.1
State Fair Park	1,930,888	0.2	2,978,919	0.3	3,340,308	0.4
Housing State Depts./ Other	34,789,498	4.0	36,208,572	4.0	34,962,445	4.0
Subtotal	184,411,156	21.0	176,101,367	19.5	180,416,401	20.5
Total Debt Service	$876,323,740	100.0	$904,709,221	100.0	$880,573,266	100.0

Source: Department of Administration

REVENUE-SUPPORTED GENERAL OBLIGATION DEBT

General

Although all of the State's general obligations are supported by its full faith, credit, and taxing power, a portion of these general obligations are issued with the expectation that debt service payments will not impose a direct burden on the State's taxpayers and its general revenue sources. Beneficiaries and users of revenue-supported programs and facilities pay fees and other amounts that are estimated to be at least sufficient to pay or reimburse the General Fund for the amount paid for debt service related to these revenue-supported programs and facilities.

Table III-7 identifies the amount of outstanding general obligations designated as revenue-supported. The programs and facilities funded with these general obligations support debt service payments on approximately $1.858 billion of State general obligations outstanding on December 15, 2022. Furthermore, Table III-12 shows that revenue-supported debt service payments were approximately 17.9% of the total debt service cost for the fiscal year ending June 30, 2022.

Veterans Housing Loan Program

The veterans housing loan program, operated by the State of Wisconsin Department of Veterans Affairs **(Department of Veterans Affairs)**, was one of the revenue-supported general obligation bonding programs of the State. Lending under the veterans housing loan program began in 1974. The program was funded by general obligations referred to as **Veterans Mortgage Bonds.** Due to market conditions and other factors, the State has not issued any general obligations for this purpose since 2008, and the Department of Veterans Affairs has not made any new mortgage loans under this program since June 2010.

On November 1, 2018, the Department of Veterans Affairs sold the portfolio of veterans housing loan mortgages to the Wisconsin Housing and Economic Development Authority, and the State used the proceeds of the sale to redeem all outstanding Veterans Mortgage Bonds.

VARIABLE RATE OBLIGATIONS

The State has issued, and there currently remain outstanding, general obligation EMCP, VRDO Notes, and Floating Rate Notes.

Extendible Municipal Commercial Paper

In June 2022, the Commission adopted a Program Resolution for State of Wisconsin General Obligation Extendible Municipal Commercial Paper (**EMCP Program Resolution**), which replaced a program resolution previously adopted by the Commission in 2007 and which governs the issuance of the State's EMCP.

In general, maturing EMCP is paid through the issuance of additional (or "rollover") EMCP under the EMCP Program Resolution, except to the extent the State determines to reduce the outstanding balance of EMCP. However, the maturity date can be extended in case there is a disruption in market liquidity for the EMCP, that prevents the issuance of rollover EMCP. The State has appointed, to serve as **Dealers** of EMCP, Goldman Sachs & Co. LLC and BofA Securities, Inc. The State has appointed U.S. Bank Trust Company, National Association to serve as Issuing and Paying Agent for the EMCP, and DTC serves as Depository for the EMCP.

On August 18, 2022, the State issued a single series of EMCP that replaced the series of outstanding EMCP that had been issued during calendar years 2008 through 2014. The total amount of EMCP authorized to be outstanding at any given time, pursuant to the EMCP Program Resolution, is $950 million. The State may increase the principal amount of EMCP outstanding, upon adoption by the Commission of one or more authorizing resolutions, to fund various general governmental purposes or veterans housing loans. With respect to an initial issuance, specific instructions must be provided to the Issuing and Paying Agent before a Dealer may increase the principal amount of EMCP outstanding. This has occurred five times since 2008 for an aggregate par increase of $530 million, with the last increase occurring on December 2, 2014 in the par amount of $105 million. EMCP is not given a series designation based on any initial issuance date.

Table III-14 summarizes, for this single series of EMCP, the principal amount outstanding as of December 15, 2022.

Table III-13
SUMMARY OF OUTSTANDING GENERAL OBLIGATION EMCP
(December 15, 2022)

Amount Issued	Date of Initial Issuance	Amount Outstanding
$73,446,000	August 18, 2022	$ 73,446,000
		$ 73,446,000

Source: Department of Administration

Description of EMCP

Each EMCP note is dated the date it is issued and is issued as an interest-bearing obligation in a denomination of $100,000 or increments of $1,000 above $100,000. Interest is computed on the basis of a year having 365 or 366 days and the actual number of days elapsed. Payment of principal of, and interest on, each EMCP note is made to the Depository and then distributed by the Depository.

Each EMCP note matures on its **Original Maturity Date,** which may range from 1 day to 180 days from its original issue date, unless the State exercises its option to extend the maturity date. In that case the EMCP note will mature on its **Extended Maturity Date,** which will be the date that is 270 days after its original issue date (or if such day is not a Business Day, then the last Business Day occurring before such day).

If the State exercises its option to extend the maturity date, the State is required to notify the Issuing and Paying Agent who is then required to provide notice of the extension to the Depository in accordance with the Depository's operational requirements.

Each EMCP note bears interest from its original issue date until the Original Maturity Date at the rate (not to exceed 12% per annum) determined on the original issue date, payable on the Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the date described below. If the State exercises its option to extend the maturity date of an EMCP note, then the extended EMCP note will bear interest after the Original Maturity Date at the Reset Rate and be payable on the dates described below.

If the maturity date of an EMCP note is extended, any accrued but unpaid interest to the Original Maturity Date will not be paid on the Original Maturity Date but will be payable on the following date (or any earlier redemption date):

(1) if the Original Maturity Date is before the 15th day of the month, then interest will be payable on the first **Business Day** (which is a day on which banks located in Madison, Wisconsin and in each of the cities where the principal offices of the Issuing and Paying Agent and Dealers are located are not required or authorized by law or executive order to close for business and on which the New York Stock Exchange is not closed) of the next month, or

(2) if the Original Maturity Date is on or after the 15th day of the month, then interest will be payable on the first Business Day of the second succeeding month after the Original Maturity Date.

For example, if the Original Maturity Date is November 14th, interest will be payable on the first Business Day of December, and if the Original Maturity Date is November 15th, interest will be payable on the first Business Day of January.

Each EMCP note bears interest from its Original Maturity Date at the **Reset Rate**, which will be a variable rate in effect for each period from the Original Maturity Date to the next following Rate Determination Date, and thereafter from the day immediately following each Rate Determination Date through the next following Rate

Determination Date. For each such period, the Reset Rate will be determined by the Issuing and Paying Agent and will be equal to the lesser of

- 12.0% per annum and
- the rate of interest per annum determined by the following formula:

Greater of (*SIFMA* + *E*) and *F*

As used in the formula, the *SIFMA* variable is the most recently published SIFMA Municipal Swap Index, and the *E* and *F* variables are each a fixed percentage rate, determined based on the Prevailing Ratings of the Rating Agencies, as follows:

Prevailing Rating				
Kroll	Moody's	S&P	*E* Variable	*F* Variable
K1+	P-1	A-1+	3.0%	7.0%
K1	–	A-1	4.0	8.0
K2	P-2	A-2	5.0	9.0
K3	P-3	A-3	6.0	10.0
Lower than K3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	7.0	12.0

If the individual Prevailing Ratings indicate different *E* and *F* variables, the *E* and *F* variables shall each be the arithmetic average of those indicated by the Prevailing Ratings. If an agency no longer qualifies as a Rating Agency under the EMCP Program Resolution (meaning that it is not then maintaining a rating on the EMCP notes at the request of the State), then the Reset Rate shall be determined without regard to any rating assigned by that agency. If another agency becomes a Rating Agency, then the Issuing and Paying Agent shall, in its judgment, determine how the agency's rating categories shall be treated for the purpose of indicating the *E* and *F* variables.

For purposes of determining the Reset Rate:

Rate Determination Date means each day on which the SIFMA Municipal Swap Index is published.

SIFMA Municipal Swap Index means the Securities Industry and Financial Markets Association Municipal Swap Index, or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or its successor, or as otherwise designated by the Securities Industry and Financial Markets Association (**SIFMA**). If the Securities Industry and Financial Markets Association Municipal Swap Index is no longer produced by Municipal Market Data, Inc. or its successor, then SIFMA Municipal Swap Index shall mean (i) the S&P Municipal Bond 7 Day High Grade Rate Index produced by Standard & Poor's Financial Services LLC or its successors or (ii) if the S&P Municipal Bond 7 Day High Grade Rate Index is no longer produced, such other reasonably comparable index as is selected by the Capital Finance Director of the State, after consultation with the Dealers.

The Securities Industry and Financial Markets Association Municipal Swap Index is a 7-day, high-grade market index comprised of tax-exempt variable rate demand obligations that meet certain criteria established by

SIFMA. The index is calculated weekly and released each Wednesday afternoon, or on the next business day if Wednesday is not a business day for purposes of determination of the index rate. Further information concerning the Securities Industry and Financial Markets Association Municipal Swap Index is available at www.sifma.org. The State is not responsible for any information available on SIFMA's website. That information may be subject to change without notice.

Variable Rate Demand Obligations

In 2018, the Commission adopted a Program Resolution for State of Wisconsin General Obligation Variable Rate Demand Obligations (**VRDO Program Resolution**), which governs the issuance of the State's VRDO Notes.

Table III-15 summarizes, for each authorized and outstanding series under the VRDO Program Resolution, the principal amount outstanding as of December 15, 2022.

Table III-14
SUMMARY OF OUTSTANDING GENERAL OBLIGATION
VARIABLE RATE DEMAND OBLIGATIONS
(December 15, 2022)

Name/Series	Amount Issued	Date of Initial Issuance	Amount Outstanding
VRDO Notes of 2019, Series A	$53,800,000	May 30, 2019	$ 53,800,000
			$ 53,800,000

Source: Department of Administration

Arbor Research & Trading, LLC has been appointed as the initial **Market Agent** for the VRDO Notes to operate an electronic bidding system platform referred to as "Clarity BidRate Alternative Trading System"™ or "**Clarity**" for the establishment of the Clearing Market Rates and to remarket the VRDO Notes while they trade in the Alternative Trading System Mode. The Bank of New York Mellon Trust Company, N.A. serves as Registrar, **Paying Agent**, and **Tender Agent** for the VRDO Notes, and The Depository Trust Company (**DTC**) serves as **Depository** for the VRDO Notes.

On each Rate Effective Date, the Clearing Market Rate is established through Clarity, in the Alternative Trading System Mode. To have direct electronic trading access to Clarity, prospective holders must become "Subscribers" to Clarity by executing and delivering to the Market Agent a Subscriber Agreement.

While the VRDO Notes may in the future be converted from the Alternative Trading System Mode to a different mode, or issued in a mode other than the Alternative Trading System Mode, this section does not describe those other modes or terms specifically applicable to the VRDO Notes bearing interest at a rate other than the Alternative Trading System Mode.

Liquidity to pay the purchase price of the VRDO Notes that are tendered and not remarketed **(Contractual Bidder Notes)** is provided by a Self-Liquidity Standby Agreement from the State included in the VRDO Program Resolution, subject to certain limitations described therein. Certain limitations apply to the availability of the Self-Liquidity Standby Agreement provided by the State, and prospective purchasers of the VRDO Notes should carefully review the provisions of the VRDO Program Resolution regarding such Self-Liquidity Standby Agreement.

Additional VRDO Notes may be issued pursuant to action of the Commission, but any additional amount of VRDO Notes outstanding, other than in the Term Rate Mode, may not exceed the principal amount of the Self-Liquidity Standby Agreement or other liquidity provisions.

Additional information on the VRDO Notes, Clarity, and the Self-Liquidity Standby Agreement, including defined terms as used in this section on VRDO Notes, are available in the Official Statement for the VRDO Notes of 2019, Series A. This Official Statement is available on the State's website at doa.wi.gov/capitalfinance, on the State's investor relations website at wisconsinbonds.com, or from the MSRB though its EMMA system.

Information in this Part III of the 2022 Annual Report regarding the Market Agent has been provided by the Market Agent and not the State. Such information may be subject to change without notice, and the State does not undertake any responsibility to update such information.

Description of VRDO Notes

The VRDO Notes are dated their date of original issuance. The VRDO Notes of 2019, Series A are currently issued in the Alternative Trading System Mode with a Clearing Market Rate Period of seven days and bear a variable rate of interest at the Clearing Market Rate determined as described in the Official Statement. The VRDO Notes of 2019, Series A will mature on May 1, 2029. Interest on the VRDO Notes is payable on the first Business Day of each month. Interest on the VRDO Notes is computed on the basis of a 365/366 day year for the actual number of days elapsed to the date the interest is due.

The VRDO Notes are issuable only as fully registered notes in authorized denominations of $100,000 and multiples thereof **(Authorized Denomination)**. Fully registered notes are interchangeable for other fully registered notes of the same maturity in Authorized Denominations upon the terms and conditions provided in the VRDO Program Resolution.

The principal, redemption price or Purchase Price of and interest on the VRDO Notes are payable by the Paying Agent, to Cede & Co., as nominee of DTC, which, in turn, is to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners.

Self-Liquidity Facility

Liquidity to pay the Purchase Price of the VRDO Notes that are tendered and not remarketed, or are otherwise Contractual Bidder Notes, will be provided by the State pursuant to the terms of the Self-Liquidity Standby Agreement. The VRDO Program Resolution provides that the Self-Liquidity Standby Agreement constitutes an "agreement" or an "ancillary arrangement" (within the meaning of Section 18.06(8)(a) of the Wisconsin Statutes) between the State and the Beneficial Owners of the VRDO Notes. There has been irrevocably appropriated, through Wisconsin Statutes, as a first charge upon all revenues of the State, a sum sufficient for any payments due under the Self-Liquidity Standby Agreement. It is not anticipated that a liquidity facility will be provided by a third party. While the VRDO Notes are in the Alternative Trading System Mode, the State's agreement to purchase tendered VRDO Notes shall apply to the State's purchase of Contractual Bidder Notes.

The State has created a special account within the Capital Improvement Fund of the State designated the "Self-Liquidity General Obligation Variable Rate Demand Obligation Purchase Fund" (**Self-Liquidity Note Purchase Fund**). The Self-Liquidity Note Purchase Fund shall only be funded if and when necessary for the purchase of VRDO Notes from amounts available under the sum sufficient appropriations under Section 20.866 and Section 20.867 of the Wisconsin Statutes for that purpose. During the period the VRDO Notes are subject to optional or mandatory tender, moneys then in the Self-Liquidity Note Purchase Fund shall be applied to purchase the Notes tendered for purchase but not remarketed by the Market Agent as of the close of business on the Business Day immediately preceding the Purchase Date. The State is not obligated to maintain any minimum balances in the Self-Liquidity Note Purchase Fund. Although the source of funds for the Self-Liquidity Note Purchase Fund are sum sufficient appropriations of the State, no guarantee can be made that there will be sufficient moneys within the Self-Liquidity Note Purchase Fund when necessary for the purchase of VRDO Notes.

If the Self-Liquidity Note Purchase Fund has insufficient cash to make payment in full of the Purchase Price of unremarketed VRDO Notes, the State will take, or cause to be taken, such actions as may be necessary, including transferring other funds from within the Capital Improvement Fund or other funds of the State from which the moneys to pay the Purchase Price are to be obtained, to ensure that on the Purchase Date with respect to such

VRDO Notes there will be sufficient cash in the Self-Liquidity Note Purchase Fund to pay in full the Purchase Price of all tendered but unremarketed VRDO Notes on such Purchase Date.

The Self-Liquidity Standby Agreement shall terminate and shall not be available for the purchase of the VRDO Notes tendered but not remarketed by the Market Agent in the event there occurs any failure to make timely payment of principal of, interest on, or redemption premium, if any, required to be made on any general obligation indebtedness of the State, and such failure remains unremedied for more than five days. The Self-Liquidity Standby Agreement shall expire and be no longer of effect following the final maturity of the VRDO Notes or the delivery of a Standby Agreement with a Liquidity Provider other than the State or if the State shall pay, or make provision for the payment of, all VRDO Notes.

The Capital Improvement Fund and other funds of the State, including but not limited to the General Fund, are invested in the State Investment Fund by the State of Wisconsin Investment Board. As of October 31, 2022, the traded market value of the State Investment Fund was $21.446 billion with an average life of approximately 10 days. The State Controller's Office, pursuant to a memorandum with the State Capital Finance Office, will provide notices to the State Investment Fund of any liquidity needed for purposes of immediate deposits into the Self-Liquidity Note Purchase Fund. Further information about the State of Wisconsin Investment Board and the State Investment Fund are included in Part II of the 2022 Annual Report.

Neither the failure of the State to purchase any unremarketed VRDO Notes, to pay or remit any moneys, or to perform or observe any covenant, agreement, or condition under the Self-Liquidity Standby Agreement nor any failure to remedy the same will constitute an event of default with respect to the payment of principal, premium, if any, and interest due on the VRDO Notes.

No purchase by the State of the VRDO Notes (or any interest therein) in accordance with the Self-Liquidity Standby Agreement will effect any discharge, extinguishment, payment, redemption or cancellation of such VRDO Notes.

Any VRDO Notes purchased and held by or on behalf of the State in accordance with the Self-Liquidity Standby Agreement will constitute Contractual Bidder Notes and will bear interest (not exceeding the Maximum Rate). During the period any VRDO Notes are Contractual Bidder Notes, the State will be entitled to receive the payment of principal and interest on such Notes, as the same shall become due and payable.

The Capital Finance Director may enter into one or more liquidity facility agreements (each a **Substitute Liquidity Agreement**) which will require a financially responsible party (a **Substitute Liquidity Provider**) to purchase all or any portion of the VRDO Notes tendered by the Holders thereof but not remarketed for purchase prior to maturity or Contractual Bidder Notes, as applicable (a **Substitute Liquidity Facility**). In the event the Capital Finance Director elects to provide a Substitute Liquidity Facility, the VRDO Notes shall be subject to mandatory tender on the Substitution Date unless a Rating Confirmation is received from each Rating Agency rating the VRDO Notes.

There can be no guarantee that a Substitute Liquidity Facility will be available in the future or what the terms of any Substitute Liquidity Facility will be.

The VRDO Program Resolution permits the State to replace a Liquidity Facility (including the Self-Liquidity Standby Agreement) with a Substitute Liquidity Facility with any other provider or providers so long as the Substitute Liquidity Facility meets all of the qualifications set forth in the VRDO Program Resolution. If a Rating Confirmation for the substitution has been received from each Rating Agency, there will be no mandatory tender of VRDO Notes upon such substitution. Any Substitute Liquidity Facility may have covenants, events of default, conditions to borrowing, and other provisions different from the current Liquidity Facility. The State will provide written notice to Noteholders at least 10 days prior to any substitution.

Floating Rate Notes

On July 7, 2022, the State issued its $134,820,000 General Obligation Floating Rate Notes of 2022, Series A (SIFMA-Based Interest Rate) **(Floating Rate Notes)**. The Floating Rate Notes mature May 1, 2023 and 2025, and bear interest at a variable rate determined each week based on the Securities Industry and Financial Markets Association Municipal Swap Index.

Table III-15 summarizes, for each authorized and outstanding series of Floating Rate Notes, the principal amount outstanding as of December 15, 2022.

Table III-15
SUMMARY OF OUTSTANDING GENERAL OBLIGATION FLOATING RATE NOTES
(December 15, 2022)

Name/Series	Amount Issued	Date of Initial Issuance	Amount Outstanding
Notes of 2022, Series A	$134,820,000	July 7, 2022	$ 134,820,000
			$ 134,820,000

Source: Department of Administration

Description of Floating Rate Notes

Each Floating Rate Note is dated the date it is issued and is issued as an interest-bearing obligation in a denomination of $5,000 or multiples of $5,000. The Floating Rate Notes of each maturity bear interest at the applicable SIFMA-Based Interest Rate for such Notes, as described below.

The Floating Rate Notes of each maturity will bear interest, for each period from the day immediately following a Rate Determination Date through the next following Rate Determination Date, at a variable rate per annum **(SIFMA-Based Interest Rate)** equal to the lesser of

- the sum of the SIFMA Municipal Swap Index rate published on such Rate Determination Date plus the Applicable Spread, and
- 12%.

The Bank of New York Trust Company, N.A., as calculation agent **(Calculation Agent)**, will obtain the SIFMA Municipal Swap Index rate from time to time, and will compute, and notify the State and the Paying Agent of, the amount of interest on the Floating Rate Notes due on each Interest Payment Date or redemption or maturity date. The determination of the interest due on the Floating Rate Notes by the Calculation Agent shall be conclusive, absent manifest error.

Interest on the Floating Rate Notes is payable on the first Business Day of each month (each, an **Interest Payment Date)**. Interest on the Floating Rate Notes is computed on the basis of a 365- or 366-day year, as applicable, and the actual number of days elapsed from the preceding Interest Payment Date.

For purposes of determining the SIFMA-Based Interest Rate and the Interest Payment Dates:

Rate Determination Date means each day on which the SIFMA Municipal Swap Index is published.

SIFMA Municipal Swap Index means the Securities Industry and Financial Markets Association Municipal Swap Index, or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or its successor, or as otherwise designated by the Securities Industry and Financial Markets Association (**SIFMA**).

If the Securities Industry and Financial Markets Association Municipal Swap Index is no longer produced by Municipal Market Data, Inc. or its successor, then **SIFMA Municipal Swap Index** shall mean (i) the S&P Municipal Bond 7 Day High Grade Rate Index produced by Standard & Poor's Financial Services LLC or its successors or (ii) if the S&P Municipal Bond 7 Day High Grade Rate Index is no longer produced, such other reasonably comparable index as is selected by the Capital Finance Director of the State, after consultation with the Underwriters.

Applicable Spread means:

- 0.17%, for Floating Rate Notes maturing May 1, 2023, and
- 0.42%, for Floating Rate Notes maturing May 1, 2025.

Business Day means a day which is not (i) a Saturday or Sunday, (ii) a day on which commercial banks are required or authorized by law to be closed in the State or in the city in which the designated office of the Paying Agent is located, or (iii) a day on which The New York Stock Exchange is closed for the entire day or the federal reserve banks are closed.

The SIFMA Municipal Swap Index is a 7-day, high-grade market index comprised of tax-exempt variable rate demand obligations that meet certain criteria established by SIFMA. The index is calculated weekly and released each Wednesday afternoon, or on the next business day if Wednesday is not a business day for purposes of determination of the index rate. Further information concerning the Securities Industry and Financial Markets Association Municipal Swap Index is available at www.sifma.org. The State is not responsible for any information available on SIFMA's website. That information may be subject to change without notice.

Commercial Paper Notes

In 1997, the Commission adopted a Program Resolution for State of Wisconsin General Obligation Commercial Paper Notes (**CP Notes Program Resolution**), which governed the issuance of the State's commercial paper notes **(CP Notes)**. The CP Notes Program Resolution required a liquidity facility to be available as a source of funds to pay maturing CP Notes.

The most recent new issuance of CP Notes occurred in 2016. With the issuance on March 1, 2022 of its General Obligation Refunding Bonds of 2022, Series 1, the State retired all of the outstanding CP Notes, and no CP Notes currently remain outstanding. The liquidity facility that the State had obtained for the CP Notes expired on March 13, 2022. The State has no intention to issue additional CP Notes.

PART IV

MASTER LEASE CERTIFICATES OF PARTICIPATION

Part IV of the 2022 Annual Report provides information about master lease certificates of participation issued under the State of Wisconsin Master Lease Program (**Program**). The State of Wisconsin **(State)** has provided selected information in this introduction for the convenience of the readers; however, readers should review all information presented in this Part IV of the 2022 Annual Report to make an informed investment decision.

Total Outstanding Balance (12/15/2022)	$66,477,222
Amount Outstanding of Fixed-Rate Obligations	46,491,581
Amount Outstanding of Variable-Rate Obligations	19,985,641
Percentage of Outstanding Obligations in the form of Variable-Rate Obligations	30.06%
Ratings[(a)] (Fitch/Kroll/Moody's/S&P)	AA/AA+/Aa2/AA

Authority	The Master Lease is authorized by Section 16.76(4), Wisconsin Statutes; Certificates are issued pursuant to the Master Indenture.
Trustee/Paying Agent	U.S. Bank Trust Company, National Association serves as Trustee, Paying Agent, and registrar.
Lessor	U.S. Bank National Association is the Lessor.
Security	The Certificates evidence a proportionate interest in Lease Payments to be made by the State under the Master Lease with regard to equipment items and service contracts. *The Certificates do not constitute debt of the State or any of its subdivisions. The State's obligation to make Lease Payments is not a general obligation of the State and is not supported by the full faith and credit of the State. The State is not obligated to levy or pledge any tax to make the Lease Payments, but such payments are required to be made from legally available funds, subject to annual appropriation.*

(a) The ratings presented are the ratings assigned to the Certificates without regard to any bond insurance policy. No information is provided in the 2022 Annual Report about any rating assigned to any Certificates based on any bond insurance policy.

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The Capital Finance Office, which is part of the Division of Executive Budget and Finance within the State of Wisconsin Department of Administration (**Department of Administration** or **DOA**), is responsible for managing the State's borrowing and finance programs. The law firm of Foley & Lardner LLP provided bond counsel services in connection with the Program. Requests for additional information about the master lease certificates of participation (**Certificates** or **COPs**) or the Program may be directed to the Capital Finance Office.

The 2022 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of a term used in one part of the 2022 Annual Report may differ from that of the same term used in another part, and the total amount shown in a table may vary from the related sum due to rounding. No information or resource referred to in the 2022 Annual Report is part of the report unless expressly incorporated by reference.

Part II of the 2022 Annual Report contains general information about the State including, but not limited to, operating data, such as revenues, expenditures, budgets, General Fund data, information on significant pending litigation, and statistical information on the State's economic condition and the Wisconsin Retirement System, along with the audited general purpose external financial statements for the fiscal year ending June 30, 2021 and the independent auditor's report provided by the State Auditor.

Certain statements in this Part IV of the 2022 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2022 Annual Report, 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.

COVID-19 UPDATE

Responses commencing in calendar year 2020 and continuing in calendar year 2022 to the COVID-19 pandemic have had an impact on economic activity in the State. See "COVID-19 UPDATE" in Part II of the 2022 Annual Report for further information on the COVID-19 pandemic, including recent developments and actions the State has taken to address the pandemic, and the impact the pandemic has had on the State. Any impact of the pandemic on the State's finances and, in particular, its General Fund, may affect the Certificates.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

See "ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS" in Part II of the 2022 Annual Report for further information relating to these factors that may present a risk to the State's finances and, in particular, its General Fund that could then affect the Certificates.

OUTSTANDING CERTIFICATES

Pursuant to the Master Indenture, dated as of July 1, 1996 (**Master Indenture**), among the State, acting by and through its Department of Administration (**State** or **Lessee**), Firstar Bank Milwaukee, N.A., now known as U.S. Bank National Association (**Lessor**), and U.S. Bank Trust Company, National Association, as successor to Firstar Trust Company, as trustee (**Trustee** and **Paying Agent**), the Trustee, with the consent of the State, has issued Certificates on the dates and in the amounts shown in Table IV-1. The table includes the outstanding principal balances as of December 15, 2022, and only includes Certificates that have an outstanding balance as of that date.

Table IV-1
OUTSTANDING MASTER LEASE CERTIFICATES OF PARTICIPATION BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate Master Lease COPs				
2021- Master Lease COPs Series A......	2/9/21	2021-29	$31,375,000	$28,041,581 (a)
2022- Master Lease COPs Series A......	1/11/22	2022-31	23,960,000	18,450,000
Total Fixed-Rate Master Lease COPs				$46,491,581
Variable-Rate Master Lease COPs				
2013- Master Lease COPs Series A(b)...	8/29/13	2027	$35,000,000	$19,985,641
Total Variable-Rate Master Lease COPs				$19,985,641
TOTAL OUTSTANDING MASTER LEASE COPS				$66,477,222

(a) The Master Lease provides that certain Lease Schedules can be terminated if the State deposits with the Trustee an amount that is equal to the outstanding amount of the Lease Schedule, or in amounts that are sufficient to purchase investments that mature on dates and in amounts to make the Lease Payments when due. The principal amount of Certificates for which payment has been provided is treated as not outstanding for purposes of this table.

(b) This series of Certificates evidences the State's repayment obligation under a revolving credit facility in the maximum amount of $35,000,000, which the State uses for acquisition funding for the Program. See "SECURITY FOR CERTIFICATES; Two-Phase Financing Structure".

Source: Department of Administration

Table IV-2 provides a historical view of the amount of outstanding Certificates as of December 15th for the previous ten years.

Table IV-2
HISTORICAL OUTSTANDING MASTER LEASE CERTIFICATES OF PARTICIPATION

Year (December 15)	Total
2012	$55,891,494
2013	66,795,540
2014	92,103,222
2015	111,962,060
2016	111,238,338
2017	111,373,548
2018	101,100,409
2019	88,383,851
2020	73,676,490
2021	62,104,500

Source: Department of Administration

THE MASTER LEASE PROGRAM

General

The Program, which was created in 1992 for use by all State agencies, permits the State to acquire tangible property or intangible property or prepaid service items (**Leased Items**), for State agencies through installment purchase contracts. Particular Leased Items are described in schedules (**Lease Schedules**) that are prepared under the Third Amended and Restated Master Lease, dated as of April 28, 2000 (**Master Lease**), between the Lessor and the State.

Through the period ending December 15, 2022, 16 State departments, the Legislature, the Supreme Court, and various other State bodies have used the Program to acquire approximately $811 million of Leased Items.

Program Structure

The Master Lease and the Master Indenture establish the structure of the Program. The Master Lease contains general terms and conditions applicable to both the Program and Lease Schedules entered into by the Lessor and the State. A supplemental indenture creates a particular series of Certificates. See "SUMMARY OF THE MASTER LEASE".

The Master Indenture establishes a trust (**Trust**) comprising certain Lease Schedules, rents, and other payments the State is required to make under the Master Lease (**Lease Payments**), Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease. The Trust serves as a common pool of collateral, ratably securing all present and future Certificates. See "SUMMARY OF THE MASTER INDENTURE".

Program Operations

The Program structure places within the Department of Administration centralized control of day-to-day operations:

- Functions related to Program administration, review of requests for eligible use of the Program, and day-to-day Program operations occur in the Capital Finance Office.
- Functions related to review of requests for budgetary capacity for Lease Payments resulting from use of the Program and biennial budget preparation occur in the State Budget Office.
- Functions related to collection of Lease Payments occur in the State Controller's Office.

Each of these offices is part of the Department of Administration's Division of Executive Budget and Finance.

To use the Program to acquire a Leased Item, a State agency submits a written request to the Capital Finance Office. This request is reviewed and approved by the Capital Finance Office, the State Budget Office, and the Secretary of Administration. Requests that include information technology items, including development of software or related systems, must contain an addendum of certain related information and such requests (including the addenda) are also reviewed by the Department of Administration's Division of Enterprise Technology. The review process includes a determination by the Capital Finance Office that lease financing is the best alternative for the particular circumstance and a determination by the State Budget Office that current resources are available to make the Lease Payments due in the current fiscal year. Upon receiving approval to use the Program, the State agency completes procurement of the Leased Item in compliance with State procurement requirements.

Upon acceptance of the Leased Item, the State agency forwards all related outstanding invoices to the Department of Administration for coordination of payment through the Program. Parallel to payment being made to the vendor, a Lease Schedule is prepared by the Department of Administration and executed by the State, the Lessor, and the State agency. This Lease Schedule is then added to the Master Lease. The Lease Schedule also identifies the budgetary appropriation from which the related Lease Payments are expected to be made.

Lease Payments are collected by the State Controller's Office. Scheduled Lease Payments are automatically withdrawn from the appropriations identified by the State agency and electronically wired to the Trustee.

State Appropriation Process

Lease Payments are not included in the State budget as a separate budget line item; rather, Lease Payments are included with other expenditures in one or more of a State agency's existing budget lines. State law establishes procedures for the budget's enactment. See "BUDGETING PROCESS AND FISCAL CONTROLS" in Part II of the 2022 Annual Report for a summary of the budget enactment process and other financial procedures of the State. The State Budget Office review and approval of requests to use the Program provides for Lease Payments to be addressed during preparation of a biennial budget.

The Department of Administration maintains separate accounts for all appropriations, showing the amounts appropriated, the amounts allotted, the amounts encumbered, the amounts expended, and certain other data necessary to the financial management and control of all State accounts. The Department of Administration also maintains the general ledgers of the General Fund and all other funds of the State.

SECURITY FOR CERTIFICATES

General

The Certificates represent proportionate interests in Lease Payments required to be made by the State under the Master Lease. The Master Lease requires the State to make Lease Payments from any source of legally available funds, subject to annual appropriation. The scheduled Lease Payments are sufficient to pay when due the semiannual principal and interest payments on all outstanding Certificates.

The obligation of the State to make Lease Payments does not constitute an obligation for which the State is obligated to levy or pledge any form of taxation or for which the State has levied or pledged any form of taxation. The obligation of the State to make Lease Payments does not constitute debt of the State. Lease Payments are required from legally available funds, subject to annual appropriation. See "RISK FACTORS".

Common Pool of Collateral

Under the Master Indenture, the Lessor has assigned to the Trustee, for the benefit of all owners of Certificates, all its rights in the following:

- The funds and accounts created by the Master Indenture.
- The Lease Schedules specified in supplemental indentures.
- All Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease.

All Leased Items serve as a common pool of collateral, ratably securing all present and future Certificates. All Certificates are secured by all Leased Items, regardless of their funding source or the time at which the Program finances them. If the Legislature fails to appropriate necessary funds for the continued performance of the State's obligations under any Lease Schedule or if an event of default occurs under the Master Lease, then an event of default exists with respect to all outstanding Certificates. Once a Lease Schedule is fully paid, the Leased Item covered by the Lease Schedule no longer serves as collateral.

In the opinion of bond counsel, the transfer of Lease Schedules by the Lessor to the Trustee constitutes a true sale and not a secured transaction. The State's obligation to make Lease Payments does not depend upon any service provided by the Lessor, and thus the transfer of Lease Schedules would be unaffected by any insolvency of the Lessor.

Security Interest in Leased Items

The State has granted the Lessor a security interest in the Leased Items pursuant to the Master Lease, and the Lessor has assigned that security interest to the Trustee in the Master Indenture. The Wisconsin Uniform Commercial Code provides that no financing statements are required to perfect the security interest in the Leased Items. Records that evidence the security interest are kept by the Department of Administration, separate and apart from the central record system of security interests kept by the State of Wisconsin Department of Financial Institutions under the Uniform Commercial Code.

While the Master Lease purports to grant a purchase money security interest in the Leased Items, purchase money security interests, which are entitled to special priority under the Uniform Commercial Code, can only be created in goods and certain software. Thus, the security interest in most software and other intangible Leased Items is not a purchase money security interest under the Uniform Commercial Code. See "RISK FACTORS; Collateral Value of Leased Items".

Reserve Fund

The Master Indenture allows a reserve fund to be established for any specific series of Certificates. As of December 15, 2022, no reserve fund has been established for any series of outstanding Certificates. In the event that the Department of Administration were to establish a reserve fund under the Master Indenture, the amounts in the reserve fund would only be available to the series of Certificates for which the reserve fund was established.

Governmental Use

In connection with each Lease Schedule, the State certifies that each Leased Item will be used to perform a governmental function. Many of the Leased Items will perform critical governmental functions, but the State does not certify that the Leased Items perform any "essential" functions. Examples of Leased Items currently existing in the Trust include passenger vehicles, aircraft, golf course maintenance equipment, components of the State's central mainframe computer, technology upgrades and equipment for various information technology initiatives, and components of a comprehensive information technology system that allows the State to centrally manage finance, budget, procurement, business intelligence, and human resource functions. See "Table IV-3; Outstanding Master Lease Schedules".

Centralized Control and Review

The Program structure allows one division within the Department of Administration to centrally administer many Program activities. Program functions related to administration, review, and day-to-day operations occur in the Capital Finance Office. Program functions related to review and biennial budget preparation occur in the State Budget Office. Program functions related to collection of Lease Payments occur in the State Controller's Office. Each of these offices is part of the Division of Executive Budget and Finance.

Two-Phase Financing Structure

The State typically uses a two-phase financing structure for the Program. In the first (or acquisition) phase, all Leased Items are initially financed with proceeds from a revolving credit facility. The revolving credit facility is a line of credit, and the State, acting on behalf of the Trustee, requests draws from the revolving credit facility to pay for the acquisition of Leased Items. A Certificate has been issued to the provider of the revolving credit facility to evidence the State's repayment of balances under the facility. The provider is currently PNC Bank, National Association, and the current scheduled termination date to make draws is September 1, 2024. The State pays interest on funds drawn from the revolving credit facility based on a taxable variable interest rate, and the repayment term under the credit facility can extend for up to three years after the scheduled termination date.

In the second phase, the State, acting on behalf of the Trustee, may sell Certificates, with interest payments based on a fixed (and generally tax-exempt) interest rate to fund all, or a portion of, the Lease Schedules previously funded with proceeds from the revolving credit facility. Since substantially all of the proceeds of the Certificates being used as part of the second phase are immediately applied to acquire existing Lease Schedules, the proceeds of those Certificates are not subject to significant nonorigination risk. The State most recently issued fixed-rate Certificates for this purpose in January 2022, February 2021, and September 2018.

In connection with any refinancing, the Master Lease and the Lease Schedules provide for amendments to the terms of the Lease Schedules to match the payment dates and amounts of the Certificates.

All sources of financing for the Program are issued under the Master Indenture. See "SECURITY FOR CERTIFICATES; Common Pool of Collateral".

Budget Process

The central control of the Program provides the State Budget Office with knowledge of all past, current, and pending scheduled Lease Payments due under the Master Lease. Lease Payments due under the Master Lease are not included in the State budget as a separate budget line item; rather, Lease Payments due under the Master Lease are included with other expenditures in one or more of the existing budget line items for the participating agencies. The Secretary of Administration, under the direction of the Governor and with assistance from the State Budget Office, compiles all budget information and prepares an executive budget consisting of the planned operating expenditures and revenues of all State agencies.

The failure of the Legislature to adopt a new budget before the commencement of a biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Once a newly enacted budget becomes effective, the continuing authority of existing appropriations is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. If an amount has been appropriated for the second fiscal year in one biennium, there will be continuing authority in the same amount until a new biennial budget is enacted or some other legislative action is taken to amend or repeal the appropriation. The 2021-23 biennial budget of the State was enacted on July 8, 2021, which was seven days after the start of the biennium. Of the ten prior biennial budgets, the 2009-11, 2011-13 and 2013-15 biennial budgets were enacted prior to the start of the respective biennia; however, the 2015-17, 2017-19, and 2019-21 biennial budgets and each of the four biennial budgets prior to the 2009-11 biennium were enacted after the start of the respective biennia, with the latest date after the start of a biennium being October 26, 2007 (for the 2007-09 biennium), which was nearly four months after the start of the first fiscal year of that biennium.

The Secretary of Administration has statutory power to order reductions in the appropriations of State agencies (which represent less than one-quarter of the General Fund budget). See "BUDGETING PROCESS AND FISCAL CONTROLS" in Part II of the 2022 Annual Report for additional information on the State's budget process.

Priority of Claims

The Master Lease includes representations that, if an emergency arises that requires the Department of Administration to draw vouchers for payment that will be in excess of available moneys, then the Secretary of Administration will establish a priority schedule for payments that gives a high priority to Lease Payments due under the Master Lease. However, the Secretary of Administration is required to give higher priority to payments on outstanding State general obligations, operating notes, and employee payroll. See "GENERAL FUND INFORMATION; General Fund Cash Flow" in Part II of the 2022 Annual Report.

Table IV-3
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2022)

Schedule Number	Origination Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
13-010	6/14/2013	9/1/2028	ERP Software/Hardware - STAR Project	$14,315,300.00	$5,228,794.56
13-017	9/16/2013	9/1/2028	ERP Software/Hardware - STAR Project	10,000,000.00	3,738,019.63
14-004	2/28/2014	3/1/2029	ERP Software/Hardware - STAR Project	1,049,735.00	267,276.03
14-006	4/1/2014	3/1/2029	ERP Software/Hardware - STAR Project	1,266,560.00	485,123.05
14-007	4/1/2014	3/1/2029	ERP Software/Hardware - STAR Project	2,629.87	1,007.05
14-010	5/2/2014	3/1/2029	ERP Software/Hardware - STAR Project	1,779,630.00	687,546.67
14-013	5/30/2014	3/1/2029	ERP Software/Hardware - STAR Project	2,211,085.00	860,911.06
14-020	6/30/2014	3/1/2029	ERP Software/Hardware - STAR Project	3,150,758.69	1,230,439.34
14-024	8/8/2014	3/1/2029	ERP Software/Hardware - STAR Project	1,862,780.00	744,029.46
14-026	9/16/2014	3/1/2029	ERP Software/Hardware - STAR Project	5,995,392.20	2,391,410.56
14-031	10/17/2014	3/1/2029	ERP Software/Hardware - STAR Project	2,459,415.00	981,481.26
14-033	11/18/2014	3/1/2029	ERP Software/Hardware - STAR Project	2,459,415.00	993,864.03
14-034	12/3/2014	3/1/2029	ERP Software/Hardware - STAR Project	2,459,415.00	998,109.56
15-001	1/9/2015	3/1/2029	ERP Software/Hardware - STAR Project	2,459,415.00	1,008,343.44
15-002	2/13/2015	3/1/2029	ERP Software/Hardware - STAR Project	7,468,416.60	3,111,057.70
15-006	3/16/2015	3/1/2029	ERP Software/Hardware - STAR Project	4,405,967.00	1,832,894.72
15-012	4/21/2015	3/1/2029	ERP Software/Hardware - STAR Project	4,584,263.80	1,906,167.96
15-016	5/22/2015	3/1/2029	ERP Software/Hardware - STAR Project	3,557,638.40	1,511,839.76
15-017	7/2/2015	3/1/2029	ERP Software/Hardware - STAR Project	3,139,506.40	1,333,532.56
15-024	7/29/2015	3/1/2029	ERP Software/Hardware - STAR Project	1,466,367.00	599,413.26
15-026	8/26/2015	3/1/2029	ERP Software/Hardware - STAR Project	1,466,367.00	600,755.76
16-004	1/29/2016	3/1/2023	Microwave Network	5,068.24	348.47
16-006	2/16/2016	3/1/2023	ERP Software/Hardware - STAR Project	1,973,887.00	135,674.42
16-009	3/2/2016	3/1/2023	Microwave Network	83,388.85	5,729.98
16-017	3/28/2016	3/1/2023	Microwave Network	734,883.72	50,470.37
16-025	6/13/2016	3/1/2023	IT Storage Hardware and Software	146,682.60	10,058.16
16-026	6/13/2016	3/1/2023	ERP Software/Hardware - STAR Project	252,593.60	17,320.59
16-027	6/13/2016	3/1/2023	ERP Software/Hardware - STAR Project	358,535.00	24,585.08
16-041	8/31/2016	3/1/2023	Industrial Equipment	167,696.58	12,540.89
16-043	10/6/2016	9/1/2023	ERP Software/Hardware - STAR Project	63,148.40	8,646.72
16-044	10/26/2016	9/1/2023	ERP Software/Hardware - STAR Project	209,800.00	29,018.15
16-046	12/2/2016	9/1/2023	ERP Software/Hardware - STAR Project	46,000.00	6,487.14
16-047	12/16/2016	9/1/2023	ERP Software/Hardware - STAR Project	1,909,997.00	271,250.25
17-006	5/3/2017	3/1/2024	Scale Truck Equipment	311,841.99	65,826.26
17-007	5/15/2017	9/1/2023	ERP Software/Hardware - STAR Project	31,600.00	4,835.11
17-011	6/20/2017	3/1/2024	Scale Truck Equipment	259,715.56	57,436.61
17-013	7/28/2017	9/1/2027	Health Records System	394,895.88	196,916.83
17-014	7/28/2017	9/1/2023	Buses	1,163,386.00	205,094.90
17-015	8/29/2017	3/1/2023	IT Storage and Hardware	475,315.81	43,171.43
17-017	11/17/2017	9/1/2025	Tractors	917,500.00	34,395.66
17-018	11/17/2017	9/1/2027	Health Records System	394,895.88	190,418.04
17-021	11/17/2017	9/1/2027	Health Records System	394,895.88	192,537.69
18-003	3/22/2018	9/1/2027	Health Records System	873,000.00	437,801.81
18-005	5/2/2018	9/1/2027	Health Records System	394,895.88	200,464.08

Table IV-3 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2022)

Schedule Number	Origination Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
18-007	5/23/2018	3/1/2023	IT Storage and Hardware	$332,612.06	$35,126.48
18-008	6/15/2018	9/1/2027	Health Records System	1,132,019.14	583,380.02
18-009	6/15/2018	3/1/2023	IT Storage and Hardware	780,852.10	83,541.96
18-010	6/15/2018	9/1/2027	Health Records System	516,188.62	266,859.60
18-011	9/7/2018	9/1/2023	IT Storage and Hardware	239,617.00	40,872.42
18-012	10/8/2018	9/1/2027	Health Records System	754,679.43	369,768.12
18-013	10/8/2018	9/1/2027	Health Records System	2,609,519.54	1,278,578.72
18-016	12/6/2018	9/1/2023	Printers	431,102.97	86,420.10
18-017	12/6/2018	9/1/2027	Health Records System	1,814,038.29	902,884.26
18-018	12/6/2018	9/1/2025	Breathalyzers	318,960.00	128,835.15
18-019	12/6/2018	9/1/2025	Breathalyzers	318,960.00	128,835.15
18-020	12/28/2018	9/1/2027	Health Records System	516,188.62	260,072.79
18-021	12/28/2018	9/1/2023	Printers	50,000.00	9,970.93
19-002	2/4/2019	9/1/2027	Health Records System	516,188.62	264,997.48
19-003	2/4/2019	9/1/2023	Printers	56,436.46	11,627.19
19-005	4/1/2019	9/1/2027	Health Records System	516,188.62	268,716.81
19-006	4/5/2019	9/1/2025	Breath Screeners	318,960.00	138,343.46
19-007	4/5/2019	9/1/2024	Printers	420,000.00	144,266.14
19-008	4/30/2019	9/1/2024	ERP Software/Hardware	101,936.10	35,506.79
19-009	4/30/2019	9/1/2024	ERP Software/Hardware	937,580.15	326,581.15
19-010	6/17/2019	9/1/2027	Health Records System	225,000.00	120,393.03
19-011	6/17/2019	9/1/2027	Health Records System	545,660.00	291,972.21
19-012	6/17/2019	9/1/2024	ERP Software/Hardware	102,763.29	36,770.57
19-013	6/21/2019	9/1/2024	Golf Course Maintenance Equipment	34,498.75	12,364.17
19-014	6/21/2019	9/1/2024	Golf Course Maintenance Equipment	16,417.00	5,883.76
19-015	6/21/2019	9/1/2024	Golf Course Maintenance Equipment	24,894.96	9,344.37
19-016	8/27/2019	9/1/2024	Golf Course Maintenance Equipment	46,385.23	17,289.71
19-017	9/20/2019	9/1/2026	ISOTOPX	262,500.00	132,597.39
19-018	11/1/2019	9/1/2024	Velos Pro	176,061.30	68,242.42
20-001	2/7/2020	9/1/2027	Health Records System	813,139.60	475,250.60
20-002	2/7/2020	3/1/2023	Computers	39,970.32	7,432.17
20-003	3/30/2020	9/1/2024	Velos Pro	42,806.80	17,903.22
20-004	4/3/2020	9/1/2023	Beam Miller	58,303.19	15,330.59
20-005	4/17/2020	9/1/2025	Breath Screeners	318,960.00	170,120.74
20-008	6/12/2020	9/1/2025	Windowrower	116,225.00	62,457.64
20-011	7/17/2020	3/1/2028	Health Records System	225,000.00	141,198.47
20-014	8/21/2020	3/1/2027	Breath Screeners	470,466.00	299,992.84
20-017	11/2/2020	9/1/2025	Tractor	150,256.00	88,110.56
21-001	3/31/2021	3/1/2028	Breath Screeners	684,216.00	495,214.02
21-002	5/7/2021	3/1/2028	Zurn Plot	218,311.00	103,081.57
21-003	6/3/2021	9/1/2026	Scientific Instruments	223,507.52	158,329.43
21-007	7/15/2021	9/1/2027	Health Records System	25,000.00	18,798.50
21-008	7/15/2021	9/1/2024	Tough Books	500,092.00	184,309.76
21-009	8/24/2021	9/1/2027	Agricultural Sprayer	124,914.00	95,772.34
21-010	10/12/2021	9/1/2024	Tough Books	512,448.00	343,503.51

Table IV-3 – Continued
OUTSTANDING MASTER LEASE SCHEDULES
(As of December 15, 2022)

Schedule Number	Origination Date	Maturity Date	Leased Item	Amount Financed	Principal Balance
21-011	10/12/2021	9/1/2026	Radios	$2,427,676.58	$1,861,458.20
21-012	10/12/2021	9/1/2026	Radios	29,009.53	21,683.45
21-013	10/28/2021	9/1/2031	Software	3,511,589.00	2,895,567.61
21-015	12/2/2021	9/1/2024	Tough Books	18,840.00	13,322.14
22-001	2/4/2022	3/1/2027	Cameras	52,582.95	47,274.20
22-002	4/22/2022	3/1/2023	Cars	$37,730.00	$22,141.34
22-003	6/21/2022	9/1/2026	Radios	4,993,496.70	4,745,854.96
22-004	6/21/2022	9/1/2026	Radios	2,785,444.00	2,667,828.87
22-005	6/21/2022	3/1/2042	Aircraft	522,665.00	519,576.05
22-006	7/15/2022	9/1/2027	Mainframe	11,771,515.00	11,771,515.00
22-007	8/19/2022	9/1/2027	Clubcars	25,848.00	25,848.00
22-008	9/29/2022	9/1/2026	Mobile Communications System	35,168.39	35,168.39
22-009	10/10/2022	9/1/2028	Plot Combine	176,870.93	176,870.93
22-010	11/3/2022	9/1/2042	Aircraft	40,000.00	400,000.00
					$66,294,003.56

Note: The maturity date is the original maturity date of each respective Lease Schedule and before amendment of Lease Schedule term to match payment dates and amounts of the Certificates. In addition, the principal balance of each Lease Schedule reflects amortization at an assumed fixed interest rate; however, during the period that a Lease Schedule is funded with proceeds from a revolving credit facility, interest accrues based on a variable interest rate. As a result, the principal balances included in this table may change slightly when reconciled to reflect actual accrued interest. During a period of low interest rates, the principal balance of each Lease Schedule may be slightly less than shown in the table as any payment in excess of the actual accrued interest is applied as principal payments. Final reconciliation of the actual to the assumed interest rates occurs either upon the funding of Lease Schedules with Certificates having fixed interest rates, or with the last scheduled Lease Payment.

Source: Department of Administration

RISK FACTORS

Nonappropriation

The State's obligation to make Lease Payments is subject to appropriation of the necessary funds by the Legislature. No assurance is given that sufficient funds will be appropriated or otherwise available to make the Lease Payments. **Nonappropriation** is defined in the Master Lease as a determination by the State (or Lessee) that the Legislature has failed to appropriate necessary funds for the continued performance of the obligations of the Lessee under the Master Lease. A failure by the State to make a Lease Payment with respect to any Leased Item would cause the Master Lease to terminate with respect to all Leased Items. The State's obligation to make Lease Payments is not a general obligation of the State, and the obligation does not involve the State of Wisconsin Building Commission. Rather, the Master Lease is a contract entered into by the Department of Administration under separate statutory authority. The owners of the Certificates could suffer a loss or fail to obtain payment on a timely basis if no appropriation were made or if an insufficient appropriation were made. This could occur either through the direct action of the Legislature or the Governor or through a failure to act.

The Master Lease does not include a nonsubstitution clause. If the Legislature fails to appropriate necessary funds for the continued performance of the State's obligations under the Master Lease, the State is allowed to acquire and use similar items for the same function as the Leased Item for which no appropriation was made.

While it is possible that failure to make the Lease Payments might hinder the State's subsequent access to the capital markets, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to appropriate the money needed for Lease Payments. See "SUMMARY OF THE MASTER LEASE" and "SUMMARY OF THE MASTER INDENTURE" for additional information about remedies available under the Master Lease and Master Indenture if no appropriation is made.

Leased Items May Not Be Essential

Although the State has made certain representations that each Leased Item serves a governmental function and although many Leased Items serve critical functions, it should be assumed that the State could function without any Leased Item.

Collateral Value of Leased Items

Although the State has provided a security interest in the Leased Items to the Trustee (for the benefit of the owners of Certificates), the Certificates are not offered on the basis of the collateral value of the Leased Items or the value of any other pledged asset (other than the Lease Payments). The term of the Lease Schedule is not permitted to exceed the useful life of the Leased Item; however, it should not be assumed that the value of the Leased Item at any particular time will exceed the portion of the remaining Lease Payments that will be applied to principal or that the existence of any excess would motivate the State to continue making Lease Payments. Typically, it is difficult to realize the full value of collateral through sale of the collateral, and some of the Leased Items, such as service contracts or intangible property (which, in aggregate, account for the majority of the amounts financed under outstanding Lease Schedules as of December 15, 2022), or tangible property that is incorporated into real estate, may be impossible or difficult to sell or have little or no value to a third-party purchaser.

Risk of Loss of Tax Exemption

No assurance can be given that, if the Master Lease were terminated, subsequent payments made by the Trustee with respect to the outstanding Certificates and designated as interest would be excluded from gross income for federal income tax purposes.

Registration Provisions of Securities Law If Master Lease Terminated

If the Master Lease were terminated, then the transfer of a Certificate might be subject to compliance with the registration provisions of applicable federal and state securities laws, which could impair the liquidity of the Certificates.

SUMMARY OF THE MASTER LEASE

The Master Lease contains various provisions, certain of which are summarized below. A copy of the Master Lease may be obtained by contacting the State at the address provided in the introduction of this Part IV of the 2022 Annual Report.

Acquisition, Delivery, and Lease of Leased Items

The Master Lease establishes the process for acquiring property items and service items. It requires the State to provide written notice to the Lessor, identifying:

- The items it desires to lease.
- The anticipated schedule for making Lease Payments.
- The anticipated date or dates on which payments to acquire the Leased Item are due and payable.

The notice must also confirm that the State expects that sufficient moneys will be available to pay the acquisition costs, as arranged solely by the State. The State (or the Lessor at the State's request) orders each Leased Item from the contractor selected by the State.

The State is responsible for selecting Leased Items, reviewing the terms of purchase, and arranging for the delivery, installation, testing, servicing, and maintenance of the Leased Items.

Upon delivery and any required installation of any Leased Item that is a property item, the State is required to inspect such item, and if it meets the State's specifications, then the State, before the end of the acceptance period agreed to by the contractor, must provide the Lessor with a certificate of acceptance. At the time the property item is accepted, the State will perfect a security interest therein in favor of the Lessor or any party to which such security interest is assigned with the State's consent. Before the commencement of service for a Leased Item that is a service contract, the State must provide the Lessor with a certificate of acceptance. Any Leased Items thus acquired thereon become subject to the Master Lease, and upon acceptance, as described, the State becomes obligated to make the Lease Payments.

Lease Term and Lease Termination

The Master Lease is in effect until all Lease Payments have been paid, unless the Master Lease is either extended or terminated earlier, as provided in the Master Lease. With respect to any Leased Item, the obligation to make Lease Payments begins:

- On the date of execution of the related Lease Schedule and the certificate of acceptance, or
- On the date that sufficient moneys are received in a particular fund from which the costs of Leased Items are to be paid.

Subject to appropriation, the State presently intends to keep the Master Lease in effect for its entire term and to make all Lease Payments. The State agrees that the appropriate budget requests for each fiscal year will include all Lease Payments coming due in the fiscal year. In the event an emergency arises that requires the State to draw vouchers for payments that will be in excess of available moneys and the Secretary of Administration establishes a priority schedule for payments under the Wisconsin Statutes **(Statutes)**, the Secretary will give a high priority to Lease Payments due under the Master Lease.

In accordance with the Statutes, the continuance of the Master Lease beyond the limits of funds already available to the State is contingent upon appropriation of the necessary funds. Upon the occurrence in any fiscal year of a Nonappropriation **(Event of Nonappropriation)**, the State has the right to terminate the Master Lease. Termination would affect all Leased Items and would be effective as of the last day of a fiscal year (that is, June 30th). The State would still be obligated to make any Lease Payments due by the end of the fiscal year but would not be responsible for the payment of any Lease Payments scheduled to come due in any succeeding fiscal year. In the event of termination of the Master Lease based on an Event of Nonappropriation, if the Lessor requests, the State is required to deliver possession of all Leased Items to the Lessor and must convey to the Lessor, or release, its interest in all Leased Items.

With respect to any Leased Item, the applicable Lease Schedule terminates when all Lease Payments relating to it are paid under the Lease Schedule or when the State terminates the Lease Schedule by paying the applicable purchase price for the Leased Item.

The Master Lease will terminate in its entirety (which will affect all Leased Items) if the State exercises its right to terminate upon the occurrence of an Event of Nonappropriation, or if the State defaults and the Lessor elects to terminate the Master Lease.

Insurance Requirements; Loss or Damage to Leased Items

The State is required to provide insurance coverage against certain risks, through its self-funded liability and property insurance programs, for which sum-sufficient appropriations are made under the Statutes. Insured risks include:

- Damage to, or destruction of, Leased Items.
- Liability for injuries to or death of any person or damage to or loss of property related to use of the Leased Items.
- The employer's costs for worker's compensation relating to use of the Leased Items.

The State assumes all risks and liabilities for loss or damage to any Leased Item and for injury to or death of any person or damage to any other property arising from use of the property items or arising with respect to service items, to the extent such loss, damage, injury, death, or damage to other property is caused by acts committed by an officer or employee of the State while acting within the scope of employment or any agent of the State while acting within the scope of the agency.

If any Leased Item delivered to the State is lost, then the State is required to replace the item or pay the applicable purchase price for that Leased Item.

When the State pays the purchase price for any Leased Item, the Master Lease terminates with respect to such Leased Item and the State becomes entitled to such Leased Item, as is, where is, and without any warranty, except for any warranty from the contractor that provided the Leased Item.

Other Obligations

The Lessor has no responsibility for the use or maintenance of the Leased Items. The State is required to use all Leased Items carefully, properly, and lawfully. The State is required to maintain all Leased Items. The State is required to pay any charges assessed against Leased Items.

Rights in Leased Items; Security Interest

The Lessor does not have legal title to Leased Items that are property items. Legal title to all property items rests in the State. Should the Master Lease terminate due to an Event of Nonappropriation or an event of default under the Master Lease, the State is required to transfer to the Lessor its interest in all Leased Items.

The State has granted to the Lessor a first priority purchase money security interest in Leased Items to secure the State's payment of all Lease Payments (although the security interest in most software and other intangible Leased Items is not a purchase money security interest under the Uniform Commercial Code).

The Lessor has no responsibility in connection with the selection of the Leased Items or the contractors providing the Leased Items. The Leased Items and contractors are selected solely by the State.

The Lessor has no responsibility for the condition or usefulness of the Leased Items. The Leased Items are leased as is, where is, and without any warranty. The Lessor also is not responsible for any damages in connection with the use of the Leased Items.

Assignment, Mortgaging, and Selling

The Lessor may not, without the prior written consent of the State, assign its obligations under the Master Lease or its interest in the Leased Items or grant a security interest in or lien upon the Leased Items or enter into any financing for the Leased Items.

Option to Terminate Lease Schedule

Depending on the source of funding for the Lease Schedule, the State may have the option to terminate the Lease Schedule by depositing an amount equal to the applicable purchase price, which shall be either:

- An amount equal to the outstanding principal amount of the Lease Schedule, interest to the date of redemption of the source of funding, and any redemption premium, or
- If permitted, an amount sufficient to purchase investments maturing on such dates and in such amounts to pay the Lease Payments when due (or until the source of funding may be redeemed).

Events of Default and Remedies

Each of the following shall be an event of default under the Master Lease:

- Failure by the State to pay when due any Lease Payments and the continuation of such failure for five business days.
- Failure by the State to observe any covenant with respect to any Leased Item (other than a failure to make Lease Payments) for a period of thirty days after notice unless the Lessor and the Trustee agree to an extension.
- Any representation or warranty by the State in the Master Lease was untrue in any material respect.
- An event of default shall have occurred and be continuing under the Master Indenture.

If by reason of *force majeure* the State is unable to carry out its obligations under the Master Lease with respect to any Leased Item (other than its obligation to make Lease Payments, which must still be paid when due), then the State shall not be deemed in default during the period of inability.

Whenever any event of default occurs, the Lessor has the right to take one or more of the following steps:

- The Lessor, with or without terminating the Master Lease, may declare all Lease Payments due or to become due during the fiscal year to be immediately due and payable.
- The Lessor, with or without terminating the Master Lease, may give the State written notice requiring the State to deliver all the Leased Items to the Lessor. If the State fails to return them within 30 days, then the Lessor may exercise all its legal rights to take possession of the Leased Items and to receive damages resulting from the State's failure. Even if the Lessor takes possession of the Leased Items, the State will continue to be responsible for Lease Payments during the fiscal year. If the event of default is cured and the Master Lease has not been terminated with respect to such Leased Items, then the Lessor is required to return the Leased Items to the State at the State's expense.
- If the Lessor terminates the Master Lease and takes possession of Leased Items, then the Lessor is required to attempt to sell the Leased Items in a commercially reasonable manner. The Lessor is required to apply any proceeds of the sale in the following order: (1) all expenses incurred in securing possession of the Leased Items, (2) all expenses incurred in completing the sale, (3) any amounts payable to any party having a security interest in or lien against the Leased Items, (4) the applicable purchase price for the Leased Items, and (5) the balance of any Lease Payments due with respect to such Leased Items for such fiscal year. Any remaining proceeds of the sale will be paid to the State.
- The Lessor would be permitted to use any other remedy available at law or in equity with respect to such event of default.

If the Master Lease is terminated before all Lease Payments have been paid, then the Lessor may require the State to return the Leased Items.

SUMMARY OF THE MASTER INDENTURE

The Master Indenture contains various provision, certain of which are summarized below. In general, this Section does not summarize any provisions of the supplemental indentures. Reference should be made to the Master Indenture for full and complete statements of the provisions. A copy of the Master Indenture may be obtained by contacting the State at the address provided in the introduction of this Part IV of the 2022 Annual Report.

General

Pursuant to the Master Indenture, the Lessor has transferred to the Trustee without recourse (but also without limitation on its obligations under the Master Lease) all its right in the funds and accounts established under the Master Indenture, the Lease Schedules specified in supplemental indentures, and all Lease Payments, Leased Items, and other property and rights related to those Lease Schedules, including the security interest granted by the Master Lease. Except as provided in the Master Indenture, all properties and rights received by, and moneys and investments held by, the Trustee under the provisions of the Master Indenture shall be held in trust for the benefit of the owners of the Certificates.

Funds and Accounts; Payments to be Deposited

The Master Indenture creates the following funds and accounts to be held and administered by the Trustee for each series of Certificates:

- Certificate Payment Fund (which contains an Interest Account, a Principal Account, and an Additional Rents Account),
- Project Fund (which contains a Project Account and an Earnings Account),
- Lease Payment Fund (which contains an Interest Account, a Principal Account, and an Additional Rents Account),
- Lease Payment Reserve Fund,
- Administrative Expense Payment Fund, and
- Insurance Fund.

The Trustee will deposit the proceeds from the issuance of a series of Certificates, net of the underwriters' discount as follows:

- If specified in the supplemental indenture providing for the issuance of that series, then the Trustee will deposit in the Principal Account and the Interest Account of the Certificate Payment Fund an amount to be used for the partial or complete redemption of one or more series of outstanding Certificates, and the Leased Items related to the redeemed Certificates will thereafter relate to the newly issued Certificates.
- If specified in the supplemental indenture, then the Trustee will pay to the Lessor the costs of acquiring Leased Items that have not been reimbursed.
- If specified in the supplemental indenture, then the Trustee will apply the amount specified for payment or reimbursement of costs of issuance.
- If specified in the supplemental indenture, then the Trustee will deposit an amount in the Lease Payment Reserve Fund.

- The Trustee will deposit an amount into the Project Account of the Project Fund specified in the supplemental indenture.
- The Trustee will deposit the balance of the proceeds, if any, in the Lease Payment Fund.

Earnings on the Project Account of the Project Fund are transferred as received to the Earnings Account of the Project Fund. Moneys in the Earnings Account are transferred and used for payment of amounts due or coming due within 30 days, in the following order: (1) to the Interest Account of the Lease Payment Fund for retransfer to the Interest Account of the Certificate Payment Fund and (2) to the Administrative Expense Payment Fund.

To the extent moneys in the Earnings Account of the Project Fund exceed amounts payable as described above, the excess is deposited in the Project Account of the Project Fund.

Money available in the Project Account of the Project Fund will be disbursed to pay for the acquisition of additional Leased Items, as directed by the State. Except as provided in the Master Indenture, any money remaining in the Project Account of the Project Fund on the date specified in the applicable supplemental indenture will be transferred by the Trustee to the Principal Account of the Lease Payment Fund, to be applied as a credit against the Lease Payments required to be paid by the State.

Upon any Event of Nonappropriation or upon an event of default under the Master Lease requiring the surrender of Leased Items, or upon any other termination of a Lease Schedule other than pursuant to the payment of all Lease Payments or the exercise by the State of its option to pay the purchase price, the Trustee is required immediately to transfer all amounts on deposit in the Project Account of the Project Fund to the Principal Account of the Lease Payment Fund.

On any day on which Certificates are to be paid or redeemed, the Trustee is required to transfer the aggregate amount on deposit in the Principal Account of the Lease Payment Fund for deposit into the Principal Account of the Certificate Payment Fund. On the date Certificates are to be redeemed in accordance with the Master Indenture as a result of the deposit of moneys into the Principal Account of the Lease Payment Fund, the Trustee is required then to transfer the money for deposit into the Principal Account of the Certificate Payment Fund. On the date that Certificates are to be redeemed due to the termination of a Lease Schedule as a result of an Event of Nonappropriation, and if funds have been transferred to the Principal Account of the Lease Payment Fund, the Trustee is required to transfer all amounts on deposit in such Principal Account for deposit into the Principal Account of the Certificate Payment Fund. On each Interest Payment Date with respect to Certificates, the Trustee is required to transfer from the Interest Account of the Lease Payment Fund (and, if necessary, from the Earnings Account of the Project Fund) for deposit into the Interest Account of the Certificate Payment Fund, an amount equal to the interest then due on the Certificates.

On each Interest Payment Date with respect to Certificates, the Trustee is required to transfer from the Lease Payment Reserve Fund to the Interest Account or the Principal Account of the Lease Payment Fund for a particular series of Certificates to the extent amounts on deposit in such Interest Account are insufficient to pay interest due on the Certificates of such series, or amounts on deposit in such Principal Account are insufficient to pay that portion of the principal of the Certificates of such series to be paid or redeemed. If at any time amounts on deposit in the Lease Payment Reserve Fund are less than the required amount, as adjusted from time to time as provided for in the Master Indenture, then the State, upon receiving notice of such deficiency from the Trustee, shall immediately pay the Trustee an amount equal to the deficiency.

The Trustee shall bill the State semi-annually for all administrative expenses. If at any time the Trustee determines that payments deposited, or to be deposited, in the Administrative Expense Fund will be more or less than the expenses for the current fiscal year, then the Trustee shall adjust the semi-annual billing. The Trustee shall disburse amounts from the Administrative Expense Fund to pay invoices rendered in accordance with the Master Indenture.

Except as provided in the Master Indenture, the Trustee is required to pay to the State any amount remaining in any fund or account after full payment (or redemption) of all Certificates outstanding and payment of any fees, expenses, or costs owing with respect to the Certificates or the Lease Schedules.

The Trustee is required to invest moneys it holds under the Master Indenture in **Qualified Investments,** to be selected at the direction of the State, giving consideration, however, to the times at which moneys are required to be disbursed under the Master Indenture and, in that connection, may place moneys in demand or time deposits with any bank or trust company authorized to accept deposits of public funds.

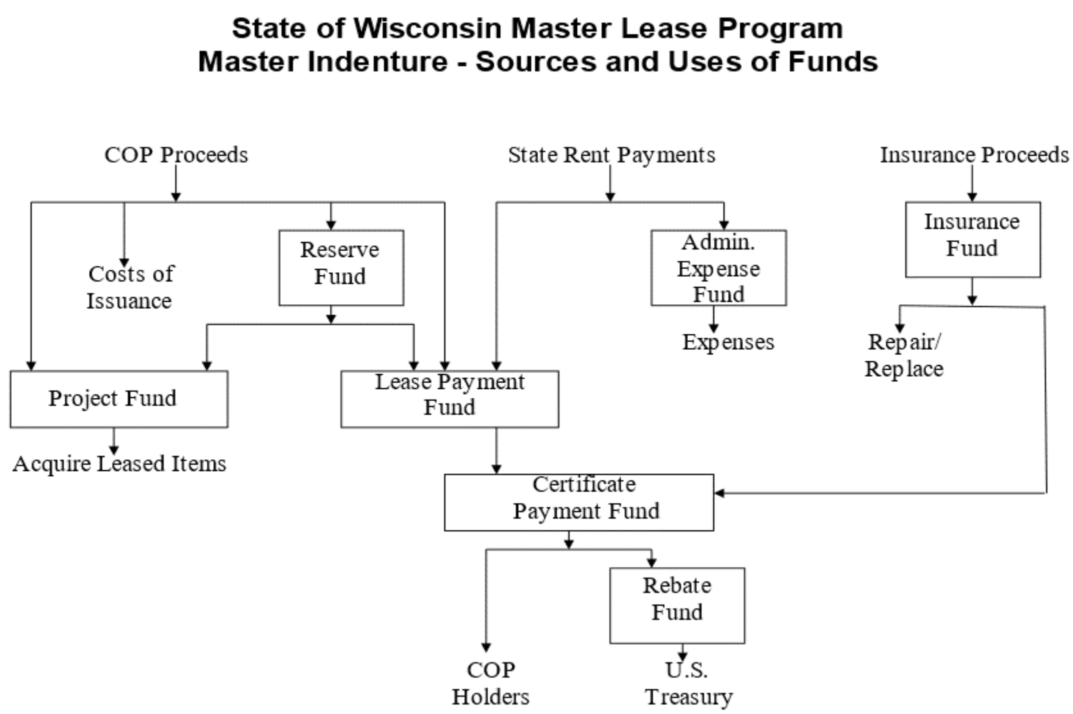
The following are Qualified Investments:

- Obligations of, or obligations guaranteed as to interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States.
- Federal Housing Administration debentures.
- Federal Home Loan Mortgage Corporation participation certificates.
- Farm Credit System consolidated system-wide bonds and notes.
- Federal Home Loan Banks consolidated debt obligations.
- Federal National Mortgage Association senior debt obligations and mortgage-backed issues.
- Student Loan Marketing Association senior debt obligations and letter-of-credit-backed issues.
- Resolution Funding Corporation **(REFCORP)** debt obligations.
- Unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated the highest classification (without regard to any suffix or numerical order) by each of those agencies selected by the State to assign a credit rating to the Certificates or the Program **(Rating Agencies)**.
- Certificates of deposit or time deposits constituting direct obligations of any bank, the full amount of which is insured by the Federal Deposit Insurance Corporation.
- Debt obligations, including pre-refunded municipals, rated in either of the two highest classifications (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Commercial paper rated the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.
- Securities issued by those investment companies registered under the Investment Company Act of 1940 commonly known as "money market funds" rated in the highest classification by each of the Rating Agencies that invest solely in securities which are otherwise Qualified Investments.
- Investments made through repurchase agreements with any transferor with debt or commercial paper rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies, *provided* that each repurchase agreement (1) is acceptable in form and substance to the State and the Trustee, (2) provides for the registration of title to certificated government obligations in the name of the Trustee or any agent of the Trustee and the physical transfer of certificated government obligations to the Trustee or to a custodial account in the name of the Trustee at a Federal Reserve Bank

and for the registration of title to book-entry government obligations in the name of the Trustee, (3) provides that the government obligations acquired pursuant to such repurchase agreement shall be valued at least monthly at the lower of the then-current fair market value or the repurchase price in the applicable repurchase agreement (except that the Lease Payment Reserve Fund shall always be valued at the then current fair market value), and (4) is with any state or national bank or foreign bank with a United States branch or agency with short-term obligations rated in the highest classification (without regard to any suffix or numerical order) by each of the Rating Agencies.

- Any stripped securities rated in the highest classification by each of the Rating Agencies, including, but not limited to, U.S. Treasury STRIPS and REFCORP STRIPS.
- Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating from each of the Rating Agencies which is equal to or higher than the rating assigned to the Certificates by the Rating Agencies and the rating is in either of the two highest classifications (without regard to any suffix or numerical order) of each of the Rating Agencies.

The following chart depicts the sources and uses of the various funds.



Servicing of Lease Schedules

The Lessor has agreed to service the Lease Schedules, and should the Lessor fail to do so, the Trustee has agreed to do so and to enforce their terms. The Lessor is an affiliate of the Trustee.

Events of Default and Remedies

The following shall constitute **Events of Default** under the Master Indenture:

- Any Event of Nonappropriation or event of default under the Master Lease or any Lease Schedule.
- Failure by the Lessor or the State to observe any covenant under the Master Indenture (other than an event specified above) for a period of 30 days after notice from the Trustee, the Lessor, or the owners of not less than 5% in aggregate principal amount of Certificates then outstanding; *provided, however,* if the failure cannot be corrected within the applicable period, then those parties may not unreasonably withhold their consent to an extension of such time if corrective action is instituted and diligently pursued.
- Any additional event designated as an event of default under any supplemental indenture.

If an Event of Nonappropriation or an event of default under the Master Lease occurs and is continuing, then the Trustee is required to cause the Certificates of all series to be redeemed pursuant to the Master Indenture, *pro rata,* to the extent money is available in the Lease Payment Fund. In addition, if an Event of Nonappropriation or an event of default occurs and is continuing, then the Trustee may proceed, and upon written request of owners of not less than a majority in aggregate principal amount of Certificates then outstanding shall proceed, to take any of the remedial steps available under the Master Lease (including acceleration, if applicable) or whatever action at law or in equity may be necessary or appropriate to enforce its rights as assignee under the Master Indenture. All payments received by the Trustee with respect to the Trust upon an event of default, whether from the sale of Leased Items, damages, or otherwise, shall be applied by the Trustee, *first,* to its reasonable fees and expenses and *second,* to the Lease Payment Fund.

In the event that no action is taken to eliminate an event of default under the Master Lease, the owners of a majority in aggregate principal amount of the Certificates then outstanding may institute any suit, action, or other proceeding at law or in equity for the protection or enforcement of any right under the Master Lease or the Master Indenture, but only if such owners have first requested in writing that action be taken, have given a reasonable opportunity for such suit, action, or other proceeding to be instituted, and have offered reasonable indemnity against the costs, expenses, and liabilities to be incurred thereby.

Amendment

The Master Indenture, the Master Lease, or any Lease Schedule (**Operative Documents**) may be amended, or a supplemental indenture created, without the consent of any owners of Certificates, in order to provide for the issuance of a series of Certificates, to cure any ambiguity, to correct or supplement any provision in any of the Operative Documents that may be inconsistent with any provision in any other Operative Document, or to add any other provision with respect to matters or questions arising under any Operative Document if it is not inconsistent with the provisions of any Operative Document, *provided* that such action does not, as evidenced by an opinion of counsel, adversely affect in any material respect the interests of any owner of Certificates.

Any of the Operative Documents may also be amended from time to time with the consent of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates of any series affected thereby for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Operative Documents, or of modifying in any manner the rights of the owners of not less than 51% of the aggregate outstanding principal amount of Certificates; *provided, however,* that no amendment shall without the consent of the owners of all Certificates:

- Increase or reduce the amount of, or delay the timing of, or otherwise adversely affect, collections of payments under any Lease Schedule (other than modifications permitted under the Master Lease) or required to be made on any Certificate,

- Release any Lease Schedule or all or substantially all collateral securing a Lease Schedule, or
- Reduce the percentage required for consent to any amendment.

Limitation on Rights of Certificate Owners

No owner of a Certificate has any right to vote (except as provided in the Master Indenture) or in any manner otherwise control the operation and management of the Trust, or the obligations of the parties to any of the Operative Documents; nor shall anything set forth in the Master Indenture, or contained in the terms of the Certificates, be construed so as to constitute the owners of Certificate as partners or members of an association; nor shall any owner of a Certificate be under any liability to any third person by reason of any action taken by the parties to the Master Indenture pursuant to any provision of the Master Indenture.

No owner of a Certificate has any right by virtue of any provision of the Master Indenture to institute any suit, action, or proceeding at law or in equity under or with respect to the Master Indenture, unless:

- Such owner of a Certificate has previously given to the Trustee a written notice of an event of default and of the continuance thereof, as provided in the Master Indenture,
- The owners of not less than 25% of the aggregate outstanding principal amount of Certificates have made written request of the Trustee to institute such action, suit, or proceeding in its own name as Trustee under the Master Indenture and have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses, and liabilities to be incurred therein or thereby, and
- The Trustee, for 30 days after its receipt of such notice, request, and offer of indemnity, has neglected or refused to institute any such action, suit, or proceeding.

PART V

TRANSPORTATION REVENUE OBLIGATIONS

Part V of the 2022 Annual Report provides information about transportation revenue obligations issued by the State of Wisconsin **(State)** in the form of transportation revenue bonds and transportation revenue commercial paper notes. The State provides select information in this introduction for the convenience of the readers; however, readers should review all information presented in this Part V of the 2022 Annual Report to make an informed investment decision.

Total Outstanding Balance (12/15/2022)	$1,565,305,000
Amount Outstanding of Fixed-Rate Obligations	1,565,305,000
Ratings[(a)] (Fitch/Kroll/Moody's/S&P Global Ratings)	AA+/AAA/Aa2/AAA
Authority	State of Wisconsin Transportation Facilities and Highway Projects Revenue
Trustee/Paying Agent	The Bank of New York Mellon Trust Company, N.A. serves as Trustee for all obligations, as well as Registrar and Paying Agent for the Bonds.
Security	The Bonds are secured by a first lien pledge of Program Income, the Funds created by the General Resolution, as amended, and any other income of the Program. A substantial amount of Program Income is from vehicle Registration Fees authorized under Section 341.25, Wisconsin Statutes, including the hybrid-electric fee and electric fee added pursuant to the 2017-19 and 2019-21 biennial budgets. Program Income also includes certain Other Registration-Related Fees added pursuant to 2003 Wisconsin Act 33 (including, but not limited to, vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees).
Audit Report and Financial Statement	APPENDIX A to this Part V of the 2022 Annual Report includes the independent auditor's report and the audited statement of cash receipts and disbursements.

(a) The ratings presented are the ratings assigned to the transportation revenue obligations without regard to any bond insurance policy. No information is provided in the 2022 Annual Report about any rating assigned to any transportation revenue obligations based on any bond insurance policy. Not every rating agency has been asked to rate every series of Bonds.

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The State of Wisconsin Building Commission (**Building Commission** or **Commission**) supervises all matters concerning the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs. Requests for additional information about transportation revenue obligations may be directed to the Capital Finance Office. The law firm of Quarles & Brady LLP has provided bond counsel services in connection with the issuance of the outstanding transportation revenue obligations. The State of Wisconsin Department of Transportation **(DOT** or **Department of Transportation)** is responsible for the planning and completion of major highway projects funded, in part, with the proceeds of transportation revenue obligations.

Transportation revenue obligations issued by the State have been issued as both tax-exempt obligations and taxable obligations.

The 2022 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of a term used in one part of the 2022 Annual Report may differ from that of the same term used in another part, and the total amount shown in a table may vary from the related sum due to rounding. See "GLOSSARY" for the definitions of capitalized terms used in this Part V of the 2022 Annual Report. No information or resource referred to in the 2022 Annual Report is part of the report unless expressly incorporated by reference.

Part II of the 2022 Annual Report contains general information about the State including, but not limited to, operating data, such as revenues, expenditures, budgets, General Fund data, information on significant pending litigation, and statistical information on the State's economic condition and the Wisconsin Retirement System, along with the audited general purpose external financial statements for the fiscal year ending June 30, 2022 and the independent auditor's report that is provided by the State Auditor.

Certain statements in this Part V of the 2022 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2022 Annual Report, 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.

COVID-19 UPDATE

Responses commencing in calendar year 2020 and continuing in through calendar year 2022 to the COVID-19 pandemic have had an impact on economic activity in the State. See "COVID-19 UPDATE" in Part II of the 2022 Annual Report for further information on the COVID-19 pandemic, including recent developments and actions the State has taken to address the pandemic, and the impact the pandemic has had on the State.

Compared to the 2020-21 fiscal year, the number of vehicle title transactions decreased, and number of registered vehicles increased in the 2021-22 fiscal year.

The amount of Registration Fees in the 2021-22 fiscal year increased compared to the 2020-21 fiscal year. Other Registration-Related Fees (which include vehicle titles) for the 2021-22 fiscal year decreased compared to the amounts in fiscal year 2020-21.

Year-to-date collections of Registration Fees and Other Registration-Related Fees in the 2022-23 fiscal year are lower than those collected for the same period in the 2021-22 fiscal year.

As always, future estimates of Registration Fees and Other Registration-Related Fees will continue to be impacted by a change in the underlying economy of the State. Because the duration and the breadth of the effects of COVID-19 are not yet fully known, the total economic impact on the State and any impact on vehicle registrations and registration related activities, cannot be determined at this time.

While it may be some time before the State can determine the full economic and financial impact of the COVID-19 pandemic, the State intends to file any appropriate reports from DOR, LFB, or DOT (related to Registration Fees or Other Registration-Related Fees) on the Electronic Municipal Market Access **(EMMA)** system of the Municipal Securities Rulemaking Board **(MSRB)**.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

See "ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS" in Part II of the 2022 Annual Report for further information on the State's disclosure relating to these factors that may present a risk to the State's finances.

OUTSTANDING OBLIGATIONS

Table V-1 shows transportation revenue obligations that have outstanding balances as of December 15, 2022 and history of other issuances during the past 20 years.

Table V-1
OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2002- Refunding Series 1	4/15/02	2003-19	$241,865,000	-0-
Refunding Series 2	4/15/02			
Serial Bonds		2004-20	39,275,000	-0-
Term Bonds		2022	29,655,000	-0-
Series A	10/15/02	2004-23	200,000,000	-0-
2003- Series A	11/1/03	2005-24	250,000,000	-0-
2004- Refunding Series 1	9/30/04	2005-17	95,905,000	-0-
2005- Series A	3/10/05	2006-25	235,585,000	-0-
Series B	9/29/05	2007-25	158,400,000	-0-
2007- Series A	3/8/07	2018-27	148,710,000	-0-
2007- Refunding Series 1	3/8/07	2014-22	206,900,000	-0-
2008- Series A	8/27/08	2010-29	185,000,000	-0-
2009- Series A	10/1/09	2012-14	17,870,000	-0-
2009- Series B (Taxable)	10/1/09			
Serial Bonds		2015-25	87,725,000	-0-
Term Bonds		2030	59,405,000	-0-
2010- Series A	12/9/10	2012-21	76,075,000	-0-
Series B (Taxable)	12/9/10	2022-31	123,925,000	-0-
2012- Series 1	4/25/12	2013-32	343,725,000	-0-
Refunding Series 2	6/28/12	2017-24	116,400,000	-0-
2013- Series 1 **(2013 Series 1 Bonds)**	3/6/13	Various	259,680,000	$15,255,000 [(a)]
2014- Series 1	4/23/14	2015-34	339,745,000	-0-
Refunding Series 2 **(2014 Series 2 Bonds)**	12/10/14	2019-27	94,130,000	59,490,000
2015- Refunding Series 1 **(2015 Series 1 Bonds)**	4/30/15	2016-29	207,240,000	100,390,000
Series A **(2015 Series A Bonds)**	12/10/15	2017-36	225,000,000	129,465,000 [(a)]

Table V-1 – Continued
OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
2017- Series 1 **(2017 Series 1 Bonds)**	5/31/17	2020-37	$284,520,000	$178,440,000	(a)
Refunding Series 2 **(2017 Series 2 Bonds)**	12/21/17	2021-32	368,595,000	346,400,000	
2019- Series A **(2019 Series A Bonds)**	4/4/19	2020-39	155,950,000	132,470,000	
2020- Refunding Series 1 (Taxable) **(2020 Series 1 Bonds)**	7/30/20	2022-34	315,480,000	311,725,000	
2021- Series A **(2021 Series A Bonds)**	3/31/21	2023-41	148,490,000	148,490,000	
Refunding Series 1 (Taxable) **(2021 Series 1 Bonds)**	8/12/21	Various	143,180,000	143,180,000	
Total Fixed-Rate Transportation Revenue				$1,565,305,000	
Variable-Rate Transportation Revenue Obligations					
2006 - Commercial Paper Notes, Series A	10/2/06		$91,290,000	-0-	
2013 - Commercial Paper Notes, Series A	11/5/13		70,025,000	-0-	
Total Variable-Rate Transportation Revenue Obligations				-0-	
Total Outstanding Transportation Revenue Obligations				$1,565,305,000	

(a) Pursuant to a refunding escrow agreement, the principal of and interest on all, or a portion of the Bonds, have been or will be paid as it comes due or will be called for redemption prior to maturity. The principal amount of Bonds for which payment is provided is treated as not outstanding for purposes of this table.

The 2013 Series 1 Bonds, 2014 Series 2 Bonds, 2015 Series 1 Bonds, 2015 Series A Bonds, 2017 Series 1 Bonds, 2017 Series 2 Bonds, 2019 Series A Bonds, 2020 Series 1 Bonds, 2021 Series A Bonds, and 2021 Series 1 Bonds (collectively, **Prior Bonds**), and any additional Bonds issued by the State pursuant to the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations General Resolution, dated June 26, 1986, as amended (**General Resolution**), are referred to collectively as the **Bonds**. See "SECURITY; Sources of Payment".

Table V-2 provides a historical view of the amount of outstanding Bonds and Notes as of December 15th for the previous ten years.

Table V-2
HISTORICAL OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS

Year (December 15)	Outstanding Bonds	Outstanding Notes	Total
2012	$1,693,935,000	$112,218,000	$1,806,153,000
2013	1,709,235,000	163,668,000	1,872,903,000
2014	1,890,880,000	144,103,000	2,034,983,000
2015	1,989,795,000	117,128,000	2,106,923,000
2016	1,887,400,000	88,723,000	1,976,123,000
2017	1,866,265,000	58,808,000	1,925,073,000
2018	1,725,655,000	42,655,000	1,768,310,000
2019	1,767,050,000	-0-	1,767,050,000
2020	1,670,565,000	-0-	1,670,565,000
2021	1,710,990,000	-0-	1,710,990,000

The Commission periodically adopts Series Resolutions that authorize the issuance of transportation revenue obligations for new money and refunding purposes. This authorization is generally effective for a period of one year from data of adoption. On August 9, 2022, the Commission adopted a Series Resolution authorizing the issuance of transportation revenue obligations for refunding purposes in an amount not to exceed $300 million. The issuance of these obligations depend on market conditions, and if issued, will be issued pursuant to the General Resolution on parity with the Prior Bonds.

In addition, the Commission has previously adopted, and may in the future adopt, Series Resolutions that authorize the issuance of Transportation Revenue Commercial Paper Notes (**Notes)** and Bonds to pay for the funding of any Notes; these Series Resolutions have been and may be required pursuant to terms of any credit agreement by which the liquidity facility provider provides a line of credit for liquidity on the Notes, and this authorization is effective for the term of any Notes. Any Bonds authorized to fund new money purposes, and Bonds to take-out any Notes, when and if issued, are expected to be issued on a parity with the Bonds issued by the State pursuant to the General Resolution.

SECURITY

Sources of Payment

The Prior Bonds have been issued on parity with each other. The Prior Bonds and any additional parity Bonds issued by the State pursuant to the General Resolution, are revenue obligations of the State payable solely from the Redemption Fund created by the General Resolution and are secured by a first lien pledge of Program Income, the Funds created by the General Resolution, and any other income of the Program pledged to the payment of interest, principal, and Redemption Price on the Bonds.

Program Income consists mainly of vehicle registration fees authorized under Section 341.25, Wisconsin Statutes**,** including the hybrid-electric fee and electric fee added pursuant to the 2017-19 and 2019-21 biennial budgets **(Registration Fees)**. 2019 Wisconsin Act 9 updated the definition of hybrid-electric vehicles, so such vehicle types will pay the addition annual Registration Fee, effective October 1, 2019. Program Income also includes certain other vehicle registration-related fees added pursuant to 2003 Wisconsin Act 33 and a supplement to the General Resolution dated October 15, 2003 **(Other Registration-Related Fees)**. The Other Registration-Related Fees include many types of fees that are enumerated in Wisconsin Statutes, however, many of the Other Registration-Related Fees result in insignificant or sporadic annual revenues.

Given this insignificant and sporadic nature, the State is currently providing continuing disclosure on some, but not all, Other Registration-Related Fees. These specific Other Registration-Related Fees include vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees. See "OTHER REGISTRATION-RELATED FEES".

All Program Income is collected by the Trustee, or the Department of Transportation as agent of the Trustee and deposited outside the State Treasury in an account with the Trustee defined as the **Redemption Fund**. Program Income is defined to include all the interest earned or gain realized from the investment of the Redemption Fund.

Any Notes issued in the future, and any other obligations to be issued on parity with any Notes, are also revenue obligations of the State payable from Program Income deposited into the Subordinated Debt Service Fund created by the General Resolution. The pledge of such Program Income to payment of any Notes is subordinate to the pledge of Program Income granted to payment of the Bonds. The pledge remains effective until all Bonds and Notes issued under the General Resolution are fully paid in accordance with their terms.

The Bonds are revenue obligations of the State payable solely out of the Redemption Fund. Any Notes are revenue obligations of the State payable solely out of the Subordinated Debt Service Fund. The State is not generally liable on the Bonds and any Notes, and the Bonds and any Notes are not a debt of the State for any purpose whatsoever.

Program Income Covenant

In the General Resolution, the State has covenanted that it will charge and cause to be deposited with the Trustee sufficient Program Income:

- To pay all interest on and principal of the Bonds as the same become due
- To maintain the Debt Service Reserve Requirement, if any, in the Reserve Fund
- To pay Program Expenses
- To pay principal of and interest on any Notes, as such amounts are deposited into the Subordinated Debt Service Fund
- To maintain the applicable requirements of such other funds and accounts specified under the General Resolution

Starting on the date a series of Bonds is issued and also on each Redemption Fund Deposit Day (the 1st day of January, April, July, and October), all Program Income is deposited into the Redemption Fund and then into the funds and accounts established under, and in the order of priority and amounts required by, the General Resolution.

Program Income received by the Trustee in the Redemption Fund is used in the above order. With respect to payment of debt service on the Bonds, 50% of interest due on each January 1 must be deposited into the respective debt service accounts starting on each of the preceding Redemption Fund Deposit Days of July 1 and October 1 until funded, 50% of interest due on each July 1 must be deposited into the respective debt service accounts starting on each of the preceding Redemption Fund Deposit Days of January 1 and April 1 until funded, and 25% of principal due on each July 1 must be deposited into the respective debt service accounts starting on each of the preceding Redemption Fund Deposit Days of July 1, October 1, January 1, and April 1 until funded. For Bonds that are issued between the Redemption Fund Deposit Days, Program Income is deposited into the debt service account for such Bonds to meet the above requirements starting on the date of issuance of such Bonds until funded at the required level.

All Program Income in excess of the amounts needed for such purposes is to be transferred to the Transportation Fund held by the Department of Transportation and becomes free of the lien of the pledge of the General Resolution. DOT uses moneys in the Transportation Fund for many authorized purposes. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION".

In the General Resolution, the State pledges and agrees with the Bondholders and holders of any Notes that the State will not limit or alter its powers to fulfill the terms of any agreements (made in the General Resolution, in the Bonds, or in any Notes) with the Bondholders and holders of Notes, or in any way impair the rights and remedies of the Bondholders and holders of any Notes until the Bonds and any Notes, together with interest, including interest on any unpaid installments of interest thereon, Redemption Price, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholders and holders of any Notes, are fully met and discharged.

Transportation Fund Constitutional Amendment

A constitutional amendment referendum question was approved in the State's general election in November 2014. The constitutional amendment requires most revenues generated by use of the State's transportation system be deposited with a trustee for the benefit of the Department or the holders of transportation-related revenue bonds (such as Bondholders and holders of any Notes) or into the Transportation Fund administered by the Department for the exclusive purpose of funding the State's transportation systems. The constitutional amendment further prohibits any transfers or lapses from this Transportation Fund.

This constitutional amendment has no direct impact on Bondholders and holders of any Notes. Pursuant to the General Resolution, Program Income will continue to be first collected by the Trustee and deposited outside the State Treasury in the Redemption Fund and Subordinated Debt Service Fund. After all General Resolution requirements are met, excess Program Income is then transferred to the State's Transportation Fund. See "SECURITY; Program Income Covenant" above. At that time, the revenues will then be subject to the requirements of this constitutional amendment.

Reserve Fund

The General Resolution creates a Reserve Fund for the Bonds; however, the balance of the Reserve Fund is $0.00.

The State pursuant to each Series Resolution specifies the Debt Service Reserve Requirement, if any, for each Series of Bonds. The individual Debt Service Reserve Requirements for each Series of the Outstanding Bonds are combined to determine the aggregate Debt Service Reserve Requirement for the Reserve Fund. If all of the Bonds of a Series cease to be Outstanding, then the aggregate Debt Service Reserve Requirement is reduced by the Debt Service Reserve Requirement attributable to that Series of Bonds. Since 2003, the State has not specified a Debt Service Reserve Requirement for any Series of Bonds that have been issued. Furthermore, the State does not currently expect to specify a Debt Service Reserve Requirement for any future Series of additional Bonds; however, the State reserves the right to change its practice and no representation is made as to the amount of the Debt Service Reserve Requirement that the State may specify for any future Series of additional Bonds.

In the event that the Reserve Fund were to be funded in connection with a future Series of Bonds, the General Resolution provides that it shall be used to make up any deficiency in the Redemption Fund for the payment of principal of and interest on all of the-then Outstanding Bonds. If there is a deficiency in the Reserve Fund, the Trustee shall, after setting aside in the Principal and Interest Account the applicable amount required to be deposited therein, deposit Program Income into the Reserve Fund in an amount sufficient to remedy such deficiency.

Additional Bonds

The General Resolution authorizes the issuance of additional Bonds for the purpose of paying the costs of Projects, funding reserves, paying costs of issuance, and refunding Outstanding Bonds. On August 9, 2022, the Commission adopted a Series Resolution authorizing the issuance of transportation revenue obligations to refund outstanding transportation revenue bonds in an amount not to exceed $300 million.

Except in the case of additional Bonds being issued to refund Outstanding Bonds, the Series of additional Bonds may be issued only if Program Income for any 12 consecutive calendar months of the preceding 18 calendar months was at least equal to 2.25 times the maximum aggregate Principal and Interest Requirement in any Bond Year for all Outstanding Bonds, which includes the Bonds to be issued. The General Resolution defines Outstanding Bonds, as of any particular date, as all Bonds theretofore and thereupon being delivered except:

- Any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Registrar
- Any Bond deemed to have been defeased pursuant to the General Resolution
- Any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution

Statutory authority exists for the issuance of a total of $4.326 billion of transportation revenue obligations to finance a portion of major highway projects. Approximately $209 million of this legislative authority remains unissued. The issuance of transportation revenue obligations beyond the legislative authorized amount would require additional legislative authorization, which has customarily happened with each biennial budget of the State.

In addition, upon the issuance of additional Bonds the amount on deposit in the Reserve Fund must at least equal the aggregate of any Debt Service Reserve Requirement. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION; Additional Bonds" and "Reserve Fund".

Forecasted Debt Service Coverage

Table V-3 provides a summary of annual debt service due on the Outstanding Bonds and shows the forecasted coverage of annual debt service on the Outstanding Bonds as of December 15, 2022, based on the Department of Transportation's estimated total Program Income for fiscal years 2023 through 2032. The estimated Program Income includes both Registration Fees and certain Other Registration-Related Fees for this period. See "REGISTRATION FEES; Estimated Future Registration Fees" and "OTHER REGISTRATION-RELATED FEES". There can be no assurance that the following estimates will be realized in the amounts shown.

Table V-3
DEBT SERVICE ON OUTSTANDING TRANSPORTATION REVENUE OBLIGATIONS AND ESTIMATED REVENUE COVERAGE

	Estimated Program Income[(a)(b)]			Total Outstanding Bonds[(a)(b)]			
Maturity (July 1)	**Estimated Registration Fees (Millions)**	**Estimated Other Registration-Related Fees (Millions)**	**Total Program Income (Millions)**	**Total Principal**	**Total Interest**	**Total Debt Service**	**Coverage Ratio**
2023	$683.10	$241.01	$924.11	$137,645,000	$60,907,320	$198,552,320	4.65x
2024	704.88	237.19	942.07	131,820,000	56,300,798	188,120,798	5.01
2025	711.02	247.46	958.48	126,565,000	51,790,863	178,355,863	5.37
2026	725.30	256.21	981.51	113,955,000	47,166,145	161,121,145	6.09
2027	726.33	260.09	986.42	130,555,000	42,514,479	173,069,479	5.70
2028	734.28	262.40	996.68	118,945,000	36,222,267	155,167,267	6.42
2029	735.24	263.36	998.60	124,995,000	30,502,139	155,497,139	6.42
2030	752.93	264.45	1,017.38	117,720,000	24,474,770	142,194,770	7.15
2031	753.83	266.43	1,020.26	109,805,000	18,806,919	128,611,919	7.93
2032	768.33	270.44	1,038.77	98,815,000	13,984,807	112,799,807	9.21
2033				87,900,000	10,805,202	98,705,202	
2034				74,265,000	8,694,319	82,959,319	
2035				48,110,000	6,757,520	54,867,520	
2036				49,660,000	5,211,127	54,871,127	
2037				30,810,000	3,683,139	34,493,139	
2038				20,400,000	2,542,000	22,942,000	
2039				21,320,000	1,622,300	22,942,300	
2040				10,845,000	660,600	11,505,600	
2041				11,175,000	335,250	11,510,250	
				$1,565,305,000	$422,981,964	$1,988,286,964	

(a) The estimated Program Income and Other Registration-Related Fees for the 2023 fiscal year reflect revenue projections completed by the Department and the Legislative Fiscal Bureau in Spring 2021, and the 2024 through 2032 fiscal years reflect revenue projections completed by the Department in Fall 2022. Fiscal Years 2023 through 2032 revenue projections utilized forecast indices that were formulated with data available in August 2022. Estimated Program Income for fiscal years 2024 and 2025 were prepared in anticipation of the 2023-2025 biennial budget. Due to a continued, high degree of economic uncertainty in recent years, the estimated Program Income for fiscal years 2026 through 2032 will be re-evaluated periodically. See "REGISTRATION FEES; Estimated Future Registration Fees" and "OTHER REGISTRATION-RELATED FEES; Actual and Estimated Other Registration-Related Fees" for discussion of updates. Electric vehicle fees, hybrid-electric fees, and all fee increases and changes included as part of 2019 Wisconsin Act 9, are included in the revenue projections. In addition, the estimated Program Income is subject to further modifications to reflect the continued impact from the effects of the COVID-19 pandemic; see "COVID-19 UPDATE". Excludes interest earnings.

(b) Assumes that no additional Bonds will be issued and continuation of current Registration Fees and Other Registration-Related Fees. Estimates of Program Income and coverage beyond the 2032 fiscal year are not currently available.

Source: Department of Transportation

See "COVID-19 UPDATE" for additional discussion the current COVID-19 pandemic may have on Registration Fees and Other Registration-Related Fees.

The Department of Transportation will monitor Registration Fee and Other Registration-Related Fee revenues as they relate to scheduled debt service payments on the Bonds and payments on any Notes and recommend appropriate adjustments in Registration Fees or Other Registration-Related Fees to the Governor and the Legislature. The State has covenanted in the General Resolution that as long as Bonds and Notes are Outstanding it will charge and cause to be deposited with the Trustee sufficient Program Income, including Registration Fees and Other Registration-Related Fees, to pay principal and interest on such Bonds, as the same become due, to maintain the Reserve Fund at the Debt Service Reserve Requirement, to pay Program Expenses, and to make payments into the Subordinated Debt Service Fund.

Neither the State's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information shown above, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for and disclaim any association with the prospective financial information.

REGISTRATION FEES

Current Fees and Registered Vehicles

Registration Fees as enumerated under Section 341.25 Wisconsin Statutes are highway user fees collected by the Department of Transportation from owners of most motor vehicles. Table V-4 summarizes the types of major Registration Fees and the specific fee amount. 2019 Wisconsin Act 9 increased registration fees for automobiles and certain trucks based on gross vehicle weight. In addition, provisions of 2019 Wisconsin Act 9 implemented a previously authorized $75 hybrid-electric vehicle surcharge. The surcharge applies to hybrid-electric vehicles registered as automobiles or as light trucks up to 8,000 pounds gross weight, including dual purpose vehicles. All changes from 2019 Wisconsin Act 9 became effective October 1, 2019.

Table V-4
REGISTRATION FEES
(Section 341.25, Wisconsin Statutes)

Vehicle	Annual Fee
Automobile	$85
Trucks	Weight-based fee ranging from $100 to $2,560.
Bus	Fee equal to the fee for a truck of the same weight.
Trailer 12,000 lbs. and under	Fee equal to one-half of the fee for a truck of the same weight.
Trailer over 12,000 lbs.	Fee equal to the fee for a truck of the same weight.
Motor Homes	Weight-based fee ranging from $48.50 to $119.50.
Recreational vehicle and Camping Trailers	$15
Motorcycle/Moped	$23 biennial fee.
Hybrid-electric Vehicles	$75 surcharge.
Electric Vehicles	$100 surcharge.

Source: Department of Transportation

Table V-5 summarizes the number of motor vehicle registrations in the State, subject to Registration Fees under Section 341.25, Wisconsin Statutes, for the past 10 years.

Table V-5
ACTUAL NUMBER OF MOTOR VEHICLE REGISTRATIONS
(Millions of Vehicles)

Fiscal Year (June 30)	Automobiles[a]	Trucks[b]	Other Vehicles [c]	Total	% Change
2013	3.59	1.14	1.20	5.92	2.7
2014	3.62	1.15	1.17	5.94	0.3
2015	3.66	1.18	1.27	6.11	2.8
2016	3.69	1.21	1.25	6.15	0.7
2017	3.72	1.24	1.34	6.30	2.4
2018	3.77	1.27	1.33	6.37	1.1
2019	3.77	1.29	1.48	6.55	2.7
2020	3.70	1.29	1.37	6.36	(3.0)
2021	3.63	1.34	1.59	6.56	3.0
2022	3.86	1.41	1.53	6.80	3.5

(a) "Automobiles" includes autos, minivans, and sport utility vehicles.
(b) "Trucks" includes trucks and other vehicles that pay Registration Fees based on the vehicle's gross weight.
(c) "Other Vehicles" include recreational vehicles, motorcycles, mopeds, buses, and several other vehicle types.

Source: Department of Transportation

Table V-6 summarizes the total amount of Registration Fee revenues, under Section 341.25, Wisconsin Statutes, for the past 10 years. Table V-7 summarizes actual year-to-date of Registration Fees and certain Other Registration-Related Fees compared to the past five years.

Table V-6
ACTUAL REGISTRATION FEE REVENUES
(Amounts in Millions)

Fiscal Year (June 30)	Non-IRP Fees	Pledged IRP Fees[a]	Total	% Change
2013	$440.1	$82.8	$522.8	(0.6)
2014	458.9	85.5	544.4	4.1
2015	459.5	87.2	547.4	0.5
2016	475.0	90.2	565.4	3.3
2017	479.6	89.1	573.2	1.0
2018	490.6	97.5	588.1	3.0
2019	487.5	101.1	588.6	0.1
2020[a]	536.4	102.7	639.1	8.6
2021[a]	553.1	104.7	657.8	2.9
2022[a]	600.1	108.9	709.0	7.8

(a) A portion of the increase in Registration Fee revenues for the 2019-20 fiscal year is the result of certain Registration Fees being increased effective October 1,2019.

Source: Department of Transportation

Table V-7
ACTUAL YEAR-TO-DATE REGISTRATION AND OTHER REGISTRATION-RELATED FEES[(a)]
Months of July-October
(Amounts in Millions)

Fiscal Year	Non-IRP Fees	Pledged IRP Fees	Estimated Certain Other Reg Related Fees Other Fees[(b)]	Total	% Change
2018	$143.10	$22.80	$38.20	$204.10	2.4
2019	145.10	24.20	39.10	208.40	2.1
2020[(c)]	155.10	42.30	46.20	243.60	16.9
2021[(c)]	163.80	26.40	83.10	273.40	12.2
2022[(c)]	162.80	34.70	78.50	276.00	1.0
2023[(c)]	165.80	27.50	74.30	267.60	(3.0)

(a) Includes Registration Fees (Non-IRP Fees and Pledged IRP Fees) and certain Other Registration-Related Fees for the first five months of the current and previous five fiscal years. Fiscal year totals of such fees are included in Tables V-6 and V-9, respectively, of this 2022 Annual Report.

(b) Includes Title Transaction Fees, Customer Service Fees, and Personalized License Plates Fees.

(c) 2019 Wisconsin Act 9 increased various Registration Fees and certain Other Registration-Related Fees effective October 1, 2019.

Source: Department of Transportation

Interstate truck registration revenues are collected through the International Registration Plan (**IRP**) and is a component of Registration Fees. Wisconsin is one of 48 states, the District of Columbia, and ten Canadian provinces that participate in the IRP, which is a multi-state compact for the collecting and sharing of large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are split between the participating states on the basis of proportionate mileage.

The majority of Registration Fee revenues for fiscal year 2022 are generated from three broad categories of vehicles:

- 48.20% of total revenues generated from registration of passenger vehicles (automobiles, mini-van, conversion vans, and sport-utility vehicles).
- 15.12% of total revenues generated from registration of small trucks (8,000 pounds or less gross weight).
- 36.68% of total revenues generated from registration of large trucks (over 8,000 pounds gross weight plus IRP vehicles).

Table V-6 reflects non-IRP Registration Fee revenues over the past ten years. Prior to the increases included in 2019 Wisconsin Act 9, the prior increase in automobile registration fees occurred on October 1, 2008 raising the annual fee from $55 to $75, and a new $100 annual Registration Fee for electric vehicles, effective January 1, 2018.

Relative to even-numbered years, the growth rate in odd-numbered fiscal years is lower and reflects, in part, some vehicle types such as motorcycles and mopeds being registered only on a biennial basis. In a period of relatively flat vehicle registrations, the variation from this biennial registration pattern becomes more apparent. There can be no assurance that trends shown in Table V-7 with amounts collected year-to-date for the 2022-23 fiscal year will continue for the entire fiscal year.

Estimated Future Registration Fees

Future Registration Fee revenues depend on the size of the vehicle fleet in subsequent years and the level of fees imposed on the various vehicle types. The methodology for Registration Fee revenue projections consists of two components:

- Projection of registration by vehicle type by an econometric model developed by DOT, which relates the size of the vehicle fleet to anticipated changes in certain key economic variables
- Application of the relevant registration fee to the projection of registered vehicle type

The Department of Transportation's model has two distinct components:

- Anticipated changes in the size of the State's automobile fleet
- Anticipated changes in the size of the State's truck fleet

The econometric model relates the size of the automobile fleet and truck fleet to the disposable income in the State, the relative price of new autos and light trucks, the level of unemployment, the size of the driving age 18-64 population, historical rates of vehicle scrappage, construction employment in the State, total industrial production and a measure of consumer sentiment. The long-range economic data used in the model are based on the projections published by IHS Markit Index, as well as the State of Wisconsin Department of Revenue.

Table V-8 summarizes projected Registration Fee revenues pursuant to Section 341.25, Wisconsin Statutes, until the 2031-32 fiscal year. The 2022-23 fiscal year reflects revenue projections completed by DOT and LFB in spring 2021 and the 2023-24 through 2031-32 fiscal years reflect projections completed by DOT in August 2022.

Neither the State's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information shown below, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for and disclaim any association with the prospective financial information.

See "COVID-19 UPDATE" for discussion on how the COVID-19 pandemic has impacted, and may continue to impact, the amount of vehicle registrations and Registration Fees.

As previously indicated, the 1997–99 biennial budget increased most vehicle registration fees, effective December 1, 1997. In addition, effective October 1, 1998, the 1997–99 biennial budget also provides for a $10 fee for late registrations.

Table V-8
PROJECTED REGISTRATION FEE REVENUES [(a)]
(Amounts in Millions)

Fiscal Year (June 30)	Revenues[(b)]	% Change
2023	$683.10	0.66%
2024	704.88	3.19
2025	711.02	0.87
2026	725.30	2.01
2027	726.33	0.14
2028	734.28	1.10
2029	735.24	0.13
2030	752.93	2.41
2031	753.83	0.12
2032	768.33	1.92

(a) 2019 Wisconsin Act 9 increased various vehicle Registration Fees, effective October 1, 2019. Authorized increases include $10 increase in the automobile fee and increase in light truck fees ranging from $16 to $25. 2019 Wisconsin Act 9 also clarified the definition for hybrid-electric vehicles. The Projected Registration Fee Revenues for the 2023 fiscal year reflect revenue projections completed by DOT and LFB in Spring 2021, and the 2024 through 2032 fiscal years reflect revenue projections completed by DOT in Fall 2022. Fiscal Years 2024 through 2032 revenue projections utilized forecast indices that were formulated with data available in August 2022. The Projected Registration Fee Revenues for fiscal years 2024 and 2025 were prepared in anticipation of the 2023-2025 biennial budget. Due to a continued, high degree of economic uncertainty in recent years, the Projected Registration Fee Revenues for fiscal years 2026 through 2032 will be re-evaluated periodically.

(b) Includes both IRP and non-IRP Registration Fees pursuant to Section 341.25, Wisconsin Statutes. Does not include Other Registration-Related Fees, which are addressed later in this Part V of the 2022 Annual Report.

Source: Department of Transportation

Registration Fee Collection Procedures

Registration Fees are collected throughout the fiscal year. In order to smooth out the Department of Transportation's vehicle registration workload, it has staggered vehicle registrations throughout the year. As a result, in fiscal year 2022 the flow of quarterly collections of annual Registration Fee revenues ranged from a low of 23.6% to a high of 27.5%. The registration fee changes affect the quarterly distribution; increase occurred after quarter one. Additionally, any future adjustment of Registration Fees may change the monthly distribution of Registration Fees collected.

The Department of Transportation is the agent of the Trustee with respect to the collection of Registration Fees, pursuant to an agreement between these parties. The non-IRP Registration Fees are collected in a number of ways:

- By mail to a lock-box system operated by Deluxe, Inc and U.S. Bank, National Association (**Bank**)
- Over the counter in field registration stations
- By mail to the Department of Transportation's Central office in Madison (**Central Office**)
- At vehicle emission testing stations
- By State auto, light truck, and motorcycle dealers
- Via internet charge card renewal system

- By financial institutions
- By private financial service centers
- By various retailers, such as grocery stores and convenience stores
- By law enforcement agencies
- By municipal and County Clerk offices, as well as some municipal courts

Regardless of the method of collection, all Registration Fees are initially deposited with the Trustee for deposit in the Redemption Fund.

The principal method of collecting non-IRP Registration Fees is registration renewals by mail, which are sent directly to the Bank operating the lock-box system as agent for the Trustee. Under this lock-box system the vehicle owner mails the renewals to the Bank. The renewal includes a check payable to "Registration Fee Trust" and an enclosure with relevant registration information on it. The Bank is to deposit its receipts of Registration Fees daily with the Trustee for deposit in the Redemption Fund.

Over-the-counter collections take place in 89 DMV CSCS throughout the State. These DMV CSCS collect Registration Fees on behalf of the Trustee, as well as driver license fees, title fees, lien fees, salesman's license fees, permit fees, disabled identification card fees, and various other Department of Transportation charges. The Department of Transportation's financial system is a transaction-based computer system with the field stations linked to the DOT'S Central Office by terminal. All transactions are summarized daily and reported to the Central Office. The DMV CSCS deposit their collections in an account in the Trustee's name for deposit in the Redemption Fund.

Collections at the Department of Transportation's Central Office differ from DMV CSCS collections in that it is primarily IRP payments and mail applications that are processed. IRP payments consist of checks submitted by individual truck operators, as well as checks generated by other states transmitting IRP payments to the State. Mail applications handled through the Central Office are primarily associated with the registration of vehicles that involve the transfer of ownership. All checks and cash collected through the Central Office are delivered to the Trustee for deposit in the Redemption Fund.

The Department of Transportation has a contract with a vehicle emission contractor to collect Registration Fees at any of the emission testing facilities. Currently, there are around 170 privately owned facilities throughout the seven-county emission program area. A registrant may choose to renew their registrations at a testing station. Under this method, the emission testing station is treated like a field registration station with a direct connection to the Central Office's terminal. The vendor retains a service fee charged to registrants who use this option.

Licensed motor vehicle dealers are required by law to process vehicle title and registration transactions for their customers, unless exempted by the Department. The Department of Transportation has a series of contracts with car, light truck, and motorcycle dealers to process vehicle title and registration and transmit such information electronically to it through an interface managed by a third-party vendor. The contracts provide an electronic interface between the Department of Transportation and the dealer's data processing systems. The dealer collects registration and other fees that are electronically transferred daily from their bank accounts to the Department of Transportation by the third-party vendor. The vendor retains a service fee charged to registrants who use this option. In addition, dealers may choose to process title and registration applications electronically through an internet-based system managed by the Department.

Internet charge card renewal is a system available to motorists who prefer to charge their vehicle registration renewals. Under this system, motorists can renew their registrations through the internet. The Department of

Transportation has contracted with a banking vendor to handle the interfaces and transmission of data to a credit card processing vendor. The vendor transfers all monies collected from these transactions daily, through a wire transfer to the Department of Transportation's account and then to the Trustee for deposit in the Redemption Fund. The vendor retains a service fee charged to registrants who use this option. Charge cards are also accepted at DMV CSCS. The Department of Transportation has contracted with the same banking vendor and credit card processing vendor to provide the necessary interfaces. The processing vendor charges a service fee and this fee is passed onto customers who use this option.

Financial institutions are required by law to process stand-alone lien add and release transactions electronically for customers, unless exempted by the Department of Transportation. Lenders may use contracted third party vendors or a free electronic interface provided by the Department of Transportation. In addition, the Department of Transportation runs a voluntary program for financial institutions, State agencies, and small businesses to contract in order to process titles and registrations and transmit the information through an electronic interface, provided by a separate vendor, to itself and the approved business. These contracted agents collect registration and other fees that are electronically transferred daily from the financial institution to the Trustee for deposit into the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

Registrants may renew vehicle registrations at private financial service centers. The Department of Transportation has contracted with a separate vendor to handle the electronic interface and transmission of data. The financial service centers collect Registration Fees that are electronically transferred daily from the center to the Trustee for deposit into the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

Registrants may also renew vehicle registration at participating retailers, law enforcement agencies, and municipal and County Clerk offices as well as some municipal courts. The Department of Transportation has contracted with a separate vendor to handle the electronic interface and transmission of data. The retailers, law enforcement agencies, and County Clerk offices collect Registration Fees that are electronically transferred daily from the participating agent to the Trustee for deposit into the Redemption Fund. The vendor retains a service fee charged to registrants who use this option.

OTHER REGISTRATION-RELATED FEES

General

Pursuant to provisions of 2003 Wisconsin Act 33 and the supplement to the General Resolution, adopted by the Commission on October 15, 2003, Other Registration-Related Fees are pledged as Program Income. The Other Registration-Related Fees include approximately 60 types of fees that are enumerated in Wisconsin Statutes, however, many of the Other Registration-Related Fees result in insignificant or sporadic annual revenues. Given this insignificant and sporadic nature, the State is currently providing continuing disclosure on some, but not all, Other Registration-Related Fees. These specific Other Registration-Related Fees include vehicle title transaction fees, registration and title counter service fees, and personalized license plate issuance and renewal fees.

Vehicle Title Transaction Fees

The Wisconsin Statutes require all motor vehicles and trailers exceeding 3,000 pounds to be titled. Titling occurs prior to vehicle registration and the resulting Certificate of Title is evidence of vehicle ownership. The Department of Transportation issues a title when ownership of the vehicle has been confirmed.

This occurs when a vehicle is purchased from a dealer, or when vehicles are transferred between individuals in a non-dealer sale. Titling occurs only when vehicle ownership changes and is not an annual reoccurring fee.

The Certificate of Title document is issued on secured paper stock and contains the following information: name and address of owner, description of vehicle (make, year, color, vehicle type, and vehicle identification number), name of the secured party or lien holder, odometer reading information, and other required information.

The title fees are enumerated in Section 342.14, Wisconsin Statutes. As part of 2019 Wisconsin Act 9, title fees increased from $69.50 to $164.50, effective October 1, 2019. The increased title fee is comprised of two components: a $157 title fee and $7.50 supplemental title fee. The $164.50 title fee is paid by the owner when filing an application for first Certificate of Title, and by the buyer when filing an application for Certificate of Title after transfer of ownership of the vehicle. The titling fees are paid to the Department of Transportation at the same time the vehicle is registered. The replacement, or duplicate, title fee is currently $20. Replacement titles are issued for lost, stolen, or mutilated titles.

From fiscal year 2017-18 through fiscal year 2021-22, the Department of Transportation averaged the issuance of 1,515,572 titles, whereby a title fee was collected. In fiscal year 2021-22, the Department of Transportation issued 1,382,323 titles.

Registration and Title Counter Service Fees

Customers have the option of processing their vehicle titling and registration transactions by mail or in person at a DMV CSC. If the transaction is processed at the DMV CSC, the customer is charged an additional fee for that service. The additional fee is intended to recover some of the cost of providing face-to-face service. Before the customer receives the various products, the counter fee, and titling and/or vehicle Registration Fees are collected.

The counter fee is enumerated in Section 341.255, Wisconsin Statutes. For transactions that renew a vehicle registration, the counter fee is $3, however a $5 counter fee is charged for transactions relating to the issuance of a Certificate of Title, issuance of temporary license plates, issuance of temporary or permanent parking permits for disabled persons, transactions involving both titling and registration for the same vehicle, or transactions relating to only vehicle registration (but not renewals).

The average volume of registration renewals for calendar years 2017 through 2021 was 246,658 transactions at the DMV CSCS. The calendar year 2021 volume at the DMV CSCS for renewals was 107,484.

The average volume of titling, temporary plates, and registrations for calendar years 2017 through 2021 was 755,956 transactions at the DMV CSCS. The calendar year 2021 volume at the DMV CSCS for titling, temporary plates and registrations was 417,948. See "COVID-19 UPDATE" for discussion on how the COVID-19 pandemic has impacted, and may continue to impact, the number of transactions at DMV CSCS.

Personalized License Plate Fees

Personalized license plates are license plates whereby the registration number is composed of a maximum set of numbers or letters or both specifically requested by the customer. The personalized license plate is only available for certain vehicle types: automobiles, motorcycles, motor homes, motor trucks with a gross weight of no more than 8,000 pounds, and farm trucks with a gross weight of no more than 12,000 pounds.

During the initial vehicle registration process or any time a registrant desires to change a license plate message, an applicant must complete and return to the Department of Transportation a special application form specifying the desired personalized message and provide two alternate messages. Subject to approval by the Department of Transportation, the customized license plate is then manufactured and sent to the customer.

The personalized license plate fee is enumerated in Section 341.145, Wisconsin Statutes. The $15 annual fee must be submitted with the application and is also due annually at the time of vehicle registration renewals. This fee is in addition to the regular Registration Fees. For motorcycles and farm trucks that receive biennial license plates, the personalized license plate fee is also $15 a year, due with the initial application. The fee to maintain a personalized plate issued on a biennial basis is $30, payable during registration renewal and is in addition to the regular biennial Registration Fee.

The average number of requests for new personalized license plates processed for fiscal years 2018 through 2021 was 18,940. The average number of annual personalized license plate registrations during fiscal years 2017 through 2021 was 227,760. At the end of calendar year 2021, the State had 229,601 registered personalized license plates.

Actual and Estimated Other Registration-Related Fees

Table V-9 provides further information on the amount of Other Registration–Related Fees described above in "OTHER REGISTRATION-RELATED FEES; General". These amounts include actual collections for the past 10 years and projections for the upcoming 10 years; the projected Other Registration-Related Fees are for fiscal years 2022-23 through 2024-25.

For purposes of preparation of the 2021-23 biennial budget, DOT has provided updated projected Other Registration-Registration Fee revenues in November 2020, but only through the 2024-25 fiscal year.

The Other Registration-Related Fees include many types of fees that are enumerated in the Wisconsin Statutes; while all are Program Income, the certain Other Registration-Related Fees outlined by the box in Table V-9 are those fees for which the State is currently providing continuing disclosure. See Table V-3 for the total of Registration Fees and the Other Registration-Related Fees being used for ratings and continuing disclosure. See Table V-7 for a summary of actual year-to-date Other Registration-Related Fees compared to the past five years.

See "COVID-19 UPDATE" for discussion on how the COVID-19 pandemic has impacted, and may continue to impact, the amount of vehicle registrations and Other Registration-Related Fees.

Neither the State's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information shown below, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for and disclaim any association with the prospective financial information.

Table V-9
ACTUAL AND PROJECTED OTHER REGISTRATION-RELATED FEES[(a)]

Fiscal Year (June 30)	Title Transaction Fees	Counter Service and Personalized Plates	Subtotal	Other Pledged Revenue	Total Registration Related Fees
2012	$86,902,865	$8,082,787	$94,985,652	$7,368,527	$102,354,178
2013	88,495,798	7,650,431	96,146,230	7,616,210	103,762,440
2014	92,478,346	7,838,488	100,316,834	8,051,914	108,368,748
2015	97,129,227	7,678,806	104,808,033	8,295,274	113,103,308
2016	99,096,834	8,131,116	107,227,950	8,330,235	115,558,185
2017	102,057,631	8,094,194	110,151,825	9,621,958	119,773,783
2018	101,808,955	8,428,165	110,237,121	9,667,885	119,905,006
2019	101,267,018	8,011,573	109,278,591	9,760,223	119,038,814
2020	172,985,152	6,919,501	179,904,653	9,405,375	189,310,028
2021	236,123,710	3,895,897	240,019,607	10,072,255	250,091,862
2022	213,105,194	6,366,711	219,471,905	9,567,295	229,039,200
2023	226,227,300	5,859,900	232,087,200	8,927,200	241,014,400
2024	222,137,600	5,742,600	227,880,200	9,305,000	237,185,200
2025	232,800,200	5,481,000	238,281,200	9,178,400	247,459,600
2026	241,714,200	5,444,900	247,159,100	9,054,800	256,213,900
2027	245,761,300	5,389,800	251,151,100	8,934,000	260,085,100
2028	248,226,200	5,355,900	253,582,100	8,816,100	262,398,200
2029	249,358,800	5,302,900	254,661,700	8,700,900	263,362,600
2030	250,588,900	5,271,000	255,859,900	8,588,400	264,448,300
2031	252,732,500	5,220,000	257,952,500	8,478,500	266,431,000
2032	256,880,900	5,190,100	262,071,000	8,371,200	270,442,200

(a) The projected Other Registration-Related Fees for the 2023 fiscal year reflect revenue projections completed by DOT and LFB in Spring 2021, and the 2024 through 2032 fiscal years reflect revenue projections completed by DOT in Fall 2022. See "OTHER REGISTRATION-RELATED FEES; Actual and Estimated Other Registration-Related Fees" for discussion of updates. Excludes interest earnings. Fiscal Years 2024 through 2032 revenue projections utilized forecast indices that were formulated with data available in August 2022. Estimated Actual & Projected Other Registration Related Fees for fiscal years 2024 and 2025 were prepared in anticipation of the 2023-2025 biennial budget. Due to a continued, high degree of economic uncertainty in recent years, the estimated Actual & Projected Other Registration Related Fees for fiscal years 2026 through 2032 will be re-evaluated periodically.

(b) 2019 Wisconsin Act 9 increased various vehicle registration fees, effective October 1, 2019. Authorized increases include a $95 increase in the standard title fee to $164.50 from $69.50.

Source: Department of Transportation

RISK FACTORS

Revenue Obligations

The Bonds are limited obligations of the State, payable from and secured by a first lien pledge of Program Income, the Funds created by the General Resolution, and any other income of the Program. Any Notes are limited obligations of the State, payable from Program Income deposited into the Subordinated Debt Service Fund. The pledge of Program Income to the Subordinated Debt Service Fund for any Notes is junior and subordinate to the pledge of Program Income to the payment of the Bonds. See "SECURITY" above.

No representation or assurance can be made that Program Income will be realized in amounts sufficient to pay principal of, and interest on, the Bonds and Notes when due. The Program Income and the other amounts held by the Trustee under the General Resolution, and for any Notes under the Note Program Resolution, constitute the only property pledged to secure the payment of the Bonds and Notes. No physical collateral secures the payment of the Bonds or Notes. Moreover, in the event the amount of the Program Income is inadequate for payment of the Bonds and Notes, the Trustee cannot compel the State to impose taxes to address such inadequacy.

The amount of Program Income collected is expected to be sufficient to pay debt service on the Bonds and any Notes. However, no assurance can be given that such expected results will in fact be achieved, nor can there be any assurance that the sufficiency of historic Program Income collections indicates that future Program Income will similarly be sufficient.

Neither the full faith and credit nor the taxing power of the State or any political subdivision of the State will be pledged to the payment of the principal of, premium, if any, or interest on the Bonds or Notes.

Parity Debt

The Bonds are issued pursuant to the General Resolution on parity with each other and any other obligations to be issued on parity with the Bonds.

Any Notes are issued pursuant to the General Resolution, as supplemented by the Note Program Resolution, on a parity with each other and any other obligations to be issued on a parity with the Notes. The pledge of Program Income granted to any Notes is junior and subordinate to the pledge granted to the Bonds.

The State may issue additional Bonds on a parity with existing Bonds, and additional Notes on a parity with existing Notes, under the General Resolution, and with respect to any Notes, the Note Program Resolution, if certain conditions are met. See "SECURITY; Additional Bonds" above. Any such additional Bonds or Notes will be entitled to share ratably with the holders of the Bonds or Notes, respectively, in any moneys realized from the exercise of remedies under the General Resolution and, with respect to the Notes, the Note Program Resolution, in the event of a default.

Impact of General Economic Factors

The amount of Program Income available to be collected depends on economic activity related to the registration of motor vehicles and related fee-generating activities. A reduction in the number of motor vehicle registrations, title transactions and related fee-generating activities could lead to a reduction in the amount of Program Income collected. Various economic, climatic, political, or civil disruptions could affect the State's economy and economic conditions, resulting in reduced Program Income. These include, without limitation, adverse changes in income levels, adverse changes in the availability of financing options for automobile and truck purchases, and fluctuations in the price of energy inputs.

See "COVID-19 UPDATE" for discussion on how the COVID-19 pandemic has impacted, and may continue to impact, the amount of vehicle registrations, Registration Fees, and Other Registration-Related Fees.

Industry Demand Factors

The number of motor vehicle registrations, title transactions and related fee-generating activities depend in large part on demand for and use of automobiles, trucks and other motor vehicles in the State. In addition to adverse general economic factors, longer term trends in automobile, truck and other motor vehicle demand could be adversely affected by various factors, including increased reliance on alternative methods to trucking for business and industrial transport, increased reliance on public transportation, or other alternative transportation options, stagnation in or lack of acceptance of new motor vehicle product offerings, demographic changes in the driving age population.

See "COVID-19 UPDATE" for discussion on how the COVID-19 pandemic has impacted, and may continue to impact, the amount of vehicle registrations, Registration Fees, and Other Registration-Related Fees.

Registration Fee Collection Procedures

All Program Income is collected by the Trustee, or the Department of Transportation as agent of the Trustee, and deposited outside the State Treasury in an account with the Trustee defined as the Redemption Fund. Disruptions with respect to the collection of Program Income could adversely affect the Bonds and Notes.

Potential Future Reduction of Registration Fees and Other Registration-Related Fees

Registration Fees and Other Registration-Related Fees may be reduced by Legislative decisions, which may be influenced by many factors. While under the General Resolution the State has pledged and agreed that the State will not limit or alter the ability of the State to fulfill the terms of its agreements with respect to the Bonds and Notes, or impair the rights and remedies of holders of the Bonds and Notes, and has covenanted that it will charge sufficient Program Income to pay principal and interest on the Bonds and Notes, no guarantee can be made that the Legislature will not reduce the Registration Fees or Other Registration-Related Fees pledged to the Bonds and Notes. While a failure to make payments of the principal of, and premium, if any, and interest on, any of the Bonds or Notes could hinder the State's subsequent access to the capital markets, it should not be assumed that the Legislature would regard that possible consequence to be a compelling reason to raise fees needed for those payments.

Future occurrences could adversely affect legislative support for the current level of the Registration Fee and Other Registration-Related Fees. Political factors may also come to bear on such fees.

Future Changes in Law

Future changes in applicable law by the Legislature could be adverse to holders of the Bonds and Notes. Legislative changes relating to the amount and timing of vehicle registration and related fees and collection procedures could lead to a reduction in or delay in receipt of Program Income. State law also allows for consideration of constitutional amendment referendum questions, such as the amendment preventing transfers out of the Transportation Fund passed by voters in November, 2014.

Tax Matters

There are or may be pending in the Congress of the United States legislative proposals relating to the federal tax treatment of interest on obligations of the nature of the Bonds and Notes. The State cannot predict whether and in what form any such proposal might be enacted or how such proposals, if enacted, would apply to the Bonds or Notes. A change in the federal tax status of Bonds or Notes issued on a tax-exempt basis may cause the value of such Bonds or Notes to fall. In addition, interest on such Bonds or Notes could become includible in gross income for federal income tax purposes as a result of future acts or omissions of the State.

A defeasance of any Bonds issued on a taxable basis may cause recognition of a gain or loss, for federal tax purposes, at the time of defeasance. Owners of such Bonds should consult their tax advisors regarding the tax consequences of any defeasance of such Bonds.

PROJECTS

Security on the Bonds or Notes is not dependent upon projects built with Bond or Note proceeds.

Bond and Note proceeds are used to finance a portion of major highway projects enumerated in the Wisconsin Statutes for construction. Major highway project means a projects address long-term, solutions to the most serious deficiencies on highly traveled segments of the highway system. A major highway project is defined as a project which has either (i) a total cost greater than $123.7 million or (ii) a total cost of nearly $49.5 million and which involves one or more of the following:

- Constructing a new highway 2.5 miles or more in length.
- Reconstructing or reconditioning 2.5 miles or more of an existing highway
- Adding one or more lanes, 5 miles or more in length to an existing highway
- Improve at least 10 miles of an existing multi-lane divided major highway to freeway standards.

The cost thresholds listed above are adjusted annually to reflect increases in highway construction costs due to inflation.

All state highway improvement projects, including authorized major highway projects, are scheduled in the Department of Transportation's six-year highway improvement program. The six-year program, updated on a biennial basis, serves as a basic tool for the Department of Transportation's long-term improvement plans and construction programs.

Construction of major highway projects uses moneys from the following sources:

- Bond or Note proceeds
- Federal aid
- Moneys in the Transportation Fund which may be appropriated for such purposes

The Transportation Projects Commission (**TPC**) approves major construction projects for enumeration. Major highway projects must be enumerated prior to construction. The TPC also reviews and approves "non-traditional" major projects. The TPC has authority to approve such projects for construction as major highway projects; enumeration of a "non-traditional" major highway in the Biennial Budget is not required. The Department of Transportation is actively working on nine major highway projects with an estimated cost to complete of $2.1 billion in 2023 dollars. See "SECURITY; Additional Bonds".

Requests for additional information about the major highway projects funded or to be funded with proceeds of transportation revenue obligations may be directed as follows:

Contact: Wisconsin Department of Transportation
Attn: Division of Budget and Strategic Initiatives
Phone: (608) 264-9522
Mail: 4822 Madison Yards Way
P.O. Box 7910
Madison, WI 53707-7910
E-mail: tricia2.etzler@dot.wi.gov
Website: https://wisconsindot.gov

VARIABLE RATE OBLIGATIONS

The State has previously issued transportation revenue commercial paper notes, but there currently are no transportation revenue commercial paper notes outstanding. The State may issue transportation revenue commercial paper notes in the future.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The General Resolution contains various covenants and security provisions, certain of which are summarized below. In general, this Section does not summarize any provisions of the Series Resolutions. Reference should be made to the General Resolution for a full and complete statement of its provisions. A copy of the General Resolution or any Series Resolution may be obtained by contacting the State at the address provided in the introduction to this Part V of the 2022 Annual Report.

Resolution to Constitute Contract

The provisions of the General Resolution shall be a part of the contract of the State with the holders of Bonds and shall be deemed to be and shall constitute a contract among the State, the Trustee and the holders from time to time of the Bonds and shall be for the equal benefit, protection and security of the holders of any and all of such Bonds.

Provisions for Issuance of Bonds

The General Resolution authorizes Bonds of a Series to be issued from time to time in accordance with the terms of the General Resolution without limitation as to amount except as provided by law. Bonds shall be issued pursuant to authorization by a Series Resolution containing the provisions specified by the General Resolution. Following issuance of the initial Series of Bonds, the Commission must determine that the additional obligations test set forth in the General Resolution is met prior to issuing Bonds for other than refunding purposes. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

- A Bond Counsel's opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the Wisconsin Constitution and the Wisconsin Statutes and in accordance with the General Resolution; and,
- The proceeds of the Bonds of such Series to be deposited with the Trustee pursuant to the General Resolution.

Additional Bonds

Following the initial issuance of Bonds, the State will not create or permit the creation of, or issue any obligations or create any indebtedness which shall be secured by a superior or equal charge and lien on the Program Income, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds on a parity with the Bonds of such initial Series of Bonds and secured by an equal charge and lien on the Program Income. However, no additional Series of Bonds shall be issued subsequent to the initial Series of Bonds unless:

- The principal amount of the additional Bonds together with the principal amount of the Outstanding Bonds will not exceed in aggregate principal amount any limitation thereon imposed by law;

- Except in the case of refunding Bonds, there shall be filed with the Trustee a Certificate of an Authorized Officer of the Commission and the Department of Transportation stating that Program Income, including interest earnings on amounts deposited in the Funds or Accounts held by the Trustee and available for debt service, for any twelve (12) consecutive calendar months of the preceding eighteen (18) calendar months, was equal to at least 2.25 times the maximum aggregate Principal Requirement and Interest Requirement for any Fiscal Year for all Outstanding Bonds (the General Resolution defines Outstanding Bonds to include the Bonds being issued upon the delivery of such Certificate);
- Upon the issuance and delivery of the additional Bonds, the amount credited to the Reserve Fund shall be at least equal to the Debt Service Reserve Requirement immediately after issuance; and
- All requirements with respect to adoption of Series Resolutions and conditions precedent to delivery of Bonds set forth in the General Resolution have been complied with.

Refunding Bonds

The State may issue refunding Bonds of one or more Series to refund any Outstanding Bonds of one or more Series whether by payment at maturity or by redemption. Refunding Bonds shall be issued pursuant to and in accordance with the provisions of a Series Resolution authorizing such refunding Bonds.

Application of Bond Proceeds

The proceeds of sale of a Series of Bonds shall be deposited as follows:

- To the Principal and Interest Account of the Redemption Fund, the amount of any accrued interest on the Series of Bonds to their date of delivery;
- To the Principal and Interest Account of the Redemption Fund, the amount of any premium determined by the applicable Series Resolution, or specified in a certificate of an authorized officer of the Commission;
- To the Principal and Interest Account of the Redemption Fund, the proceeds of any Series of refunding Bonds to the extent provided in the applicable Series Resolution;
- To the Reserve Fund, the amount specified in the Series Resolution as necessary to establish or increase the amount set aside therein to the Debt Service Reserve Requirement;
- To any other Fund or Account to the extent permitted by the Revenue Obligations Act and provided for by a Series Resolution; and
- To the Program Capital Fund, the balance of the proceeds of any Series of Bonds, which shall be allocated:

  (a) to the Capitalized Interest Account, the amount of capitalized interest, if any, determined by the applicable Series Resolution to be deposited; and

  (b) to the Program Account, the balance of the proceeds of any Series of Bonds.

Establishment of Funds

All Program Income and other moneys or securities held by the Trustee pursuant to the General Resolution are revenues of the Trustee and are revenues outside of the State Treasury which shall be held in trust and applied only in accordance with the provisions of the General Resolution. The General Resolution establishes and creates the following trust funds that are to be held by the Trustee:

- Program Capital Fund, which consists of a Capitalized Interest Account and a Program Account;
- Redemption Fund, which consists of a Principal and Interest Account and a Program Income Account;
- Reserve Fund; and
- Program Expense Fund.

The General Resolution authorizes the creation of other Funds and Accounts for a particular Series of Bonds by the applicable Series Resolution.

Capitalized Interest Account

Amounts in the Capitalized Interest Account, if any, shall be transferred to the Principal and Interest Account of the Redemption Fund to be used for payment of capitalized interest on the Bonds in accordance with the schedule set forth in a Series Resolution or in a Certificate of an Authorized Officer of the Building Commission delivered to the Trustee. Amounts in the Capitalized Interest Account shall also be transferred to the Principal and Interest Account of the Redemption Fund for redemption of Bonds (1) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, and (2) in accordance with the provisions of the terms of a Series Resolution with respect to the Series of Bonds authorized by such Series Resolution.

Program Account

Amounts in the Program Account shall be used solely for the following purposes:

- Paying the Costs of Issuance;
- Financing Projects in accordance with the Act and the General Resolution; and
- Transfers to the Principal and Interest Account of the Redemption Fund to pay interest on the principal of or Redemption Price of Outstanding Bonds (a) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that such redemption is necessary for compliance with the covenants contained in the General Resolution concerning tax exemption of the interest on certain of the Bonds, (b) in accordance with the provisions of the terms of a Series Resolution, and (c) upon receipt by the Trustee of a Certificate of an Authorized Officer of the Building Commission stating that there are no further Projects to be funded from the Program Account.

Redemption Fund

There shall be deposited into the Principal and Interest Account of the Redemption Fund from the proceeds of the sale of the Bonds, immediately upon receipt thereof, an amount equal to the accrued interest and any premium (if so specified in a certificate of an authorized officer of the Commission) paid upon the sale of the Bonds and the proceeds of any Series of refunding Bonds. All Program Income shall be deposited promptly with the Trustee (or with national banking associations, state banks or trust companies acting as agents of the Trustee for transfer daily to the Trustee) and such amounts shall be deposited in the Program Income Account of the Redemption Fund. There shall also be deposited in the Program Income Account of the Redemption Fund any other amounts required or permitted to be deposited therein pursuant to the General Resolution or a Series Resolution.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of Bonds representing accrued interest and any specified premium shall be set aside and applied to the payment of interest on the next succeeding Interest Payment Date and any additional Interest Payment Dates specified in the Series Resolution or a Certificate of an Authorized Officer of the Building Commission.

The amounts deposited in the Principal and Interest Account of the Redemption Fund from the proceeds of a Series of refunding Bonds shall be applied to the payment or redemption of Bonds as provided in the Series Resolution.

Commencing on the date of issuance of the Bonds and continuing each succeeding business day until the amounts required in (1) through (5) of this paragraph are deposited and thereafter on each Redemption Fund Deposit Day (the 1st day of January, April, July, and October), and continuing each succeeding business day until the amounts required in (1) through (5) of this paragraph are deposited, the Trustee shall immediately transfer aside from the amounts deposited in the Program Income Account, in the following order of priority:

(1) To the Principal and Interest Account, after giving effect to:

  (a) amounts to be available from accrued interest and premium, if specified, and in the Capitalized Interest Account, and

  (b) any balance in the Principal and Interest Account on each Redemption Fund Deposit Day, and

  (c) amounts transferred from the Reserve Fund, and

  (d) amounts transferred from the Program Expense Fund, an amount equal to the Interest Requirement with respect to Outstanding Bonds;

(2) To the Principal and Interest Account, after giving effect to any balance in the Principal and Interest Account in excess of the Interest Requirement an amount equal to the Principal Requirement on the Outstanding Bonds;

(3) To the Reserve Fund, an amount equal to any deficiency in the Reserve Fund;

(4) To the Program Expense Fund created in the General Resolution, an amount equal to any unfunded portion of the Program Expenses payable over the next three months according to the General Resolution; and

(5) To the Subordinated Debt Service Fund created for the Notes, an amount equal to the Subordinated Debt Service Fund Requirement.

Immediately upon meeting the requirements set forth above, amounts in the Program Income Account of the Redemption Fund, including any interest earned thereon, in excess of the amounts required to be set aside above, shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

To the extent not otherwise provided for in the Series Resolution applicable to any Series of Bonds, on the first day of each Fiscal Year and prior to any of the transfers by the Trustee that day specified above, all amounts in the Principal and Interest Account shall be paid by the Trustee to the State Treasury for deposit into the Transportation Fund free and clear of the lien of the General Resolution in accordance with the Revenue Obligations Act and the Act.

Payment of Bonds

The Trustee is required to pay to the Registrar and Paying Agent for the Bonds on or before each Interest Payment Date, (1) the amount equal to interest due on the Outstanding Bonds on such date, (2) the amount equal to the principal amount of Outstanding Bonds maturing on such date and (3) the amount equal to the

Redemption Price of any Outstanding Bonds to be redeemed on such date, and in each such case, such amounts shall be applied by such Registrar and Paying Agent to such payments.

There shall be deposited in the Principal and Interest Account of the Redemption Fund any amounts which are required to be deposited therein pursuant to the General Resolution, a Series Resolution and any other amounts available therefor and determined by the Building Commission to be deposited therein for the purpose of redeeming Bonds. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective resolutions authorizing the issuance thereof and authorizing the issuance of refunding Bonds, all amounts deposited in the Principal and Interest Account of the Redemption Fund in accordance with the provisions described in this paragraph shall be set aside and applied to the payment, purchase or redemption of Bonds.

Purchase of Bonds

Except as may be otherwise provided in connection with the issuance of refunding Bonds, at any time prior to the 45th day upon which Bonds are to be paid or redeemed from the amounts described in the preceding paragraph, the Trustee may upon receipt of written instructions signed by an Authorized Officer of the Building Commission apply such amounts to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit in the Principal and Interest Account of the Redemption Fund. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as the Building Commission shall direct. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond or the Redemption Price of such Bond on the next Redemption Date for such Bond.

Program Expense Fund

On the 1st day of January, April, July, and October, the Trustee shall immediately transfer amounts on deposit in the Program Income Account to the Program Expense Fund for the purpose of paying Program Expenses for the succeeding three months as set forth in the annual budget prepared by the Department of Transportation, but only upon a Certificate of an Authorized Officer of the Department of Transportation, stating that the amounts are required and have been or will be expended for purposes for and to which the Program Expense Fund may be used and applied.

Reserve Fund

If on any Interest Payment Date, Principal Installment Date, or Redemption Date for the Bonds, the amount in the Principal and Interest Account of the Redemption Fund shall be less than the amount required for the payment of interest, principal or Redemption Price on Outstanding Bonds on such date, the Trustee shall apply assets in the Reserve Fund to the extent necessary to make good the deficiency.

In the event there is a deficiency in the Reserve Fund, it shall be made up from the Redemption Fund after both the Interest Requirement and the Principal Requirement with respect to Outstanding Bonds have been met. Monies flow to the Redemption Fund commencing on the date of issuance of a Series of Bonds or on a Redemption Fund Deposit Day, whichever is earlier.

On the first day of each Fiscal Year or on the maturity or redemption date of any Bonds, income and earnings from Investment Obligations in the Reserve Fund shall be transferred to the Principal and Interest Account to the extent such transfer will not reduce the amount in the Reserve Fund below an amount equal to the Debt Service Reserve Requirement.

Investments and Deposits

Subject to instructions from time to time received from an Authorized Officer of the Building Commission and to the provisions of the General Resolution, monies in any Fund or Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee in the highest yield Investment Obligations that may be reasonably known to the Trustee to the extent the same are authorized by the applicable Series Resolution and at the time legal for investment of funds under the Act, the Revenue Obligations Act and other applicable law. Investments shall be made with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds.

Investment Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of the General Resolution shall be deemed at all times to be part of such Fund or Account but the income or interest earned and gains realized from Investment Obligations held by the Reserve Fund and Program Expense Fund in excess of the requirements of said Funds shall be transferred to the Principal and Interest Account on the first day of each Fiscal Year or on the maturity or redemption date of any Bonds.

The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligations purchased by it pursuant to the General Resolution whenever it shall be necessary in order to provide moneys to meet any payments or transfers from the Fund or Account for which such investment was made.

In computing the amount in the Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on the 20th day of each March, June, September and December and as otherwise required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

The Trustee shall invest and reinvest the moneys in any Fund or Account in available Investment Obligations so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which monies are needed to be so expended.

Investment Obligations means any of the investments described under "GLOSSARY".

Powers as to Bonds and Pledge

The State covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the Program Income purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment Covenant

The State covenants that it will duly and punctually pay or cause to be paid, but solely from sources as provided in the General Resolution, the principal and Redemption Price of every Bond and the interest thereon, on the dates and at the places and in the manner stated in the Bonds according to the true intent and meaning thereof.

Tax Covenants

The State and the Trustee shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

The State and the Trustee shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the State to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Code.

The State and the Trustee shall not permit at any time or times any proceeds of any Bonds or any other funds of the State to be used, directly or indirectly, in a manner which would result in the exclusion of any Bond from the treatment afforded by Section 103 of the Code, as from time to time amended, by reason of the classification of such Bond as a "private activity bond" within the meaning of Section 141 of the Code.

The State reserves the right to elect to issue Bonds, the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants as to tax exemption shall not apply to such Bonds.

Funds and Reports

The Department of Transportation covenants that it will keep, or cause to be kept and maintained proper books of account relating to the Program and within 120 days after the end of each Fiscal Year shall cause such books of account to be audited by an Accountant. A copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Program (including a schedule of monthly Program Income) as of the close of each Fiscal Year, and summarizing in reasonable detail the income and expenses for such year, including the transaction relating to the Funds, shall be filed promptly with the Trustee and shall be available for inspection by any Bondholder. See "AUDITED FINANCIAL STATEMENTS" in APPENDIX A.

Budgets

The Department of Transportation must file an annual budget broken down on a quarterly basis covering the fiscal operations of the Program for the succeeding Fiscal Year not later than the first day of each Fiscal Year with the Trustee. The annual budget shall at least set forth for such Fiscal Year the estimated Program Income, the debt service due and payable or estimated to become due and payable during such Fiscal Year and estimated Program Expenses. The Department of Transportation may at any time file with the Trustee an amended annual budget for the remainder of the then current Fiscal Year in the manner provided for the filing of the annual budget. Copies of the annual budget as then amended and in effect shall be made available by the Trustee during normal business hours in the Trustee's office for inspection by any Bondholder.

The Program

The State covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the Revenue Obligations Act, the provisions of the General Resolution and sound banking practices and principles to:

- Use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program, to finance Projects, pursuant to the Act, the Revenue Obligations Act and the General Resolution;
- Do all such acts and things as shall be necessary to charge and cause to be deposited with the Trustee Program Income sufficient to pay interest and principal and redemption premium on all Outstanding Bonds, to maintain the Debt Service Reserve Requirement in the Reserve Fund, to maintain any Credit Support and Liquidity Fund Requirement provided for in a Series Resolution, to pay Program Expenses; and maintain any Subordinated Debt Service Fund Requirement provided for in a Series Resolution.

Power of Amendment

The Building Commission may, from time to time and without the consent and concurrence of any holder of any Bond, adopt a Supplemental Resolution modifying or amending the General Resolution if the modification or amendment does not adversely affect the rights of the holders of the Outstanding Bonds.

Any modification of or amendment to the General Resolution which does affect the rights and obligations of the State and of the holders of the Bonds, in any particular, may be made by a Supplemental Resolution with the written consent given as provided in the General Resolution, (1) of the holders of at least two-thirds in principal amount of the Outstanding Bonds at the time such consent is given, (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (3) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the General Resolution or Series Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default

It is an Event of Default if:

(1) Payment of any installment of interest on the Outstanding Bonds shall not be made after the same shall become due;

(2) Payment of the principal of, Redemption Price or any Sinking Fund Installment on any Bond when and as the same shall become due and payable, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due; or

(3) The State shall fail or refuse to comply with the provisions of the General Resolution including replenishment of the Reserve Fund, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the General Resolution or in any Supplemental or Series Resolution or the Bonds, and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by the Trustee or the holders of not less than 25% in principal amount of the Outstanding Bonds.

Remedies

Upon the happening and continuance of any Event of Default specified in clauses (1) and (2) under Events of Default above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) under Events of Default above, the Trustee may proceed and, upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action, or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the State to charge and cause to be deposited with the Trustee sufficient Program Income and to require the State to carry out the covenants and agreements with Bondholders and to perform its duties under the Act, the Revenue Obligations Act and the General Resolution; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require the State to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Investment Obligations.

Before declaring the principal of Bonds due and payable upon an Event of Default, the Trustee shall first give thirty (30) days notice in writing to the Governor and Attorney General of the State.

Priority of Bonds After Default

In the event that upon the happening and continuance of an Event of Default, the Funds or Accounts held by the Trustee, Registrar and Paying Agent are insufficient for the payment of interest, principal or Redemption Price then due on the Bonds, such Funds or Accounts (other than portions of Funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act, the Revenue Obligations Act and the General Resolution, after making provisions for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or the Registrar and Paying Agent in the performance of their respective duties under the General Resolution, are to be applied as follows:

(1) If the principal of all of the Bonds has not become or been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order or maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Limitation on Rights of Bondholders

No individual Bondholder shall have any right to initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Outstanding Bonds have made written request of the Trustee after the right to exercise such right of action has occurred, and shall have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or under the law or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of the State to pay the same from the source, at the time and place specified in said Bond.

Compensation of Fiduciaries

Each Fiduciary is entitled to such fees and reimbursement as shall be established in an agreement between the Commission and such Fiduciary by the Trustee from the Program Expense Fund (except that the agreement for Registrar shall be between the Secretary of Administration and the Registrar). Each Fiduciary shall have a lien for such fees and reimbursement on any and all Funds at any time held by it under the General Resolution.

Removal of Trustee

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Outstanding Bonds excluding any Bonds held by or for the account of the State. The State may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as the State may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance

If the State shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of Program Income and other monies, securities and funds thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which monies have been set aside and shall be held in trust by Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall, prior to maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect so expressed if:

- In case any of the Bonds to be redeemed on any date prior to their maturity, the State has given to the Trustee in form satisfactory to it, irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds;
- There has been deposited with the Trustee either monies in an amount which are sufficient, or Investment Obligations which are direct obligations of or obligations guaranteed by the United States of America or other obligations, the payment of which is provided for by an irrevocable escrow deposit invested in direct obligations of the United States of America, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal of, Redemption Price and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be; or
- In the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the State has given the Trustee, in form satisfactory to it, irrevocable instructions to publish, as soon as practicable, at least once in an Authorized Newspaper a notice to the holders of such Bonds that the deposit required above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which monies are to be available for the payment of the principal of and Redemption Price on said Bonds.

Neither the Investment Obligations nor the monies so deposited with the Trustee nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal of, Redemption Price and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose may, to the extent practicable and legally permitted, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal of, Redemption Price and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments may be paid over to the State, as received by the Trustee, free and clear of any trust, lien or pledge.

GLOSSARY

This Glossary includes definitions from the General Resolution and the Series Resolutions that apply to capitalized terms used in Part V of the 2022 Annual Report.

Accountant means such reputable and experienced independent certified public accountant or firm of independent certified public accountants of nationally recognized standing as may be selected by the Department of Transportation and be satisfactory to the Trustee which may be the accountant or firm of accountants who regularly audit the books and accounts of the Department.

Act means Section 84.59, Wisconsin Statutes.

Authorized Newspaper means either The Wall Street Journal or The Bond Buyer, or such other financial newspaper or financial journal of general circulation, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, in the Borough of Manhattan, City and State of New York.

Authorized Officer when used with reference to the Department of Transportation means the Secretary or other person designated from time to time by the Secretary, and when used with reference to the Commission, means the Chairperson of the Commission or other person designated from time to time by the Chairperson of the Commission and, in the case of any act to be performed or duty to be discharged, any other member, staff, officer or employee of the foregoing Department of Transportation or Commission then authorized to perform such act or discharge such duty.

Bond or **Bonds** means any bond or any other evidence of revenue obligation authorized under the General Resolution and issued pursuant to a Series Resolution.

Bond Counsel's Opinion means an opinion executed by the Attorney General of Wisconsin or an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the State.

Bondholder and the term **Holder** or **holder** means the registered owner of any Outstanding Bond or Bonds, if registered to a particular person or persons, or the holder of any Outstanding Bond or Bonds in bearer form or registered as to principal only, or his duly authorized attorney in fact, representative or assigns.

2013 Series 1 Bonds means the State of Wisconsin Transportation Revenue Bonds, 2013 Series 1, issued on March 6, 2013.

2014 Series 2 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2014 Series 2, issued on December 10, 2014.

2015 Series 1 Bonds means the State of Wisconsin Transportation Revenue Refunding Bonds, 2015 Series 1, issued on April 30, 2015.

2015 Series A Bonds mean the State of Wisconsin Transportation Revenue Bonds, 2015 Series A, issued on December 10, 2015.

2017 Series 1 Bonds mean the State of Wisconsin Transportation Revenue Bonds, 2017 Series 1, issued on May 31, 2017.

2017 Series 2 Bonds mean the State of Wisconsin Transportation Revenue Refunding Bonds, 2017 Series 2, issued on December 21, 2017.

2019 Series A Bonds mean the State of Wisconsin Transportation Revenue Bonds, 2019 Series A, issued on April 4, 2019.

2020 Series 1 Bonds mean the State of Wisconsin Transportation Revenue Refunding Bonds, 2020 Series 1 (Taxable), issued on July 30, 2020.

2021 Series A Bonds mean the State of Wisconsin Transportation Revenue Bonds, 2021 Series A, issued on March 31, 2021.

2021 Series 1 Bonds mean the State of Wisconsin Transportation Revenue Refunding Bonds, 2021 Series 1 (Taxable), issued on August 12, 2021.

Building Commission or **Commission** means the State of Wisconsin Building Commission established and existing pursuant to Section 13.48, Wisconsin Statutes, and any successor thereto to whom the powers and duties granted to or imposed by the General Resolution shall be given by law.

Capitalized Interest Account shall mean the account established by Section 402 of the General Resolution.

Certificate means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the General Resolution, or (ii) the report of an Accountant as to audit or other procedures called for by the General Resolution.

Code means the Internal Revenue Service Code of 1986, as amended.

Costs of Issuance means all items of expense, directly or indirectly payable or reimbursable by or to the State which are related to the authorization, sale, credit support, liquidity or issuance of Bonds.

Credit Support and Liquidity Fund Requirement means as of any date of calculation, an amount equal to the aggregate Credit Support and Liquidity Fund Requirements for each Series of Outstanding Bonds as specified with respect to each such Series in the applicable Series Resolution.

Debt Service Requirement means as of any particular date of calculation, the aggregate Interest Requirement and Principal Requirement for Outstanding Bonds as specified in each Series Resolution authorizing the issuance of a Series of Bonds.

Debt Service Reserve Requirement means, as of any particular date of computation, an amount equal to the aggregate of the amounts specified in each Series Resolution authorizing the issuance of a Series of Bonds (any of which are Outstanding on the date of computation) as the amount to be the Debt Service Reserve Requirement, provided that, with respect to any Series of Bonds, in lieu of a deposit to the Reserve Fund of an amount equal to the applicable Series Debt Service Reserve Requirement, the State may provide for a letter of credit, municipal bond insurance policy, surety bond or other type of agreement or arrangement with an entity having, at the time of entering into such agreement or arrangement, a credit rating equal to or greater than the Bonds which provides for the availability, at the times required pursuant to the provisions of any Series Resolution, of an amount at least equal to such Series Debt Service Reserve Requirement and such method of funding shall be deemed to satisfy all provisions of the Series Resolution with respect to the Debt Service Reserve Requirement and the amount required to be on deposit in the Reserve Fund with respect to such Series of Bonds.

Department of Transportation or **Department** or **DOT** means the State of Wisconsin Department of Transportation established and existing pursuant to Section 15.46, Wisconsin Statutes, and any successor thereto to which the powers and duties granted to or imposed by the General Resolution shall be given by law.

Fiduciary means the Trustee, the Registrar and any Paying Agent, or any or all of them as may be appropriate.

Fiscal Year means the annual period beginning on July 1st of each year and ending on June 30th of the following year.

Fund means one or more, as the case may be, of the funds or accounts created and established pursuant to the General Resolution.

General Resolution means the General Resolution as the same may from time to time be amended, modified or supplemented by a Supplemental Resolution.

Interest Payment Dates means any date on which is due the payment of interest on any Series of Bonds as specified in each Series Resolution authorizing the issuance of the Series of Bonds.

Interest Requirement means as of any particular date of calculation, the amount equal to any unpaid interest then due, plus an amount to the interest accruing or payable during the period between the date of calculation and the next Redemption Fund Deposit Day with respect to each Series of Outstanding Bonds.

Investment Obligations means and includes any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act, the Revenue Obligations Act, or under other applicable law:

1. Direct obligations of or obligations guaranteed by the United States of America;
2. Obligations the payment of principal and interest on which, by act of Congress or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the United States of America;
3. Bonds, debentures, notes, participation certificates or other similar evidences of indebtedness issued by any of the following: Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, the Federal Financing Bank, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Export Import Bank of the United States, Student Loan Marketing Association, Farmer's Home Administration, Government National Mortgage Association, Small Business Administration, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof or sponsored thereby (including but not limited to the fully guaranteed portion of an obligation partially guaranteed by any of the foregoing, if the State's ownership of such portion is acknowledged in writing by an officer of the guaranteeing agency or instrumentality);
4. Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

5. Obligations of any state within the United States or of any political subdivision of any state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;
6. Bankers acceptances drawn on and accepted by banks (including the Trustee and Paying Agent) and certificates of deposit by banks (including the Trustee and Paying Agent), with a combined capital and surplus aggregating at least $100,000,000 and securities of which are currently rated within the two highest rating categories assigned by a nationally recognized rating agency, or the international branches or banking subsidiaries thereof;
7. Interest-bearing time deposits, or certificates of deposit of a bank (including the Trustee and Paying Agent) or trust company, continuously secured and collateralized by obligations of the type described in clauses (1), (2), (3) and (4) hereof, having a market value at least equal at all times to the amount of such deposit or certificate, to the extent such deposit or certificate is not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or any successors thereto;
8. Commercial paper given the highest rating by S&P Global Ratings and Moody's Investors Service at the time of such investments;
9. Investment agreements with banks or bank holding companies the senior long-term debt securities of which are rated within the two highest categories by a nationally recognized rating agency and which have a capital and surplus of at least $100,000,000;
10. Repurchase agreements, with banks or other financial institutions (including the Trustee and Paying Agent) (**Repurchaser**) provided that each such repurchase agreement (a) is in a commercially reasonable form and is for a commercially reasonable period, and (b) result in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified obligations referred to in clauses (1), (2), (3) and (4) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agency solely of, or in trust solely for the benefit of the Trustee, provided that obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such obligations or the repurchase prices thereof set forth in the applicable repurchase agreement, such investments shall be made so as to mature on or prior to the date or dates that the Trustee anticipates that moneys therefrom be required;
11. Shares of beneficial interests in an investment fund or trust substantially all of whose assets consist of those identified obligations referred to in clauses (1) and (2) above; and
12. Any short term government fund whose assets consist of those identified obligations referred to in clauses (1), (2), (3), (4) and (10) above.

Notes or Commercial Paper Notes means any State of Wisconsin Transportation Revenue Commercial Paper Notes issued pursuant to the Note Program Resolution.

Note Program Resolution means the Transportation Revenue Commercial Paper Note Program Resolution, dated April 23, 1997.

Outstanding, when used with reference to Bonds and as of any particular date, describes all Bonds that have been delivered and are expected to be delivered except (a) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Registrar, at or before said date, (b) any Bond deemed to have been paid in accordance with the provisions of Section 1201 of the General Resolution, and (c) any

Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the requirements of the General Resolution or any Series Resolution.

Paying Agent for the payment of the principal of, Redemption Price and interest on the Bonds of a particular Series means the Treasurer or any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the General Resolution.

Principal and Interest Account means the account established by Section 502 of the General Resolution.

Principal Installment means (a) the principal amount of Outstanding Bonds that mature on a single future date, and (b) the amount of any Sinking Fund Installment required to be paid on a single future date.

Principal Installment Dates means any dates designated in a Series Resolution as a day a Principal Installment is to be paid.

Principal Requirement means, as of any particular date of calculation, the amount of money equal to any unpaid Principal Installment then due with respect to each Series of Outstanding Bonds and the amount of the next succeeding Principal Installment divided by the number of Redemption Fund Deposit Days prior to the next Principal Installment Date with respect to each Series of Outstanding Bonds.

Program means the State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligations Program financed under the Act, the Revenue Obligations Act and the General Resolution in accordance with any other enactment of the State which may hereafter specify an extension, expansion, addition or improvement of and for said Program pursuant to the Act, the Revenue Obligations Act and the General Resolution but not financed under the provisions of any other bond resolution or indenture of trust.

Program Account means the account so designated by Section 402 of the General Resolution.

Program Capital Fund means the Fund that is established and created by Section 402 of the General Resolution and pursuant to Section 18.57 of the Revenue Obligations Act.

Program Expense Fund means the Fund that is established and created by Section 514 of the General Resolution.

Program Expenses means the reasonable and proper costs and expenses of the Department of Transportation for the operation and maintenance of the Program, including, without limitation, the administrative expenses allocable to the Program and the fees and expenses of the Trustee and the Paying Agents and Registrars of the Bonds.

Program Income means moneys derived under Sections 341.25, 341.09(2)(d), (2m)(a)1., (4), and (7), 341.14(2), (2m), (6)(d), (6m)(a), (6r)(b)2., (6w), and (8), 341.145(3), 341.16(1)(a) and (b), (2), and (2m), 341.17(8), 341.19(1)(a), 341.255(1), (2)(a), (b), and (c), (4), and (5), 341.26(1), (2), (2m)(am)and(b), (3), (3m), (4), (5), and (7), 341.264(1), 341.265(1), 341.266(2)(b) and (3), 341.268(2)(b) and (3), 341.30(3), 341.305(3), 341.308(3), 341.36(1) and (1m), 341.51(2), and 342.14, except Section 342.14(lr), of the Wisconsin Statutes or any other moneys that the State is authorized to pledge, which is to be deposited by the Department of Transportation under Section 18.562(3) and (5) of the Revenue Obligations Act in a separate and distinct fund outside of the State Treasury in an account maintained by the Trustee as the Redemption Fund and all interest earned or gain realized from the investment of amounts in said fund.

Program Income Account means the account established by Section 502 of the General Resolution.

Projects means the projects authorized under the Act and funded with proceeds of Bonds authorized by one or more Series Resolutions.

Redemption Date means the date upon which Bonds are to be called for redemption.

Redemption Fund means the Fund that is established and created by Section 502 of the General Resolution pursuant to Section 18.562(3) of the Revenue Obligations Act.

Redemption Fund Deposit Day means January 1st, April 1st, July 1st, and October 1st of each Fiscal Year.

Redemption Price when used with respect to a Bond or portion thereof, means the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the General Resolution and to the Series Resolution.

Registrar means, with respect to Bonds of a particular Series, the Treasurer or any person with whom he has contracted with for the performance of any of his functions under Section 18.10(5) and (7), Wisconsin Statutes.

Reserve Fund means the Fund that is established and created by Section 508 of the General Resolution pursuant to Section 18.562 of the Revenue Obligations Act.

Revenue Obligations Act means Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended.

Secretary means the Secretary of the Department of Transportation or any other officer, board, body, commission or agency succeeding to the powers, duties and functions thereof.

Serial Bonds means the Bonds so designated in a Series Resolution.

Series, when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the General Resolution or a Series Resolution.

Series Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article II of the General Resolution, providing for the issuance of a particular Series of Bonds.

Sinking Fund Installment means the amount of money unconditionally required by or pursuant to a Series Resolution to be paid toward the retirement of any particular Term Bonds prior to their respective stated maturities.

State means the State of Wisconsin, including the Commission, or Department of Transportation, as the case may be, acting on behalf of the State pursuant to the Act or the Revenue Obligations Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of any of the foregoing.

Statutes means the Wisconsin Statutes.

Subordinated Debt Service Fund means an account established in Section 5.1 of 1997 State of Wisconsin Building Commission Resolution 7, adopted by the Commission on April 23, 1997, as amended, pursuant to Section 714(C) of the General Resolution, and pledged to the payment of the Commercial Paper Notes.

Subordinated Debt Service Fund Requirement means, as of any date of calculation, an amount equal to the aggregate Subordinated Debt Service Fund Requirements for each Subordinated Indebtedness Series of Outstanding Bonds (or Commercial Paper Notes) as specified with respect to each such Series in the applicable Series Resolution.

Subordinated Indebtedness means a Series of Bonds issued pursuant to Section 714 (C) of the General Resolution, and includes the Commercial Paper Notes.

Supplemental Resolution means any resolution adopted by the Commission pursuant to and in accordance with the terms of Article VIII of the General Resolution amending or supplementing the provisions of the General Resolution as originally adopted or as amended or supplemented prior to the amending or supplementing affected by the particular Supplemental Resolution.

Term Bonds means the Bonds so designated in a Series Resolution.

Transportation Fund means the fund established in Section 25.40, Wisconsin Statutes.

Treasurer means the State Treasurer or any other officer, board, body, commission or agency succeeding to any of the powers, duties and functions thereof.

Trustee means The Bank of New York Mellon Trust Company, N.A., as trustee appointed by or pursuant to Section 1101 of the General Resolution, and its successor or successors and any other corporation or association that may at any time be substituted in its place pursuant to the General Resolution.

APPENDIX A

AUDITED FINANCIAL STATEMENTS

The following are the Independent Auditors' Report, dated October 11, 2022 and audited statement of cash receipts and disbursements for the years ended June 30, 2022 and June 30, 2021, for the Transportation Revenue Bond Program. Together with unaudited information pertaining to the Program Income. Any websites listed in the independent auditor's report and audited statement of cash receipts and disbursements are not incorporated by reference into this Part V of the 2022 Annual Report.

{This page number is the last sequential page number of the 2022 Annual Report to be used in Part V of the 2022 Annual Report. The following uses page numbers from the independent auditor's reports, audited statements of cash receipts and disbursements, and unaudited supplementary information pertaining to Program Income. The sequential page numbers for the 2022 Annual Report continue in Part VI.}

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

Statements of Cash Receipts and Disbursements
for the Fiscal Years Ended June 30, 2022 and 2021
with Independent Auditors' Report

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Wisconsin Department of Transportation
State of Wisconsin
Madison, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying cash-basis financial statements, which comprise the statements of cash receipts and disbursements of the Wisconsin Transportation Revenue Obligation Program (the Program) of the Wisconsin Department of Transportation, as of and for the fiscal years ended June 30, 2022 and 2021, and the related notes to the statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash receipts, disbursements and balances of the Wisconsin Transportation Revenue Obligation Program for the years ended June 30, 2022 and 2021, in accordance with the cash basis of accounting as described in Note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

We draw attention to Note 2 of the notes to the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

As discussed in Note 1, the statements of cash receipts and disbursements present only the cash receipts and disbursements related to the Program and do not purport to, and do not, present fairly the financial position and changes in cash receipts, disbursements and balances of the Wisconsin Department of Transportation, as of June 30, 2022 and 2021, in accordance with the cash basis of accounting, which is basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the statements of cash receipts and disbursements, which comprise the basic financial statements of the Program of the Wisconsin Department of Transportation. The schedule of monthly motor vehicle registration and registration-related fees retained by trustee and schedules of bonds outstanding are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of monthly motor vehicle registration and registration-related fees retained by trustee and schedules of bonds outstanding are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 2.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of program revenue but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Green Bay, Wisconsin
October 11, 2022

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	FY 2022	FY 2021
CASH AND INVESTMENTS, BEGINNING OF FISCAL YEAR	$ 331,437,085	$ 395,675,016
RECEIPTS:		
Motor vehicle registration fees retained by Trustee	216,712,069	194,153,022
Investment income	668,034	352,098
Revenue bond proceeds - par value	-	148,490,000
Revenue bond proceeds - accrued interest and original issuance premium, net of underwriter's discount	-	34,015,614
Revenue refunding bond proceeds - par value	143,180,000	315,840,000
Total receipts	360,560,103	692,850,734
DISBURSEMENTS:		
Revenue Bond DS - interest	70,850,054	79,374,105
Revenue Bond DS - principal	124,745,000	130,275,000
Program expenses	38,103	32,558
Net premium paid/(discount earned) on investments	465,470	269,750
Highway program expenditures	79,692,137	95,394,782
Bond issuance costs and underwriter's discount	855,445	1,866,505
Defeasance of debt - cross refunding 2010 Series B Bonds	-	135,706,050
Defeasance of debt - refunding 2020 Series 7 Bonds	-	314,169,916
Defeasance of debt - refunding 2021 Series 1 Bonds	142,412,568	-
Total disbursements	419,058,779	757,088,665
CASH AND INVESTMENTS, END OF FISCAL YEAR	$ 272,938,409	$ 331,437,085
Cash and investments reserved for debt service	$ 181,849,577	$ 160,615,016
Cash and investments reserved for program expenses	45,587	79,699
Cash and investments reserved for highway expenditures	91,043,245	170,742,371
	$ 272,938,409	$ 331,437,085

See notes to statements of cash receipts and disbursements.

NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

1. NATURE OF PROGRAM

The State of Wisconsin Transportation Facilities and Highway Projects Revenue Obligation Program (the "Program") originated in June 1986 pursuant to the adoption of the General Resolution, as amended, by the State of Wisconsin Building Commission (the "Building Commission"). The Program provides financing for the construction, maintenance and repair of certain major highway projects and administrative facilities. The Program is currently authorized to issue the following revenue obligations:

> Transportation Revenue Bonds (the "Revenue Bonds") issued for the Program are pursuant to the General Resolution. The Program has issued, and may issue in the future, Revenue Bonds that are revenue obligations of the State, payable solely from the Redemption Fund created by the General Resolution.

All Revenue Bonds are issued pursuant to Subchapter II of Chapter 18 of the Wisconsin Statutes, as amended and a General Resolution and Series Resolutions adopted by the Building Commission. The Department has statutory authority (as amended) as of June 30, 2022, to issue a total of $4,325,885,700 of revenue obligations (excluding refunding Revenue Bonds), in order to partially finance the costs of the authorized projects. Projects are also funded, in part, with proceeds from State of Wisconsin ("State") general obligation debt, federal aid and other money in the State Transportation Fund. As of June 30, 2022, The Wisconsin Department of Transportation (the "Department") has remaining statutory authority to issue $208,829,394 of additional revenue obligations.

Of the statutorily authorized amount, the Program has authority to issue Transportation Revenue Commercial Paper Notes (the "CP Notes") in an aggregate outstanding principal amount not to exceed $275,000,000. No CP Notes are outstanding as of June 30, 2022, but authority remains to issue additional CP Notes in the future.

Receipts provided from motor vehicle registration fees under Section 341.25 of the Wisconsin Statutes and certain other vehicle registration-related fees, as collected by the Trustee ("Program Income") are used to service borrowing obligations, with debt service for Revenue Bonds having a first lien pledge of receipts and debt service for CP Notes having a subordinate pledge of receipts. The State has covenanted in the General Resolution that it will charge motor vehicle registration fees and certain other vehicle registration-related fees sufficient to pay principal and interest on the Revenue Bonds as they become due, to pay program expenses, to maintain the Debt Service reserve requirement, and to pay principal and interest on CP Notes. Remaining Program Income is transferred to the Department free of the lien pledge of the General Resolution.

The Department is responsible for managing the construction projects and the collection of motor vehicle registration fees and certain other vehicle registration-related fees.

As part of the State's reporting entity, the Program's financial information is included in the State of Wisconsin Comprehensive Annual Financial Report. The financial statements present only the cash receipts and disbursements related to the Program, and not the financial position or cash receipts and disbursements of the Wisconsin Department of Transportation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Receipts and Disbursements Basis of Accounting—The statements of cash receipts and disbursements present the Program's cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, cash receipts are recorded when received and disbursements are recorded when paid. The cash and investments balance is presented at cost.

The Department has entered into trust agreements, as amended, with The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), relating to the creation and administration of the Bonds. The Bonds series which are currently active include: 2012 Series 1, 2012 Series 2, 2013 Series 1, 2014 Series 2, 2015 Series 1, 2015 Series A, 2017 Series 1, 2017 Series 2, 2019 Series A, 2020 Series 1, 2021 Series A and 2021 Series 1. Among other provisions, the trust agreements, in conjunction with the General Resolution, specify those funds to be created and maintained, the timing and flow of monies through the funds, the determination of the debt service reserve requirements (see Note 6) and the procedure to be followed for the redemption of the Bonds. It is the Department's view that the statements of cash receipts and disbursements along with the related notes meet the reporting requirements of the trust agreements.

***Receipts and Disbursements*:**

Motor Vehicle Registration Fees Retained by Trustee - Motor vehicle registration fees and certain other vehicle registration-related fees retained by the Trustee are recorded at time of impounding, when transfer of possession occurs.

Investment Income - Investment income is recorded when received.

Revenue (or Refunding) Bond Proceeds - Bonds proceeds are recorded as receipts on the date of closing at gross value of the issuance. All related fees are reported as bond issuance costs within disbursements.

Revenue Bond Debt Service - Principal and Interest - Debt service payments on Bonds are recorded when paid.

Program Expenses - Represents payments for program expenses.

Net Premium Paid (Discount Earned) on Investments - The net of the premium paid on investments purchased at more than face value and the discount earned on investments purchased at less than face value.

Highway Program Expenditures - Highway program expenditures are recorded when paid by the Program to the Transportation Fund of the State of Wisconsin.

Bond Issuance Costs and Underwriters Discount - Costs associated with issuing Revenue Bonds, such as legal, financial advisor and accounting fees, are recorded when paid. For Revenue Bonds issued late in the fiscal year, subsequent payment of the related issuance costs may occur and be reported in the fiscal year following issuance of the obligations and recording of the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Defeasance of Debt – Revenue Bonds are periodically retired before their maturity by the Program. In a current refunding, a disbursement is recorded when the refunded Revenue Bonds are paid, which may differ from when the refunding Revenue Bond proceeds are received. In an advance refunding, a disbursement is recorded at the settlement of the refunding Revenue Bonds when the payment to an escrow account occurs and the Program has defeased its obligation. The refunded Revenue Bonds are fully retired at a later date using the investments in the escrow account.

3. CASH AND INVESTMENTS

The Program's investment policies are governed by the General Resolution and Wisconsin Statutes. The Program is authorized to invest in direct obligations of or obligations guaranteed by the United States, obligations of agencies created or sponsored by an Act of Congress, obligations of any state or municipality that are rated in either of the two highest rating categories by a nationally recognized bond rating agency, bankers acceptances and certificates of deposit from banks with combined capital and surplus aggregating at least $100 million whose securities are rated within the two highest rating categories assigned by a nationally recognized rating agency, corporate commercial paper given the highest rating by S&P Global Ratings and Moody's Investors Service, Inc., and a fund whose assets consist of direct obligations or obligations guaranteed by the United States or obligations of agencies created or sponsored by Congress. Program assets are to be invested in the highest yielding authorized securities, with maturity or redemption dates coinciding as closely as possible with cash flow and liquidity needs of Program operations.

During fiscal years 2022 and 2021, the Program's assets were held in deposit accounts or invested in money market funds, U.S. Treasury securities, and federal agency securities by the Trustee. The money market fund invests exclusively in obligations of the U.S. Treasury, including Treasury bills, bonds and notes. Program assets are reported at cost, which approximates fair value.

The following tables summarizes the cost and fair market value for each of the investments:

	June 30, 2022		June 30, 2021	
Investment	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Bank of New York Cash	$ 425,925	$ 425,925	$ 197,974	$ 197,974
Bank of New York Cash Reserve (deposit account)	181,426,590	181,426,590	79,840,886	79,840,886
Money Market Funds:				
• Dreyfus Treasury Cash Management	45,688	45,688	79,799	79,799
• Dreyfus Government Money Market	20,186,046	20,186,046	78,428,181	78,428,181
• United States Treasury Bill/Note/Bond	70,854,160	70,796,433	172,890,245	172,878,309
Total	$272,938,409	$272,880,682	$331,437,085	$331,425,149

3. CASH AND INVESTMENTS (Continued)

Investments of the Program are subject to various risks:

- Custodial credit risk is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, the Program will not be able to recover the value of investments or collateral securities that are in the possession of another party. Securities of the U.S. government and its agencies were registered and held by the Program's agent in the Program's name. The deposit account is FDIC-insured up to $250,000 but is not collateralized. Money market funds are not insured or collateralized. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Program does not have an additional custodial policy.

- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as S&P Global Ratings, Moody's Investors Service, Inc., and Fitch Ratings. As of June 30, 2022, the deposit account was rated Aa1 by Moody's and AA- by S&P and Fitch. The money market account was rated AAA by S&P and Fitch and Aaa by Moody's. US government securities were rated AA+ by S&P, Aaa by Moody's, and AAA by Fitch. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Program does not have an additional credit risk policy.

- Concentration of credit risk may be a concern if investments in any one issuer represent 5 percent or more of net Program assets, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Concentration of credit risk is not addressed in the investment requirements. As of June 30, 2022, 66.6 percent of the Program's assets were held in a deposit account, 7.4 percent were in money market funds and 26.0 percent were in U.S. government securities. The Program does not have an additional concentration of credit risk policy.

- Interest rate risk involves the potential price fluctuations in a bond that are caused by changes in the general level of interest rates. Generally, the longer the maturity on an investment, the greater the sensitivity of its fair value to changes in market interest rates. The current portfolio has minimal interest rate risk. The Program does not have an additional concentration of credit risk policy.

- Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Foreign currency holdings are not specifically addressed in the Program's investment requirements; however, no investments denominated in foreign currency were held by the Program as of June 30, 2022.

4. BONDS

Revenue Bonds are collateralized by a first lien pledge of Program Income. The State is not generally liable on the Revenue Bonds nor are the projects financed by the Revenue Bonds pledged as collateral.

The following is a summary of changes in long-term obligations of the Program for the years ended June 30, 2022 and 2021:

	Balance 7/1/2021	Issued	Retired	Balance 6/30/2022	Due Within One Year
Revenue Bonds	$ 1,819,055,000	$ 143,180,000	$ 251,245,000	$ 1,710,990,000	$ 145,685,000

	Balance 7/1/2020	Issued	Retired	Balance 6/30/2021	Due Within One Year
Revenue Bonds	$ 1,890,975,000	$ 464,330,000	$ 536,250,000	$ 1,819,055,000	$ 124,745,000

A summary of the revenue obligations in the form of Revenue Bonds outstanding as of June 30, 2022 and 2021 is as follows:

	2022	**2021**
Transportation Revenue Bonds, 2012 Series 1, fixed interest rate 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2023	$41,590,000	$64,265,000
Transportation Revenue Bonds, 2012 Series 2, fixed interest rate 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2023	27,315,000	40,740,000
Transportation Revenue Bonds, 2013 Series 1, varying interest rates from 4.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2024	15,255,000	57,800,000
Transportation Revenue Bonds, 2014 Series 2, fixed interest rate of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2028	68,790,000	77,650,000
Transportation Revenue Bonds, 2015 Series 1, fixed interest rate of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2030	114,330,000	140,935,000
Transportation Revenue Bonds, 2015 Series A, varying interest rate from 3% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2033	139,270,000	180,095,000

4. BONDS(Continued)

Transportation Revenue Bonds, 2017 Series 1, fixed interest rate of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2032	193,650,000	276,165,000
Transportation Revenue Bonds, 2017 Series 2 fixed interest rate of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2033	362,625,000	368,595,000
Transportation Revenue Bonds, 2019 Series A fixed interest rate of 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2040	140,655,000	148,480,000
Transportation Revenue Bonds, 2020 Series 1, varying interest rate from .301% to 1.859%, interest payable semiannually, annual principal payments of variable amounts through 2035	315,840,000	315,840,000
Transportation Revenue Bonds, 2021 Series A, varying interest rate from 3.0% to 5.0%, interest payable semiannually, annual principal payments of variable amounts through 2042	148,490,000	148,490,000
Transportation Revenue Bonds, 2021 Series 1 varying interest rate from .567% to 2.317%, interest payable semiannually, annual principal payments of variable amounts through 2038	143,180,000	-
Total principal amounts of Bond outstanding at June 30, 2022	1,710,990,000	1,819,055,000
Less: current maturities	145,685,000	124,745,000
Principal of Bond outstanding at June 30, 2022 due beyond one year	1,565,305,000	1,694,310,000

Additional series of obligations may be issued on par with the Revenue Bond series outstanding and collateralized by an equal charge and lien on the Program Income. However, no additional series may be issued unless, among other things, Program Income, including interest, for 12 consecutive months within the preceding 18-month period is at Least 2.25 times the maximum aggregate principal and interest requirement in any bond year for all outstanding Revenue Bonds.

4. BONDS (Continued)

Future maturities of Revenue Bonds payable as of June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2023	$ 145,685,000	$64,452,763
2024	137,645,000	58,604,059
2025	131,820,000	54,045,830
2026	126,565,000	49,478,504
2027	113,955,000	44,840,312
2028 – 2032	602,020,000	138,255,738
2033 – 2037	358,750,000	40,302,140
2038 – 2042	94,550,000	7,001,720
	$1,710,990,000	$456,981,066

5. DEFEASED REVENUE BONDS

From time to time, the Program issues bonds to defease older Revenue Bonds to generate debt service savings. The proceeds from the issuance of Revenue Bonds, together with assets transferred from the refunded bond series, are deposited with an escrow agent in a separate Escrow Account. These funds are invested by an escrow agent in U.S. Treasury obligations and certain other government securities so that sufficient monies are available to pay the principal, interest and redemption price of the defeased Bonds.

Defeased Revenue Bonds, totaling $689.4 million as of June 30, 2022, are not included in the outstanding Revenue Bonds summarized in Note 4. Also, the related securities in the Escrow Accounts are not included in the Program's cash and investments balance.

Once defeased, no related activity in the Escrow Accounts is reported in the Program's Statements of Cash Receipts and Disbursements. The following is a summary of these defeased Bonds on June 30, 2022.

The Bonds defeased by 2017 Series 1 that have not been redeemed were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
2012 Series 1	July 1, 2023	8,675,000		
	July 1, 2024	9,105,000		
	July 1, 2025	9,560,000		
	July 1, 2026	10,040,000		
	July 1, 2027	10,540,000		
	July 1, 2028	11,070,000	July 1, 2022	Par
		58,990,000		
2013 Series 1	July 1, 2024	9,880,000		
	July 1, 2025	10,375,000		
	July 1, 2026	10,895,000		
	July 1, 2027	11,440,000	July 1, 2023	Par
		42,590,000		

5. DEFEASED REVENUE BONDS (Continued)

2014 Series 1	July 1, 2027	19,285,000	July 1, 2022	
	July 1, 2028	20,255,000	July 1, 2022	Par
		39,540,000		
		$141,120,000		

The Bonds defeased by 2017 Series 2 that have not been redeemed were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
2012 Series 1	July 1, 2029	$11,620,000		
	July 1, 2030	12,205,000		
	July 1, 2031	12,815,000		
	July 1, 2032	13,455,000	July 1, 2022	Par
		50,095,000		
2013 Series 1	July 1, 2028	12,010,000		
	July 1, 2029	12,610,000		
	July 1, 2030	13,240,000	July 1, 2023	Par
		37,860,000		
2014 Series 1	July 1, 2019	1,670,000		
	July 1, 2029	21,270,000		
	July 1, 2030	22,330,000		
	July 1, 2031	23,450,000	July 1, 2022	Par
		68,720,000		
		$156,675,000		

The Bonds defeased by 2020 Series 1 that have not been redeemed were as follows:

Series	Maturity	Principal Amount	Redemption Date	Redemption Price
2012 Series 1	July 1, 2023	$30,370,000		
	July 1, 2024	17,350,000	July 1, 2022	Par
		47,720,000		
2012 Series 2	July 1, 2023	13,665,000		
	July 1, 2024	14,350,000	July 1, 2022	Par
		28,015,000		
2013 Series 1	July 1, 2025	32,160,000		
	July 1, 2026	16,080,000		
	July 1, 2032	14,460,000		
	July 1, 2033	13,110,000		
	July 1, 2033	2,000,000	July 1, 2023	Par
		77,810,000		

5. DEFEASED REVENUE BONDS (Continued)

2014 Series 1	July 1, 2032	24,620,000		
	July 1, 2033	25,730,000		
	July 1, 2034	26,885,000	July 1, 2022	Par
		77,235,000		
2015 Series A	July 1, 2033	16,765,000		
	July 1, 2034	17,605,000	July 1, 2024	Par
		34,370,00		
		$265,150,000		

The Bonds defeased by 2021 Series 1 that have not been redeemed were as follows:

2013 Series 1	July 1, 2025	16,055,000		
	July 1, 2032	13,905,000	July 1, 2023	Par
		29,960,000		
2017 Series 1	July 1, 2033	8,620,000		
	July 1, 2034	9,055,000		
	July 1, 2035	9,505,000		
	July 1, 2036	9,980,000		
	July 1, 2037	10,480,000		
	July 1, 2038	11,005,000	July 1, 2024	Par
		58,645,000		
2015 Series 1	July 1, 2036	18,485,000		
	July 1, 2037	19,410,000	July 1, 2024	Par
		37,895,000		
		$126,500,000		

Total defeased Revenue Bonds outstanding at June 30, 2022:	$689,445,000

6. DEBT SERVICE RESERVE FUND REQUIREMENT

The General Resolution creates a Reserve Fund for the Revenue Bonds; however, the balance as of June 30, 2022 is zero. The State, pursuant to each Series Resolution, specifies the Debt Service Reserve Requirement ("DSRR"), if any, for each series of Bonds. The individual DSRRs for each series of outstanding obligations are combined to determine the aggregate DSRR for the Reserve Fund. If all the obligations cease to be outstanding, then the aggregate DSRR is reduced by the individual DSRR attributable to that obligation.

Since 2003, the State has not specified a DSRR for any obligation that has been issued. Furthermore, the State does not currently expect to specify a DSRR for any future Series of additional Bonds, however, the State reserves the right to change its practice and specify a DSRR for any future series of additional obligations.

7. ADMINISTRATIVE EXPENSES

The Program is not charged for certain departmental administrative expenses incurred by the State of Wisconsin related to the operation of the Program. All such costs are charged to the Transportation Fund of the State of Wisconsin. Costs charged to the Program include Bond of the trustee, audit fees and other direct expenses of the Program.

SUPPLEMENTARY INFORMATION

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - SCHEDULE OF MOTOR VEHICLE REGISTRATION AND REGISTRATION-RELATED FEES RETAINED BY TRUSTEE

FOR THE YEAR ENDED JUNE 30, 2022

	July 2021	October 2021	January 2022	April 2022	Total
Prin/Int, 2012-1	$ 11,421,604	$ 10,397,500	$ 10,917,375	$ 10,917,375	$ 43,653,854
Prin/Int, 2012-2	7,505,688	6,828,750	7,170,188	7,170,188	28,674,814
Prin/Int, 2013-1	759,082	-	173,188	173,188	1,105,458
Prin/Int, 2014-1	(3)	-	-		(3)
Prin/Int, 2014-2	4,040,357	2,325,000	3,184,875	3,184,875	12,735,107
Prin/Int, 2015-1	6,331,078	3,485,000	4,914,125	4,914,125	19,644,328
Prin/Int, 2015-A	6,701,284	2,451,250	4,104,175	4,104,175	17,360,884
Prin/Int, 2017-1	10,097,353	3,802,500	6,223,125	6,223,125	26,346,103
Prin/Int, 2017-2	13,115,495	4,056,250	8,589,063	8,589,063	34,349,871
Prin/Int, 2019-A	5,556,598	2,046,250	3,804,438	3,804,438	15,211,724
Prin/Int, 2020-1	2,919,609	1,028,750	1,995,461	1,995,461	7,939,281
Prin/Int, 2021-A	4,961,068	-	1,647,586	1,647,588	8,256,242
Prin/Int, 2021-1	-	-	697,203	697,203	1,394,406
Program Expense Fund	-	40,000	-	-	40,000
Total	$ 73,409,213	$ 36,461,250	$ 53,420,802	$ 53,420,804	$ 216,712,069

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2012 SERIES 1
JUNE 30, 2022

Maturity July 1,	Rate (%)	Principal
2022	5.00	$ 41,590,000
		$ 41,590,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2012 SERIES 2
JUNE 30, 2022

Maturity July 1,	Rate (%)	Principal
2022	5.00	$ 27,315,000
		$ 27,315,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2013 SERIES 1
JUNE 30, 2022

Maturity July 1,	Rate (%)	Principal
2023	4.00 & 5.00 (1)	$ 15,255,000
		$ 15,255,000

(1) $7,000,000 at 4.00% and $8,255,000 at 5.00%

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2014 SERIES 2
JUNE 30, 2022

Maturity July 1,	Rate (%)		Principal
2022	5.00	$	9,300,000
2023	5.00		9,770,000
2024	5.00		10,255,000
2025	5.00		10,770,000
2026	5.00		11,305,000
2027	5.00		17,390,000
		$	68,790,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2015 SERIES 1
JUNE 30, 2022

Maturity July 1,	Rate (%)		Principal
2022	5.00	$	13,940,000
2023	5.00		14,640,000
2024	5.00		15,370,000
2025	5.00		16,135,000
2026	5.00		16,950,000
2027	5.00		11,830,000
2028	5.00		12,420,000
2029	5.00		13,045,000
		$	114,330,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2015 SERIES A
JUNE 30, 2022

Maturity July 1,	Rate (%)		Principal
2022	5.00	$	9,805,000
2023	5.00		10,295,000
2024	5.00		10,805,000
2025	4.00		11,350,000
2026	3.00		11,915,000
2027	5.00		12,510,000
2028	5.00		13,135,000
2029	5.00		13,795,000
2030	5.00		14,485,000
2031	5.00		15,205,000
2032	5.00		15,970,000
		$	139,270,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2017 SERIES 1
JUNE 30, 2022

Maturity July 1,	Rate (%)	Principal	
2022	5.00	$	15,210,000
2023	5.00		8,675,000
2024	5.00		18,985,000
2025	5.00		19,935,000
2026	5.00		20,935,000
2027	5.00		48,015,000
2028	5.00		38,415,000
2029	5.00		7,450,000
2030	5.00		7,820,000
2031	5.00		8,210,000
		$	193,650,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2017 SERIES 2
JUNE 30, 2022

Maturity July 1,	Rate (%)	Principal
2022	5.00	$ 16,225,000
2023	5.00	17,365,000
2024	5.00	18,570,000
2025	5.00	19,830,000
2026	5.00	21,155,000
2027	5.00	22,580,000
2028	5.00	36,070,000
2029	5.00	71,080,000
2030	5.00	75,030,000
2031	5.00	51,295,000
2032	5.00	13,425,000
		$ 362,625,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2019 SERIES A
JUNE 30, 2022

Maturity July 1,	Rate (%)		Principal
2022	5.00	$	8,185,000
2023	5.00		8,570,000
2024	5.00		5,230,000
2025	5.00		5,500,000
2026	5.00		5,775,000
2027	5.00		6,065,000
2028	5.00		6,365,000
2029	5.00		6,685,000
2030	5.00		7,020,000
2031	5.00		7,370,000
2032	5.00		7,740,000
2033	5.00		8,125,000
2034	5.00		8,530,000
2035	5.00		8,955,000
2036	5.00		9,405,000
2037	5.00		9,875,000
2038	5.00		10,370,000
2039	5.00		10,890,000
		$	140,655,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2020 SERIES 1
JUNE 30, 2022

Maturity July 1,	Rate (%)		Principal
2022	0.301	$	4,115,000
2023	0.420		48,160,000
2024	0.624		38,510,000
2025	0.774		37,625,000
2026	1.007		20,230,000
2027	1.107		3,550,000
2028	1.309		3,590,000
2029	1.409		3,635,000
2030	1.539		3,685,000
2031	1.589		3,745,000
2032	1.709		42,885,000
2033	1.789		60,385,000
2034	1.859		45,725,000
		$	315,840,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2021 SERIES A
JUNE 30, 2022

Maturity July 1,	Rate (%)	Principal
2023	5.00	$ 4,915,000
2024	5.00	5,165,000
2025	5.00	5,420,000
2026	5.00	5,690,000
2027	5.00	5,975,000
2028	5.00	6,275,000
2029	5.00	6,590,000
2030	5.00	6,920,000
2031	5.00	7,265,000
2032	5.00	7,630,000
2033	5.00	8,010,000
2034	5.00	8,410,000
2035	5.00	8,830,000
2036	4.00	9,270,000
2037	4.00	9,645,000
2038	4.00	10,030,000
2039	4.00	10,430,000
2040	3.00	10,845,000
2041	3.00	11,175,000
		$ 148,490,000

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

SUPPLEMENTARY INFORMATION - BONDS OUTSTANDING - 2021 SERIES 1
JUNE 30, 2022

Maturity July 1,	Rate (%)		Principal
2024	0.567	$	8,930,000
2027	1.313		2,640,000
2028	1.463		2,675,000
2029	1.617		2,715,000
2030	1.717		2,760,000
2031	1.767		16,715,000
2032	1.867		11,165,000
2033	1.967		11,380,000
2034	2.067		11,600,000
2035	2.167		30,325,000
2036	2.217		30,985,000
2037	2.317		11,290,000
		$	143,180,000
Total Bonds Outstanding		**$**	**1,710,990,000**

UNAUDITED INFORMATION

The following information has been prepared by the Wisconsin Department of Transportation and is unaudited.

Unaudited Information

WISCONSIN TRANSPORTATION REVENUE OBLIGATION PROGRAM

Schedule of Program Revenue (Unaudited)
For the Fiscal Years Ended June 30, 2022 and 2021

Date	Section 341.25 Registration Fees: Registration Non-IRP	Section 341.25 Registration Fees: IRP Revenues (2)	Subtotal	Title Transaction Fees	Counter Service Fees and Personalized License Plates	Subtotal (1)	Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
July, 2021	$ 42,947,596	$ 14,147,114	$ 57,094,710	$ 20,394,604	$ 534,753	$ 78,024,067	$ 1,429,056	$ 79,453,124
August, 2021	41,891,803	4,943,041	46,834,844	19,785,464	536,946	67,157,254	1,390,728	68,547,982
September, 2021	40,436,616	8,503,972	48,940,588	19,150,973	483,334	68,574,895	1,380,077	69,954,971
October, 2021	37,480,426	7,152,384	44,632,810	17,179,055	458,639	62,270,503	1,258,355	63,528,858
November, 2021	57,788,427	7,526,875	65,315,302	16,429,692	413,810	82,158,804	1,300,149	83,458,953
December, 2021	63,159,609	8,818,777	71,978,385	15,133,563	401,892	87,513,840	1,189,229	88,703,069
January, 2022	45,480,392	7,427,378	52,907,770	14,778,186	419,275	68,105,230	1,145,143	69,250,373
February, 2022	38,558,999	7,955,919	46,514,918	12,212,372	398,991	59,126,281	1,074,830	60,201,111
March, 2022	54,862,929	12,516,170	67,379,099	20,751,764	741,173	88,872,036	1,547,368	90,419,404
April, 2022	47,055,990	10,714,492	57,770,482	18,461,562	668,284	76,900,328	1,422,170	78,322,498
May, 2022	46,902,516	19,548,619	66,451,135	19,500,452	663,286	86,614,872	1,656,085	88,270,957
June, 2022	45,986,687	7,653,123	53,639,809	19,327,507	646,329	73,613,645	1,564,754	75,178,399
TOTAL for Fiscal Year ended June 30, 2022	$ 562,551,988	$ 116,907,864	$ 679,459,852	$ 213,105,194	$ 6,366,711	$ 898,931,757	$ 16,357,943	$ 915,289,700

Date	Section 341.25 Registration Fees: Registration Non-IRP	Section 341.25 Registration Fees: IRP Revenues (2)	Subtotal	Title Transaction Fees	Counter Service Fees and Personalized License Plates	Subtotal (1)	Other Miscellaneous Vehicle Registration & Related Fees	Total Program Revenues
July, 2020	$ 44,205,447	$ 5,724,498	$ 49,929,945	$ 21,430,144	$ 325,330	$ 71,685,419	$ 1,533,562	$ 73,218,981
August, 2020	40,793,197	4,894,163	45,687,360	20,878,952	308,617	66,874,929	1,387,357	68,262,285
September, 2020	38,989,243	8,527,662	47,516,905	19,652,263	288,382	67,457,550	1,351,837	68,809,387
October, 2020	39,857,147	7,219,322	47,076,469	19,979,983	279,118	67,335,570	1,345,140	68,680,709
November, 2020	52,383,764	7,672,774	60,056,538	16,773,841	222,874	77,053,253	1,218,468	78,271,721
December, 2020	62,981,726	8,390,493	71,372,219	16,150,384	237,579	87,760,182	1,190,122	88,950,304
January, 2021	46,632,501	9,743,214	56,375,715	16,403,565	266,649	73,045,929	1,242,338	74,288,267
February, 2021	36,200,435	13,314,301	49,514,736	14,819,819	265,811	64,600,366	1,006,092	65,606,459
March, 2021	52,622,686	16,964,062	69,586,748	21,580,440	353,919	91,521,107	1,639,514	93,160,621
April, 2021	47,619,680	16,026,723	63,646,403	23,870,362	381,698	87,898,463	1,562,448	89,460,911
May, 2021	42,633,716	6,053,447	48,687,164	21,621,800	432,776	70,741,740	1,366,170	72,107,910
June, 2021	47,899,264	7,766,723	55,665,987	22,962,159	533,144	79,161,290	1,555,661	80,716,950
TOTAL for Fiscal Year ended June 30, 2021	$ 552,818,809	$ 112,297,381	$ 665,116,189	$ 236,123,710	$ 3,895,897	$ 905,135,796	$ 16,398,709	$ 921,534,505

(1) This is the amount of Program Revenue for which the State has undertaken to provide continuing disclosure and the amount of Program Revenue that will be used for determining the debt service coverage ratio and the additional bonds test.
(2) IRP - The International Registration Plan is a multi-state compact for collecting and sharing large truck registration fees. Under the IRP, the registration fees on trucks involved in multi-state commercial activity are collected by the state in which the company is headquartered and are split between the participating states on the basis of proportionate mileage.

PART VI

ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS

Part VI of the 2022 Annual Report provides information about environmental improvement fund revenue bonds issued by the State of Wisconsin (**State**). The State provides selected information on this page for the convenience of readers; however, readers should review all information presented in this Part VI of the 2022 Annual Report to make an informed investment decision.

Total Outstanding Balance (12/15/2022)	$394,970,000
Amount Outstanding of Fixed-Rate Obligations	394,970,000
Ratings[a] (Fitch/S&P)	AAA/AAA
Authority	Amended and Restated Environmental Improvement Fund Revenue Obligations Program Resolution adopted by the Building Commission on February 15, 2017 **(Program Resolution)**, and Subchapter II of Chapter 18 and Sections 281.58, 281.59, and 281.61 Wisconsin Statutes.
Trustee/Paying Agent	U.S. Bank Trust Company, National Association serves as Trustee, Registrar, and Paying Agent.
Security	The Bonds are payable solely from Pledged Revenues, which include (1) Loan Repayments on Pledged Loans, (2) moneys received by the State upon any default under Municipal Obligations, and (3) any other moneys or revenues pledged in the Program Resolution to secure the Bonds, and from any amounts on deposit in the Loan Fund, Revenue Fund, Redemption Fund, and Supplemental Income Fund.
Audit Report and Financial Statements	APPENDIX A to this Part VI of the 2022 Annual Report includes the independent auditor's report and the financial statements for the State's Environmental Improvement Fund.

(a) The ratings presented are the ratings assigned to the State's environmental improvement fund revenue bonds without regard to any bond insurance policy. No information is provided in the 2022 Annual Report about any rating assigned to any environmental improvement fund revenue bonds based on any bond insurance policy.

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Websites: doa.wi.gov/capitalfinance
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The State of Wisconsin Building Commission (**Building Commission**) supervises all matters concerning the State's issuance of revenue obligations. The Capital Finance Office, which is part of the State of Wisconsin Department of Administration's Division of Executive Budget and Finance, is responsible for managing the

State's borrowing programs. The law firm of Foley & Lardner LLP has provided bond counsel services, and the firm of PFM Financial Advisors LLC has provided municipal advisor services, in connection with the issuance of environmental improvement fund revenue bonds. Requests for additional information about the Bonds or the Environmental Improvement Fund may be directed to the Capital Finance Office.

The State previously issued clean water revenue bonds (Clean Water Revenue Bonds) to finance the State's Clean Water Fund Program pursuant to a Clean Water Revenue Bond General Resolution adopted by the Building Commission in 1991 as supplemented and amended (Prior General Resolution). In 2015 the Building Commission adopted, and in 2017 the Building Commission amended and restated, the Program Resolution. See "PRIOR CLEAN WATER REVENUE BONDS".

The 2022 Annual Report includes information and defined terms for different types of municipal securities issued by the State. The context or meaning of a term used in one part of the 2022 Annual Report may differ from that of the same term used in another part, and the total amount shown in a table may vary from the related sum due to rounding. See "GLOSSARY" for the definitions of capitalized terms used in this Part VI of the 2022 Annual Report. No information or resource referred to in the 2022 Annual Report is part of the report unless expressly incorporated by reference.

Certain statements in this Part VI of the 2022 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2022 Annual Report, 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.

COVID-19 UPDATE

Responses commencing in calendar year 2020 and continuing in calendar year 2022 to the COVID-19 pandemic have had an impact on economic activity in the State. See "COVID-19 UPDATE" in Part II of the 2022 Annual Report for further information on the COVID-19 pandemic, including recent developments and actions the State has taken to address the pandemic and the impact the pandemic has had on the State.

The State of Wisconsin Public Service Commission, which regulates nearly all of the water utilities that receive Safe Drinking Water Loans under the Environmental Improvement Fund, issued various orders in 2020 that prohibited the disconnection of utility services. All such orders have expired. During calendar years 2020, 2021, and 2022, the State collected 100% of the payments due from Municipalities with outstanding Pledged Loans, and the State has not received any notification or indication of financial distress from any Municipality with an outstanding Pledged Loan. In large part due to the fact that municipalities in the State were awarded a total of $2.6 billion in federal assistance under the Coronavirus Aid, Relief, and Economic Security Act and the American Rescue Plan Act of 2021, the finances of such municipalities have generally not been adversely affected by the pandemic. The State has continued to diligently enforce the Financial Assistance Agreements, as described under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Representations; Covenants; Covenants Relating to Loans".

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

See "ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS" in Part II of the 2022 Annual Report for further information relating to these factors that may present a risk to the State and the State's finances, which could also have an impact on the Environmental Improvement Fund.

PRIOR CLEAN WATER REVENUE BONDS

The State's Continuing Disclosure Annual Reports for years before 2020 included a separate part that addressed the Clean Water Revenue Bonds issued under the Prior General Resolution. Because no Clean Water Revenue Bonds remain outstanding for purposes of the Prior General Resolution, the State is no longer required to provide continuing disclosure information for its Clean Water Revenue Bonds.

Defeasance and Discharge of Prior General Resolution

Upon the payment at maturity or early redemption of all outstanding Clean Water Revenue Bonds, 2010 Series 3 (Taxable) on July 1, 2020, all obligations issued under the Prior General Resolution have been either paid at maturity, redeemed, or legally defeased in accordance with the terms of the Prior General Resolution. On February 11, 2021, the Building Commission adopted a resolution terminating the Prior General Resolution, and the State subsequently transferred remaining funds in accounts created under the Prior General Resolution to the Environmental Improvement Fund.

OUTSTANDING BONDS

The 2015 Bonds, 2017 Series A Bonds, 2017 Series B Bonds, 2018 Bonds, 2020 Bonds, 2021 Bonds, 2022 Bonds, and all other environmental improvement fund revenue bonds to be issued under the Program Resolution, are collectively referred to as the Bonds. The 2017 Series A Bonds and 2017 Series B Bonds are collectively referred to as the 2017 Bonds. U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, is the trustee for the Bonds (Trustee). In addition, the Trustee is the registrar (Registrar) and paying agent (Paying Agent) for the Bonds. Table VI-1 shows the outstanding principal balances of Bonds as of December 15, 2022.

Table VI-1
OUTSTANDING ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS
BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding	
2015- Series A **(2015 Bonds)**	12/3/15	2016-30	$ 43,380,000	$ 8,240,000	(a)
2017- Series A **(2017 Series A Bonds)**	6/6/17	2018-35	218,705,000	101,770,000	
Series B (Taxable) **(2017 Series B Bonds)**	6/6/17	2018	71,870,000	-0-	
2018- Series A **(2018 Bonds)**	9/13/18	2020-26	92,080,000	58,215,000	
2020- Series A (Green Bonds) **(2020 Bonds)**	5/13/20	2021-39	80,000,000	76,745,000	
2021- Series A (Green Bonds) **(2021 Bonds)**	9/16/21	2023-40	100,000,000	100,000,000	
2022- Series A (Green Bonds) (**2022 Bonds**)	11/17/22	2024-43	50,000,000	50,000,000	
Total Outstanding Environmental Improvement Fund Revenue Bonds				$ 394,970,000	

(a) On August 4, 2021, the State entered into a defeasance escrow agreement pursuant to which it deposited cash into an escrow fund that, with investments, will be used to pay the redemption price of, and interest on, a portion of the 2015 Bonds as it comes due on and prior to their redemption on June 1, 2024. The principal amount of those bonds for which payment is provided is not treated as outstanding for purposes of this table.

Table VI-2 provides a historical view of the amount of outstanding Bonds and Clean Water Revenue Bonds as of December 15th of the previous ten years.

Table VI-2
HISTORICAL OUTSTANDING ENVIRONMENTAL IMPROVEMENT FUND REVENUE BONDS AND CLEAN WATER REVENUE BONDS

Year (December 15)	Outstanding Bonds	Outstanding Clean Water Revenue Bonds	Total
2012	-0-	$ 885,510,000	$ 885,510,000
2013	-0-	822,940,000	822,940,000
2014	-0-	764,745,000	764,745,000
2015	$ 43,380,000	698,160,000	741,542,015
2016	40,135,000	634,815,000	674,952,016
2017	328,435,000	45,080,000	743,774,035
2018	329,965,000	40,290,000	370,255,000
2019	245,885,000	35,290,000	281,175,000
2020	307,760,000	-0-	307,760,000
2021	368,800,000	-0-	368,800,000

STATE REVOLVING FUND PROGRAMS

The Federal Water Quality Act of 1987, as amended **(Water Quality Act)**, established a joint federal and state program commonly referred to as the State Revolving Fund (**Federal SRF**) Program. Under the Federal SRF Program, the United States Environmental Protection Agency (**EPA**) is authorized to make grants (**Capitalization Grants**) to a state to assist in providing financial assistance to municipalities within the state for governmentally-owned water treatment projects and other water pollution abatement projects. The Federal Safe Drinking Water Act of 1974, as amended in 1996 **(Safe Drinking Water Act)**, established an additional Federal SRF Program under which EPA is authorized to make Capitalization Grants to a state to assist public water systems with financing the costs of infrastructure to achieve and maintain compliance with water quality standards and to protect public health. As a condition to receipt of each Capitalization Grant, a state is required to establish separate perpetual Federal SRF Programs into which each Capitalization Grant must be deposited and to provide state matching funds **(State Match)** for deposit in the applicable Federal SRF Program.

In response to the Water Quality Act and the Safe Drinking Water Act, the State has created the Environmental Improvement Fund, the Clean Water Fund Program, and the Safe Drinking Water Loan Program. Financial assistance is made available to Municipalities and includes loans from the Clean Water Fund Program and the Safe Drinking Water Loan Program that are subject to repayment and provided by the State to a Municipality in accordance with a Financial Assistance Agreement (**Loans**). See "ENVIRONMENTAL IMPROVEMENT FUND".

Before adoption of the Program Resolution, the State issued its general obligations to finance the State Match for both the Clean Water Fund Program and the Safe Drinking Water Loan Program. Starting in 2015, the State issued Bonds under the Program Resolution to provide funds for the State Match required for the Clean Water Fund Program, while continuing to finance the State Match required for the Safe Drinking Water Loan Program through the issuance of general obligations. Starting in 2019, the State has issued Bonds to fund the State Match required for the Safe Drinking Water Loan Program. See "FINANCING PLAN".

ENVIRONMENTAL IMPROVEMENT FUND

The State's Environmental Improvement Fund currently provides for the following separate environmental financing programs:

- **Clean Water Fund Program**. Established in 1990, the Clean Water Fund Program is a municipal financial assistance program for water pollution control projects and includes the State's implementation of a Federal SRF Program under the Water Quality Act.
- **Safe Drinking Water Loan Program**. Established in 1998, the Safe Drinking Water Loan Program is a municipal loan program for drinking water projects and includes the State's implementation of the federal Safe Drinking Water Act.

The State receives applications for financial assistance and reviews and approves such applications prior to the award of any Loans. All Loans are made to Municipalities pursuant to financial assistance agreements (**Financial Assistance Agreements)**. As evidence of each Loan, the Municipality is required to issue and deliver to the State a bond or note of the Municipality (**Municipal Obligation**) obligating the Municipality to repay the Loan on the maturity schedule and at the interest rate set forth in the Financial Assistance Agreement. See "LOANS".

Clean Water Fund Program

The Clean Water Fund Program is a single program consisting of multiple portfolios:

- Pledged Loans, consisting of Loans funded with Capitalization Grants, the required State Match, the Bonds issued under the Program Resolution, and Clean Water Revenue Bond proceeds under the Prior General Resolution, together with repayments of the principal of, and interest on, those Loans. See "FINANCING PLAN; Program Resolution".
- **Proprietary Portfolio**, consisting of Loans funded with State general obligation bond proceeds, together with repayments of the principal of, and interest on, those Loans. Loans in the Proprietary Portfolio are not pledged pursuant to the Program Resolution.

Safe Drinking Water Loan Program

The Safe Drinking Water Loan Program is a single program that, prior to 2019, was funded with proceeds of Capitalization Grants and the required State Match. Amendments included in the State's 2019-21 biennial budget **(2019 Wisconsin Act 9)** authorized the State to issue revenue obligations under the Revenue Obligations Act to finance Loans under the Safe Drinking Water Loan Program. In August 2019, the Building Commission adopted a Supplemental Resolution, and in November 2019, the State provided a State Certificate and State Direction to the Trustee, to implement this authorization. In November 2019, all then-existing Loans in the Safe Drinking Water Loan Program became Pledged Loans under the Program Resolution.

FINANCING PLAN

Program Resolution

In 2015, the Program Resolution established a separate program for the issuance of Bonds to provide financing for the Clean Water Fund Program. Upon the issuance of the 2015 Bonds, all then-existing Loans of the Clean Water Fund Program funded with Capitalization Grants or State Match were designated as **Pledged Loans**. Upon the issuance of the 2017 Bonds, all then-existing Loans of the Clean Water Fund Program funded with Clean Water Revenue Bond proceeds (totaling approximately $543 million at that time) were released from the

Prior General Resolution and became Pledged Loans under the Program Resolution (referred to as Investment Loans).

All or a portion of the proceeds of the Bonds have been used to make Loans that are Pledged Loans under the Program Resolution. In November 2019, the State designated $329 million of outstanding Loans under the Safe Drinking Water Loan Program as Pledged Loans and granted to the Trustee a security interest in such Loans. At that time, the State also contributed approximately $111 million, representing collections previously received with respect to such Loans, for deposit into the Revenue Fund. Pledged Loans will also include, among others, all Loans made from the proceeds of any additional Bonds under the Program Resolution.

Only Pledged Loans will be funded with Bond proceeds, and only repayments of Pledged Loans are pledged to the repayment of the Bonds. Bond proceeds will not fund Loans in the Clean Water Fund Program Proprietary Portfolio, and repayments of Loans in the Proprietary Portfolio will not be pledged to the repayment of the Bonds. See "SECURITY".

Under EPA regulations, Grant Proceeds and principal repayments of Pledged Loans are not permitted to be used to pay any amounts due with respect to debt incurred to finance the State Match. For that reason, the Bonds and the proceeds of the Bonds are allocated to State Match Portions and Leveraged Portions, and the principal of, and interest on, the State Match Portions of the Bonds are paid solely from interest receipts with respect to the Pledged Loans and investment earnings on the Funds and Accounts.

Designation as Green Bonds

The 2020 Bonds, the 2021 Bonds, and the 2022 Bonds were each designated by the State as "Green Bonds" due to the projects funded with the proceeds of those Bonds adhering to the standards of the Water Quality Act and Safe Drinking Water Act. The purpose of labeling the 2020 Bonds, the 2021 Bonds, and the 2022 Bonds as Green Bonds was to allow investors to invest directly in bonds which finance environmentally beneficial projects. The designations have not been reviewed or approved by any third party, and do not reflect or give rise to any additional rights to the owners of the 2020 Bonds, the 2021 Bonds, or the 2022 Bonds.

Proceeds of the 2020 Bonds, the 2021 Bonds, and the 2022 Bonds have been and will be used to make Pledged Loans for projects for both wastewater and drinking water purposes. Projects are determined in accordance with the requirements of the Water Quality Act, the Safe Drinking Water Act, and administrative guidelines adopted by the State of Wisconsin Department of Natural Resources (**DNR**). In addition, DNR must prepare annual Intended Use Plans (**IUP**) for the Clean Water Fund Program and the Safe Drinking Water Loan Program, which describe the intended uses for each Program and how such uses support the goals of the respective Programs. Each IUP identifies which types of projects have been determined to be eligible for financial assistance, establishes an order of priority for such projects on the basis of environmental or public health significance and other factors, and establishes the basis of funding commitments by DNR and the State of Wisconsin Department of Administration **(DOA)**. Furthermore, each Program has a project priority list that provides a summary of projects that are eligible to apply for financial assistance. The prospective Borrowers may then submit applications for financial assistance to the Clean Water Fund Program or the Safe Drinking Water Loan Program.

The State tracks the use of proceeds of the 2020 Bonds, the 2021 Bonds, and the 2022 Bonds and only expends the proceeds for the purposes of the Clean Water Fund Program and the Safe Drinking Water Loan Program. The proceeds of the 2020 Bonds, the 2021 Bonds, and the 2022 Bonds have been, and will continue to be, used to provide financial assistance in the form of Pledged Loans under the Environmental Improvement Fund. DNR provides annual reports on the Clean Water Fund Program and the Safe Drinking Water Loan Program to EPA. The annual reports include lists of projects for which DNR and DOA entered into Financial Assistance

Agreements during the applicable year, as well as projects for which construction was begun during the applicable year and projects for which construction was completed during the applicable year. The annual reports are available on the DNR website for the Clean Water Fund Program and the Safe Drinking Water Loan Program. No other tracking or reporting will be completed for projects funded with proceeds of the 2020 Bonds, the 2021 Bonds, and the 2022 Bonds.

It is likely that additional Bonds to be issued by the State will carry the Green Bond designation.

Funding Levels

Table VI-3 presents the historical federal Capitalization Grants and required State Match funding sources for the Clean Water Fund Program and Safe Drinking Water Loan Program.

Table VI-3
FUNDING SOURCES; CAPITALIZATION GRANTS AND REQUIRED STATE MATCH

Fiscal Year		Clean Water Fund Program		Safe Drinking Water Loan Program		
Federal	**State**	**Federal Funding**	**State Match**	**Federal Funding**	**State Match**	**Total**
Prior to 1999	Prior to 2000	$385,448,569	$77,089,714	$51,094,800	$10,218,960	$523,852,000
1999	2000	39,981,800	7,996,400	10,007,600	2,001,520	59,987,300
2000	2001	36,283,600	7,256,700	10,400,800	2,080,160	56,021,300
2001	2002	37,316,800	7,260,000	10,443,800	2,088,760	57,109,400
2002	2003	36,123,400	7,224,700	15,946,500	3,189,300	62,483,900
2003[a]	2004	35,889,100	7,177,800	15,850,699	3,170,140	62,087,700
2004	2005	35,828,500	7,165,700	16,442,800	3,288,560	62,725,600
2005	2006	29,131,900	5,826,400	16,407,900	3,281,580	54,647,800
2006	2007	23,673,900	4,734,800	15,931,300	3,186,260	47,526,300
2007	2008	28,934,800	5,787,000	15,931,000	3,186,200	53,839,000
2008	2009	18,396,600	3,679,300	15,770,000	3,154,000	40,999,900
2009[b]	2010	124,344,800	3,679,300	53,520,000	3,154,000	184,698,100
2010	2011	55,083,000	11,016,600	23,399,000	4,679,800	94,178,400
2011	2012	39,921,000	7,984,200	18,433,704	3,686,741	70,025,600
2012	2013	38,208,000	7,641,600	15,680,959	3,136,192	64,666,800
2013	2014	36,093,000	7,218,600	14,518,000	2,903,600	60,733,200
2014	2015	37,905,000	7,581,000	15,425,000	3,085,000	63,996,000
2015	2016	37,711,000	7,542,200	15,323,000	3,064,600	63,640,800
2016	2017	36,121,000	7,224,200	14,496,000	2,899,200	60,740,400
2017	2018	35,843,000	7,168,600	14,372,000	2,874,400	60,258,000
2018	2019	43,392,000	8,678,400	18,931,000	3,786,200	74,787,600
2019	2020	42,955,000	8,591,000	18,927,000	3,785,400	74,258,400
2020	2021	42,961,000	8,592,200	18,766,000	3,753,200	74,072,400
2021	2022	42,955,000	8,591,000	18,749,000	3,749,800	74,044,800
2022[c]	2023	81,924,000	11,067,800	103,805,000	5,455,200	202,252,000
Total		$1,402,425,769	$253,775,214	$558,572,862	$88,858,773	$2,303,632,700

(a) Includes grant under the Federal Rural Communities Hardship Grants Program

(b) The American Recovery and Reinvestment Act of 2009 provided $142 million for grants in aggregate for the Clean Water Fund Program and the Safe Drinking Water Loan Program and $2 million for administration and did not require a State Match.

(c) The Infrastructure Investment and Jobs Act provided increases in annual funding in federal fiscal years 2022 through 2026 for the Clean Water Fund Program and the Safe Drinking Water Loan Program.

The Infrastructure Investment and Jobs Act (commonly referred to as the Bipartisan Infrastructure Law) enacted in November 2021 increased federal funding for State Fiscal Years 2023 through 2027.

As permitted by the Water Quality Act and the Safe Drinking Water Act, prior to 2003 the State transferred approximately $24 million to the Safe Drinking Water Loan Program from the Clean Water Fund Program. In addition, in October 2019 and pursuant to the federal Water Infrastructure Financial Transfer Act, the State transferred approximately $64 million to the Safe Drinking Water Loan Program from the Clean Water Fund for the purpose of providing principal forgiveness under the Safe Drinking Water Loan Program for lead service line replacements. The transferred funds were applied to principal forgiveness beginning in the 2020-21 fiscal year and will continue to be so applied until all such funds are exhausted. Components of past Capitalization Grants have been used for allowable set-asides and to provide financial assistance in the form of principal forgiveness.

The Legislature has authorized the issuance of $2.551 billion of revenue bonds collectively for the Clean Water Fund Program and the Safe Drinking Water Loan Program. The State has issued, in aggregate, $2.016 billion of Clean Water Revenue Bonds under the Prior General Resolution and Bonds under the Program Resolution. The Legislature has also authorized the issuance of revenue bonds for refunding purposes without a limit on amount, and the State has issued, in aggregate, an additional $1.063 billion of Clean Water Revenue Bonds under the Prior General Resolution and Bonds under the Program Resolution for refunding purposes.

Management

Management responsibilities for the Clean Water Fund Program and the Safe Drinking Water Loan Program are shared between two State agencies. DNR is responsible for the environmental and programmatic management, and DOA is responsible for the financial and investment management. DNR and DOA have agreed upon the division of responsibilities and joined in a memorandum of understanding that details their respective roles. Joint responsibilities between DNR and DOA include entering into Financial Assistance Agreements with Municipalities to finance eligible projects. DOA and DNR also jointly prepare biennial finance plans which include the estimated wastewater facility and drinking water needs of municipalities in the State, the amount of financial assistance projected to be provided, and the sources of the funding projected to be provided.

Operating Agreements with EPA

In connection with receipt of Capitalization Grants, the State, acting through DNR and DOA, has entered into operating agreements, as amended, with EPA. The respective operating agreements set forth the objectives and structure of the Clean Water Fund Program and the Safe Drinking Water Loan Program and the responsibilities of DNR and DOA. Among these responsibilities are:

- Financial management
- Management of the environmental and project construction aspects
- Preparation of an intended use plan, setting forth the projects the State expects to finance under the applicable Clean Water Fund Program and the Safe Drinking Water Loan Program.

SECURITY

General

Bonds issued under the Program Resolution include the 2015 Bonds, the 2017 Bonds, the 2018 Bonds, the 2020 Bonds, the 2021 Bonds, and the 2022 Bonds **(Outstanding Bonds)**, all of which are **Senior Bonds** for purposes of the Program Resolution. Any other Bonds that may be issued under the Program Resolution in the future may be issued as Senior Bonds on parity with the Outstanding Bonds, or as Subordinate Bonds.

The Bonds are special obligations of the State, payable from the revenues or receipts, funds or moneys pledged under the Program Resolution. It is anticipated that Loan Repayments on Pledged Loans pursuant to the Financial Assistance Agreements will be sufficient to pay principal or redemption price of, and interest on, the Bonds. In addition, the Bonds are further secured by other amounts in or payable into the Funds and Accounts held under the Program Resolution. Debt service on all Bonds is secured by a pledge of:

- **Pledged Revenues**, consisting of:
  - Loan Repayments made by Municipalities;
  - moneys received by the State (State payments intercepted by the DOA, and taxes collected by county treasurers) upon a default under a Municipal Obligation;
  - Counterparty Swap Payments (if any);
  - amounts received under a Credit Enhancement Facility (if any), except as limited by a Supplemental Resolution;
  - earnings or income from Funds and Accounts payable into the Revenue Fund;
  - other moneys held or received relating to any Municipal Obligation; and
  - any other revenues pledged to secure Bonds.
- Amounts in the Loan Fund, Costs of Issuance Fund, Revenue Fund, Redemption Fund, Supplemental Income Fund, and to the extent available for particular Bonds pursuant to the Program Resolution, the Reserve Fund.

The Program Resolution also contains provisions for:

- The establishment and funding of an account within the Reserve Fund (or, in the case of Subordinate Bonds, within the Subordinate Reserve Fund) in connection with the issuance of a series of Bonds; and
- The State to obtain letters of credit, bond insurance policies, or other credit enhancement instruments (each, a **Credit Enhancement Facility)** to provide a source of payment or security for a particular series of Bonds.

No Account within the Reserve Fund has been established, and no Credit Enhancement Facility has been obtained. The Outstanding Bonds are not expected to be entitled to the benefit of any Account within the Reserve Fund or any Credit Enhancement Facility in the future.

The Equity Fund and the Rebate Fund established by the Program Resolution are not pledged to the payment of the Bonds.

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

As outlined under "SECURITY; Flow of Funds", while Loan Repayments are deposited into accounts based on the purpose of the Pledged Loan, the Program Resolution allows for transfers between Programs, with the Loan Repayments of each Program to be used to pay debt service allocable to the other Program.

Pledged Loans

Bond proceeds have been and are expected to be used to make or refinance Pledged Loans under the Program Resolution. The State has also designated (and may in the future designate) additional Loans which are not otherwise subject to the pledge of the Program Resolution as Pledged Loans, and thereby assign and grant to the Trustee a security interest in the related Loan Repayments and other related Pledged Revenues and subject the additional Loans to the lien of the Program Resolution. One such designation in November 2019 related to the Loans from the Safe Drinking Water Loan Program, and such Pledged Loans are included in the Table VI-4.

Loan Repayments of Pledged Loans are the primary revenues available to pay debt service on the Bonds. The extent to which the failure of a particular Municipality to make its Loan Repayments of Pledged Loans affects the State's ability to pay principal and redemption price of, and interest on, the Bonds will vary based on the percentage of such payments on the Bonds to be paid from the Loan Repayments of Pledged Loans to that Municipality. The State believes that the security provisions of the Financial Assistance Agreements will limit the effect on Bond owners of a failure by one or more Municipalities to make Loan Repayments on their Pledged Loans. However, persistent failures by one or more Municipalities to make Loan Repayments on Pledged Loans may adversely affect the State's ability to pay principal and redemption price of, and interest on, the Bonds. See "LOANS; Statutory Powers".

As discussed in more detail under "LOANS; Statutory Powers; *State Aid Intercept*", DOA may intercept financial assistance from the State payable to certain types of Municipalities if such a Municipality defaults on a Loan. As of December 15, 2022, 67% (by outstanding principal amount) of Municipal Obligations that evidenced outstanding Pledged Loans represented Loans with State Aid intercept provisions. This percentage will change as new Pledged Loans are made and existing Pledged Loans are repaid.

Table VI-4 identifies all Municipalities that have received Pledged Loans and provides certain other information about the Pledged Loans made to these Municipalities. As of December 15, 2022, the outstanding principal balance of the Pledged Loans was $2.3 billion.

Table VI-4 includes the outstanding Pledged Loan principal balances of each Municipality as of December 15, 2022, and the percentage of the Pledged Loan principal balance compared to the principal balances for all outstanding Pledged Loans. The table includes the balance of Pledged Loans in the Clean Water Fund Program and the balance of Pledged Loans in the Safe Drinking Water Loan Program. The amounts in this table include only Pledged Loans, and do not include amounts for any grants and other awards.

As of December 15, 2022, the Municipal Obligations that evidenced outstanding Pledged Loans consisted of 32% (by outstanding principal amount) general obligations and 68% (by outstanding principal amount) revenue, special assessment, or combined obligations.

Table VI-4
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2022
(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
Milwaukee Metropolitan Sewerage District	$373,477	-0-	$373,477	16.2%
City of Milwaukee	150,584	$93,321	243,905	10.6
City of Waukesha	176,630	11,269	187,899	8.1
Green Bay Metropolitan Sewerage District	149,340	-0-	149,340	6.5
Madison Metropolitan Sewerage District	139,584	-0-	139,584	6.1
City of Wausau	82,559	40,484	123,042	5.3
Village of Mount Pleasant	76,723	-0-	76,723	3.3
City of Eau Claire	26,468	9,664	36,132	1.6
City of Fond du Lac	14,512	11,290	25,802	1.1
City of La Crosse	25,109	-0-	25,109	1.1
City of Stevens Point	18,157	6,372	24,529	1.1
Village of Salem Lakes	22,087	-0-	22,087	1.0
City of South Milwaukee	9,806	8,357	18,164	0.8
City of Whitewater	18,106	-0-	18,106	0.8
City of Sun Prairie	17,883	-0-	17,883	0.8
City of Racine	14,288	3,421	17,710	0.8
City of Wisconsin Rapids	16,536	-0-	16,536	0.7
City of Sheboygan	9,013	6,370	15,383	0.7
City of Rhinelander	7,207	8,030	15,237	0.7
Village of Mount Horeb	13,729	-0-	13,729	0.6
City of Monroe	13,716	-0-	13,716	0.6
City of Franklin	13,635	-0-	13,635	0.6
City of Two Rivers	10,055	3,492	13,547	0.6
City of Janesville	12,517	365	12,881	0.6
Neenah - Menasha Sewerage Commission	12,677	-0-	12,677	0.5
Heart of the Valley Metropolitan Sewerage District	12,279	-0-	12,279	0.5
City of Hudson	10,789	1,413	12,202	0.5
City of Menomonie	11,472	-0-	11,472	0.5
Village of Holmen	10,901	396	11,297	0.5
City of Fort Atkinson	10,749	-0-	10,749	0.5
Walworth County Metropolitan Sewerage District	10,690	-0-	10,690	0.5
Village of Twin Lakes	10,607	-0-	10,607	0.5
Holland Sanitary District #1	9,976	44	10,021	0.4
Village of Lake Delton	5,422	3,916	9,339	0.4
City of Superior	8,867	-0-	8,867	0.4
Village of Grafton	8,567	-0-	8,567	0.4

Table VI-4 – Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2022
(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
City of Watertown	-0-	$8,246	$8,246	0.4%
City of Oak Creek	-0-	8,210	8,210	0.4
City of Manitowoc	$8,089	88	8,178	0.4
City of Burlington	6,256	1,696	7,953	0.3
Village of Yorkville	7,912	-0-	7,912	0.3
Consolidated Koshkonong Sanitary Commission	7,713	-0-	7,713	0.3
Village of Wrightstown	1,929	5,574	7,503	0.3
Village of Lomira	5,716	1,665	7,381	0.3
City of New Lisbon	6,161	1,147	7,308	0.3
Village of West Salem	6,231	1,068	7,299	0.3
Village of Somers	3,651	3,644	7,294	0.3
Village of Cross Plains	3,335	3,863	7,197	0.3
Central Brown County Water Authority	-0-	7,094	7,094	0.3
City of Reedsburg	6,810	167	6,977	0.3
City of Weyauwega	5,190	1,785	6,975	0.3
City of Oshkosh	4,307	2,667	6,973	0.3
City of Ladysmith	2,239	4,579	6,817	0.3
Fox West Regional Sewerage Commission	6,752	-0-	6,752	0.3
City of Menasha	829	5,761	6,590	0.3
Ho-Chunk Nation	6,577	-0-	6,577	0.3
City of Elkhorn	-0-	6,528	6,528	0.3
Town of Beloit	6,143	-0-	6,143	0.3
City of Oconto Falls	5,257	810	6,067	0.3
Village of Plover	2,878	2,698	5,576	0.2
City of Beaver Dam	5,549	-0-	5,549	0.2
Village of Caledonia	5,510	-0-	5,510	0.2
City of Park Falls	2,634	2,670	5,303	0.2
City of Marinette	279	4,979	5,258	0.2
Village of Cottage Grove	2,306	2,946	5,252	0.2
City of Richland Center	2,258	2,823	5,081	0.2
Village of Oostburg	4,884	-0-	4,884	0.2
City of Evansville	4,813	-0-	4,813	0.2
City of Brookfield	4,726	-0-	4,726	0.2
City of Stoughton - Utilities	2,787	1,903	4,690	0.2
Village of Paddock Lake	4,679	-0-	4,679	0.2
City of Whitehall	1,529	2,879	4,408	0.2

Table VI-4 – Continued

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES

December 15, 2022

(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
City of Saint Croix Falls	$3,525	$836	$4,361	0.2%
Village of Roberts	4,358	-0-	4,358	0.2
City of Neenah	393	3,878	4,271	0.2
City of Cornell	3,503	710	4,213	0.2
Freedom Sanitary District #1	3,979	-0-	3,979	0.2
Village of East Troy	3,935	-0-	3,935	0.2
City of Chippewa Falls	3,094	609	3,703	0.2
City of New Richmond	3,433	242	3,674	0.2
Village of Dousman	3,662	-0-	3,662	0.2
Village of Bangor	1,641	1,874	3,515	0.2
Village of Rosendale	3,328	-0-	3,328	0.1
City of Arcadia	-0-	3,303	3,303	0.1
City of Augusta	602	2,584	3,186	0.1
Village of Kewaskum	3,183	-0-	3,183	0.1
Village of Whitefish Bay	3,159	-0-	3,159	0.1
Village of Greendale	-0-	3,158	3,158	0.1
Village of Allouez	385	2,743	3,128	0.1
Village of Arlington	749	2,347	3,096	0.1
Village of Marathon City	3,059	-0-	3,059	0.1
Rib Mountain Metropolitan Sewerage District	3,055	-0-	3,055	0.1
Village of Campbellsport	2,231	788	3,019	0.1
City of Tomahawk	2,319	677	2,995	0.1
Village of Monticello	2,991	-0-	2,991	0.1
City of Greenwood	740	2,221	2,961	0.1
City of Osseo	-0-	2,860	2,860	0.1
Village of Belleville	1,677	1,180	2,857	0.1
Village of Brooklyn	2,813	2	2,814	0.1
Village of Palmyra	2,803	-0-	2,803	0.1
City of Platteville	2,688	-0-	2,688	0.1
City of Baraboo	2,669	-0-	2,669	0.1
City of New Berlin	-0-	2,639	2,639	0.1
Village of Hilbert	2,616	-0-	2,616	0.1
Village of New Glarus	2,568	-0-	2,568	0.1
Village of Spencer	2,011	549	2,559	0.1
City of Markesan	1,411	1,139	2,550	0.1
Village of Howards Grove	2,520	-0-	2,520	0.1

Table VI-4 – Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2022
(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
City of Mayville	$1,042	$1,456	$2,499	0.1%
City of Dodgeville	2,485	-0-	2,485	0.1
City of Viroqua	1,557	876	2,433	0.1
Village of Hortonville	2,431	-0-	2,431	0.1
Village of Fontana	2,412	-0-	2,412	0.1
City of Omro	1,136	1,257	2,393	0.1
Village of Sussex	2,374	-0-	2,374	0.1
City of Hillsboro	2,071	296	2,366	0.1
Village of Belmont	2,284	-0-	2,284	0.1
Village of Randolph	1,855	395	2,250	0.1
City of Shawano	1,327	885	2,212	0.1
City of Onalaska	-0-	2,183	2,183	0.1
City of New Holstein	1,707	418	2,125	0.1
Village of Almena	2,099	-0-	2,099	0.1
City of Wisconsin Dells	2,026	-0-	2,026	0.1
City of Bloomer	1,995	-0-	1,995	0.1
City of Amery	1,002	991	1,993	0.1
City of Galesville	1,953	-0-	1,953	0.1
City of Green Lake	1,216	694	1,910	0.1
City of Horicon	490	1,419	1,909	0.1
City of Cumberland	1,764	133	1,896	0.1
Village of Lena	84	1,807	1,891	0.1
City of Gillett	1,456	416	1,872	0.1
Village of Ellsworth	1,641	220	1,861	0.1
Village of Egg Harbor	1,851	-0-	1,851	0.1
Three Lakes Sanitary District #1	1,343	453	1,795	0.1
Village of Johnson Creek	1,782	-0-	1,782	0.1
City of Beloit	1,781	-0-	1,781	0.1
City of Peshtigo	968	812	1,780	0.1
City of Tomah	-0-	1,720	1,720	0.1
Ashippun Sanitary District	1,692	-0-	1,692	0.1
Shelby Sanitary District #2	-0-	1,656	1,656	0.1
City of Nekoosa	661	991	1,652	0.1
City of Thorp	320	1,330	1,651	0.1
Village of Lake Hallie	-0-	1,635	1,635	0.1
Village of Mishicot	1,249	368	1,617	0.1

Table VI-4 – Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2022
(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
Village of New Auburn	$1,125	$473	$1,599	0.1%
Little Suamico Sanitary District #1	1,594	-0-	1,594	0.1
Village of Dane	-0-	1,587	1,587	0.1
Village of Black Earth	756	815	1,572	0.1
Village of Curtiss	544	988	1,532	0.1
City of Columbus	1,508	-0-	1,508	0.1
Village of Stratford	263	1,210	1,473	0.1
City of Clintonville	206	1,207	1,414	0.1
Village of Cambridge	1,316	88	1,403	0.1
Village of Stoddard	676	714	1,390	0.1
Village of Slinger	1,378	-0-	1,378	0.1
City of Independence	1,378	-0-	1,378	0.1
City of Mosinee	-0-	1,373	1,373	0.1
City of Blair	654	714	1,368	0.1
Town of Rome	-0-	1,364	1,364	0.1
City of Prairie du Chien	506	840	1,347	0.1
City of Pewaukee	1,335	-0-	1,335	0.1
Village of Biron	-0-	1,297	1,297	0.1
City of Ashland	1,045	249	1,294	0.1
City of Phillips	618	675	1,294	0.1
Village of Waldo	1,293	-0-	1,293	0.1
City of Owen	1,292	-0-	1,292	0.1
Village of Necedah	368	885	1,253	0.1
Western Racine County Sewerage District	1,243	-0-	1,243	0.1
City of Edgerton	1,049	189	1,238	0.1
Village of Greenville	520	716	1,236	0.1
City of Mellen	1,219	-0-	1,219	0.1
Algoma Sanitary District #1	-0-	1,207	1,207	0.1
City of Barron	156	1,048	1,204	0.1
Village of Black Creek	1,204	-0-	1,204	0.1
Village of Saukville	1,199	-0-	1,199	0.1
City of Ripon	449	743	1,192	0.1
Village of Theresa	1,191	-0-	1,191	0.1
Village of Suamico	1,183	-0-	1,183	0.1
Lyons Sanitary District #2	1,174	-0-	1,174	0.1
City of Darlington	1,066	104	1,170	0.1

Table VI-4 – Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2022
(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
Village of Bruce	$609	$559	$1,168	0.1%
Village of Little Chute	189	968	1,157	0.1
Village of Osceola	1,091	63	1,154	0.1
City of Mineral Point	-0-	1,152	1,152	0.0
Forest Junction Sanitary District	864	287	1,151	0.0
City of Rice Lake	-0-	1,148	1,148	0.0
Village of Pulaski	1,138	-0-	1,138	0.0
Village of Denmark	1,134	-0-	1,134	0.0
Village of Dorchester	775	357	1,132	0.0
Village of Turtle Lake	-0-	1,129	1,129	0.0
Village of Orfordville	454	668	1,122	0.0
Village of Cassville	811	307	1,118	0.0
City of Delavan	172	942	1,114	0.0
City of Brillion	-0-	1,098	1,098	0.0
Village of Ridgeway	-0-	1,089	1,089	0.0
O'Dell's Bay Sanitary District #1	1,083	-0-	1,083	0.0
Village of Somerset	123	942	1,065	0.0
Village of Random Lake	456	597	1,053	0.0
Village of Belgium	392	660	1,052	0.0
Village of Cameron	7	1,042	1,049	0.0
City of West Allis	1,039	-0-	1,039	0.0
City of Glenwood City	680	357	1,037	0.0
Village of Grantsburg	206	829	1,035	0.0
Town of Oakland Sanitary District #1	1,029	-0-	1,029	0.0
City of Sparta	564	430	994	0.0
Village of Cambria	129	842	971	0.0
Village of Sharon	970	-0-	970	0.0
City of Merrill	-0-	959	959	0.0
Village of Hammond	947	-0-	947	0.0
City of Shell Lake	502	444	946	0.0
Village of Alma Center	-0-	945	945	0.0
Maple Grove Sanitary District	944	-0-	944	0.0
Village of Oakfield	561	378	940	0.0
Village of Eden	926	-0-	926	0.0
Village of Lowell	924	-0-	924	0.0
City of Seymour	-0-	911	911	0.0

Table VI-4 – Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2022
(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
Village of Junction City	$277	$610	$887	0.0%
City of Black River Falls	552	333	884	0.0
Village of Frederic	873	-0-	873	0.0
City of Montreal	871	-0-	871	0.0
City of Chilton	851	-0-	851	0.0
Hingham Sanitary District	826	-0-	826	0.0
Village of Adell	826	-0-	826	0.0
City of Bayfield	220	603	823	0.0
Village of Fall Creek	-0-	819	819	0.0
Village of Prairie du Sac	-0-	818	818	0.0
City of Waterloo	815	-0-	815	0.0
Clarks Mills Sanitary District	812	-0-	812	0.0
Village of Reeseville	427	366	793	0.0
Village of Athens	764	-0-	764	0.0
Village of Walworth	758	-0-	758	0.0
Village of Rio	664	94	758	0.0
Village of Fox Crossing	753	-0-	753	0.0
City of Colby	-0-	731	731	0.0
Village of Eastman	459	246	704	0.0
Village of Cedar Grove	697	-0-	697	0.0
Village of Dickeyville	689	-0-	689	0.0
Village of Montfort	684	-0-	684	0.0
City of Mauston	682	-0-	682	0.0
Delafield - Hartland Pollution Control Commission	665	-0-	665	0.0
Village of Union Grove	-0-	661	661	0.0
City of Jefferson	-0-	638	638	0.0
City of River Falls	627	-0-	627	0.0
Village of South Wayne	139	483	622	0.0
Dale Sanitary District #1	616	-0-	616	0.0
Village of Chaseburg	-0-	612	612	0.0
Village of Trempealeau	-0-	601	601	0.0
Village of Rothschild	308	288	596	0.0
Village of Spring Valley	-0-	595	595	0.0
Village of Highland	-0-	591	591	0.0
Village of Saint Nazianz	250	331	580	0.0
City of Shullsburg	-0-	576	576	0.0

Table VI-4 – Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2022
(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
Village of Fredonia	-0-	$574	$574	0.0%
Village of Lyndon Station	-0-	559	559	0.0
Village of Cascade	$552	-0-	552	0.0
Village of Hobart	-0-	551	551	0.0
Village of Albany	330	220	550	0.0
Village of Plain	546	-0-	546	0.0
City of Berlin	-0-	543	543	0.0
Village of Withee	-0-	510	510	0.0
Village of Rock Springs	226	275	501	0.0
Village of Gresham	-0-	487	487	0.0
Village of Waterford	484	-0-	484	0.0
City of Antigo	477	-0-	477	0.0
City of Chetek	210	259	469	0.0
City of Pittsville	-0-	461	461	0.0
Village of Lone Rock	-0-	456	456	0.0
Village of Reedsville	-0-	452	452	0.0
Village of Bloomington	-0-	452	452	0.0
City of Elroy	97	353	450	0.0
Village of Plum City	442	-0-	442	0.0
Village of Wausaukee	79	361	440	0.0
Wrightstown Sanitary District #1	172	267	439	0.0
Village of Birchwood	438	-0-	438	0.0
Village of Port Edwards	423	-0-	423	0.0
Village of Blue River	241	163	404	0.0
Village of Bear Creek	-0-	404	404	0.0
City of Waupaca	300	104	403	0.0
City of Waupun	401	-0-	401	0.0
Village of Bristol	393	-0-	393	0.0
Village of Cashton	-0-	384	384	0.0
City of Portage	357	26	383	0.0
Village of Melrose	378	-0-	378	0.0
St. Joseph's Sanitary District No. 1	376	-0-	376	0.0
Village of Dallas	221	155	376	0.0
City of Juneau	374	-0-	374	0.0
Village of Hancock	-0-	373	373	0.0
City of Stanley	-0-	370	370	0.0

Table VI-4 – Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2022
(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
Village of Cobb	-0-	$358	$358	0.0%
City of Princeton	$191	163	354	0.0
City of Altoona	135	218	354	0.0
City of Alma	345	-0-	345	0.0
Village of Winter	172	169	342	0.0
Village of Butternut	107	231	338	0.0
Village of Merrillan	180	157	338	0.0
Village of Germantown	-0-	332	332	0.0
Village of Hawkins	278	47	325	0.0
Village of Windsor	-0-	323	323	0.0
Village of Browntown	-0-	319	319	0.0
City of Westby	-0-	319	319	0.0
Village of Minong	311	-0-	311	0.0
Village of Woodville	-0-	306	306	0.0
Village of Rockdale	301	-0-	301	0.0
City of Fountain City	29	261	290	0.0
Village of West Baraboo	-0-	274	274	0.0
City of Crandon	74	200	274	0.0
Village of Rib Lake	134	140	273	0.0
Village of Redgranite	-0-	-265-	265	0.0
Village of Ephraim	264	-0-	264	0.0
City of Brodhead	263	-0-	263	0.0
Village of Marshall	-0-	261	261	0.0
City of Algoma	254	-0-	254	0.0
Bluffview Sanitary District	60	192	253	0.0
Village of Kendall	-0-	251	251	0.0
Portland Sanitary District #1	248	-0-	248	0.0
Village of Coleman	248	-0-	248	0.0
Village of Amherst	-0-	241	241	0.0
Village of Edgar	240	-0-	240	0.0
Village of Suring	-0-	220	220	0.0
Village of Saint Cloud	-0-	220	220	0.0
Village of Muscoda	-0-	212	212	0.0
Village of Deerfield	-0-	210	210	0.0
Village of De Soto	209	-0-	209	0.0
Village of Boyceville	204	-0-	204	0.0

Table VI-4 – Continued

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND

OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES

December 15, 2022

(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
Village of Friesland	-0-	$203	$203	0.0%
City of Muskego	-0-	199	199	0.0
Town of Farmington Sanitary District	$198	-0-	198	0.0
Village of Weyerhaeuser	198	-0-	198	0.0
Iron River Sanitary District #1	-0-	195	195	0.0
Village of La Farge	-0-	194	194	0.0
Village of Soldiers Grove	187	-0-	187	0.0
Village of Whiting	-0-	185	185	0.0
City of Loyal	18	160	178	0.0
Madeline Sanitary District	175	-0-	175	0.0
City of Adams	-0-	173	173	0.0
Village of Bayside	171	-0-	171	0.0
Village of Vesper	156	-0-	156	0.0
Village of Bowler	-0-	148	148	0.0
Village of Camp Douglas	148	-0-	148	0.0
Village of Nelson	147	-0-	147	0.0
Village of Webster	-0-	147	147	0.0
Village of Ontario	-0-	144	144	0.0
Village of Radisson	-0-	143	143	0.0
Hatfield Sanitary District #1	143	-0-	143	0.0
Village of Maiden Rock	-0-	141	141	0.0
Village of Sherwood	-0-	139	139	0.0
Village of Siren	-0-	138	138	0.0
Village of Pepin	-0-	131	131	0.0
City of Hurley	-0-	131	131	0.0
Village of Luck	-0-	127	127	0.0
Village of Tony	127	-0-	127	0.0
Village of Avoca	124	-0-	124	0.0
Village of Cazenovia	-0-	119	119	0.0
Krakow Sanitary District No. 1	114	-0-	114	0.0
Rockland Sanitary District #1	114	-0-	114	0.0
Village of Auburndale	111	-0-	111	0.0
Village of Norwalk	104	-0-	104	0.0
Town of Dover	103	-0-	103	0.0
Village of North Freedom	96	-0-	96	0.0
Pikes Bay Sanitary District	86	-0-	86	0.0

Table VI-4 – Continued
STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
OUTSTANDING PLEDGED LOAN PRINCIPAL BALANCES
December 15, 2022
(Amounts in Thousands)

Borrower	Clean Water Fund Program Balance	Safe Drinking Water Loan Program Balance	Total Pledged Loan Balance	Share of Pledged Loan Balance
Village of Rockland	-0-	$85	$85	0.0%
Village of Granton	-0-	74	74	0.0
Village of Poplar	$69	-0-	69	0.0
Village of Hustisford	-0-	68	68	0.0
Village of Luxemburg	67	-0-	67	0.0
Village of Poynette	63	-0-	63	0.0
Village of Rewey	-0-	36	36	0.0
Village of Warrens	-0-	35	35	0.0
Village of Arena	-0-	35	35	0.0
Glidden Sanitary District	-0-	34	34	0.0
Village of Brownsville	-0-	24	24	0.0
Village of Genoa	-0-	18	18	0.0
Totals	**$1,890,616**	**$415,894**	**$2,306,510**	**100.0 %**

Lending Criteria and Conditions

Sections 281.58, 281.59, and 281.61 of the Wisconsin Statutes, as amended **(Act)**, set forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program or the Safe Drinking Water Loan Program. Financial assistance can only be awarded to the types of governments specified by the Act. The Act provides that the Municipality must comply with a number of requirements, including establishing a dedicated source of revenue for the repayment of the financial assistance, complying with the requirements of the Water Quality Act or Safe Drinking Water Act, developing a program of water conservation as required by DNR, developing a program of systematic operation and maintenance of the treatment works or public water system, including the training of personnel, as required by DNR, and developing and adopting a system of equitable user charges or fees.

Although the Act permits financial assistance to take forms other than Loans, such as guaranteeing or purchasing insurance for Municipal Obligations or subsidizing the interest cost on certain other loans, the State currently makes financial assistance available from the Clean Water Fund Program and the Safe Drinking Water Loan Program primarily by making Loans to Municipalities at interest rates that are at or below market rates determined by the State, as specified in the Act.

The State currently determines the market interest rate, which is the same for both Programs, based on a calculated cost of borrowing using various indices and taking into consideration other factors. A review is done quarterly to complete this determination, but changes to the market interest rate may be made at any time based on the discretion of the State. The following is a summary of market interest rate changes in the past five years for Loans having repayment terms not exceeding 20 years:

- Decreased from 3.40% to 3.20% on October 1, 2017,

- Increased from 3.20% to 3.40% on April 1, 2018,
- Increased from 3.40% to 3.60% on January 1, 2019,
- Decreased from 3.60% to 3.20% on July 1, 2019,
- Decreased from 3.20% to 3.00% on October 1, 2019,
- Increased from 3.00% to 3.20% on April 1, 2020,
- Decreased from 3.20% to 3.00% on October 1, 2020,
- Decreased from 3.00% to 2.70% on January 1, 2021,
- Increased from 2.70% to 3.00% on April 1, 2022,
- Increased from 3.00% to 3.70% on April 19, 2022, and
- Increased from 3.70% to 3.90% on July 1, 2022.

The market interest rate discussion above is for the historical Loan terms not exceeding 20 years. 2017 Wisconsin Act 59 included provisions that allow for Loan terms under the Clean Water Fund Program to extend up to 30 years. 2019 Wisconsin Act 9 included similar provisions that allow for Loan terms under the Safe Drinking Water Loan Program to also extend up to 30 years. A separate market interest rate (currently, and subject to periodic review using various indices and taking into consideration other factors, 0.20% greater than the rate for Loan terms not exceeding 20 years) is established for Loans with terms that exceed 20 years.

Proceeds of Loans are disbursed in installments pursuant to a Municipality's Financial Assistance Agreement, as project costs are incurred. As proceeds are disbursed, interest on the Loan accrues on the amount disbursed from the date of disbursement until the date such amount is repaid. The interest rate in effect at the time the Municipality authorizes the execution of the Financial Assistance Agreement applies to all disbursements of the Loan.

In most instances, the repayment schedule of each Loan is structured to provide level annual debt service from the disbursement dates until the final maturity specified in the Municipality's Financial Assistance Agreement. Upon project completion, the Municipality's Loan repayment schedule under its Financial Assistance Agreement will reflect the cumulative principal amortization of the disbursements to the Municipality.

If an audit of the project conducted after the final disbursement of a Loan reveals that the eligible project costs are less than the amount disbursed to the Municipality, the Municipality agrees to reimburse the State within 60 days after DNR or DOA provides a notice of overpayment.

If the Municipality fails to make any payment when due on the Municipal Obligation or fails to observe or perform any other covenant, condition or agreement on its part under the Financial Assistance Agreement for a period of 30 days after written notice specifying the default and requesting that it be remedied has been given to the Municipality by DNR, the State shall have all remedies provided by law and, to the extent permitted by law, the Financial Assistance Agreement.

Each Financial Assistance Agreement requires the Municipality to submit annual audited financial statements to the State, within 180 days after the end of the Municipality's fiscal year, for the State's review. DOA takes an active role in the collection of these documents with initial and follow-up requests to Municipalities that have not complied with this requirement. The State's review of these financial statements focuses on revenue sufficiency; if concerns about sufficient revenues are identified, the Municipality is notified and required, pursuant to the Financial Assistance Agreement, to take actions to address the concerns. In addition, each

Municipality covenants in the Financial Assistance Agreement to review its user charge system and user fees every two years for the life of the Loan.

See "MUNICIPALITIES", "LOANS", and "LENDING CRITERIA" for additional information concerning the loan application process, lending criteria, levy limits for municipalities, and Financial Assistance Agreements.

As of December 15, 2022, no Municipality has been in default in the payment of any Municipal Obligation issued to evidence a Pledged Loan.

Statutory Powers

The Act includes several provisions that may provide additional security for payment of the principal or redemption price of, and interest on, the Bonds. These provisions include State Aid intercept, collection through county treasurers, and state moral obligation, if designated. See "LOANS; Statutory Powers" for more information.

Milwaukee Metropolitan Sewerage District

Based on balances as of December 15, 2022, Pledged Loans to the Milwaukee Metropolitan Sewerage District **(MMSD)** were outstanding in the principal amount of $364 million, which was approximately 16% of the total principal amount of all outstanding Pledged Loans. Based on cash flows servicing the Outstanding Bonds as of June 30, 2022, Pledged Loans to MMSD were 16% of such cash flows. MMSD has the largest outstanding balance of pledged loans.

Additional Bonds

The Program Resolution permits the issuance of additional Senior Bonds or Subordinate Bonds. Prior to the issuance of any Bonds, the State must certify that (1) it is not in default in the performance of any of its covenants and agreements in the Program Resolution (unless, in the opinion of Independent Counsel, any such default does not deprive any Beneficiary in any material respect of the security afforded by the Program Resolution) and (2) as of the date of issuance of the Bonds (and after giving effect to the issuance of the Bonds and the pledge of any additional Pledged Loans to be financed with such Bonds or otherwise to be pledged), (i) the Aggregate Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year, and (ii) if the Bonds to be issued are Senior Bonds, the Senior Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year.

In connection with the issuance of Refunding Bonds, the State may instead certify that the issuance of the Refunding Bonds will not increase Debt Service in any Fiscal Year.

Prepayment of Pledged Loans Limited

The State may consent to prepayment of any Pledged Loan and the Municipal Obligation evidencing such Pledged Loan only if it delivers a State Certificate to the effect that, immediately following such prepayment (and giving effect to the deposit of the proceeds thereof into the applicable Fund or Account and the further application thereof), the State could issue at least $1 of additional Bonds under the tests set forth in the Program Resolution and described above under "SECURITY; Additional Bonds".

Disposition of Loans

The State may sell, assign, transfer or otherwise dispose of any Pledged Loan and the Municipal Obligation evidencing such Pledged Loan, free and clear of the pledge of the Program Resolution and at such price as the Building Commission (or the Capital Finance Director, on behalf of the Building Commission) may determine. Prior to any such sale or disposition, the State must deliver a State Certificate to the effect that, immediately following such sale, assignment, transfer or disposition (and if applicable, giving effect to the deposit of the proceeds thereof into the applicable Fund or Account and the further application thereof), the State could issue at least $1 of additional Bonds under the tests set forth in the Program Resolution and described above under "SECURITY; Additional Bonds".

The State may also assign, transfer or otherwise dispose of any Pledged Loan and the Municipal Obligation evidencing such Pledged Loan and deposit the proceeds in the applicable Account of the Revenue Fund as specified in a State Certificate, if such Pledged Loan is delinquent in payments of principal or interest and if in the reasonable opinion of the State, as evidenced by a State Certificate, the proceeds of such sale, assignment, transfer or disposition are not less than the fair market value of such delinquent Pledged Loan and Municipal Obligation.

Amendment of Loan Terms

The State may consent or agree to permit amendment or modification of any Financial Assistance Agreement or Municipal Obligation, including amendments and modifications made in connection with settlement of any delinquency or default on any Pledged Loan which settlement the State determines to be in the best interests of the State. However, an amendment or modification will be permitted only if the amended Financial Assistance Agreement or Municipal Obligation and the Pledged Loan thereunder satisfy the requirements of the Program Resolution for a Pledged Loan and the State determines that the modification will not have a material adverse effect, taking into account the reasonable expectations with respect to the Pledged Loan in question immediately prior to the modification, on the State's ability to pay the principal of and interest on the Bonds and the Other Obligations. In addition, prior to any such amendment or modification that reduces the payments due under the Municipal Obligation securing any Pledged Loan, the State must file with the Trustee a State Certificate to the effect that, immediately following such amendment or modification, the State could issue at least $1 of additional Bonds under the tests set forth in the Program Resolution and described under "SECURITY; Additional Bonds".

Flow of Funds

Within the Revenue Fund there are a Clean Water Revenue Account and a Safe Drinking Water Revenue Account, within each of which Accounts there are a Principal Receipts Subaccount and an Interest Receipts Subaccount.

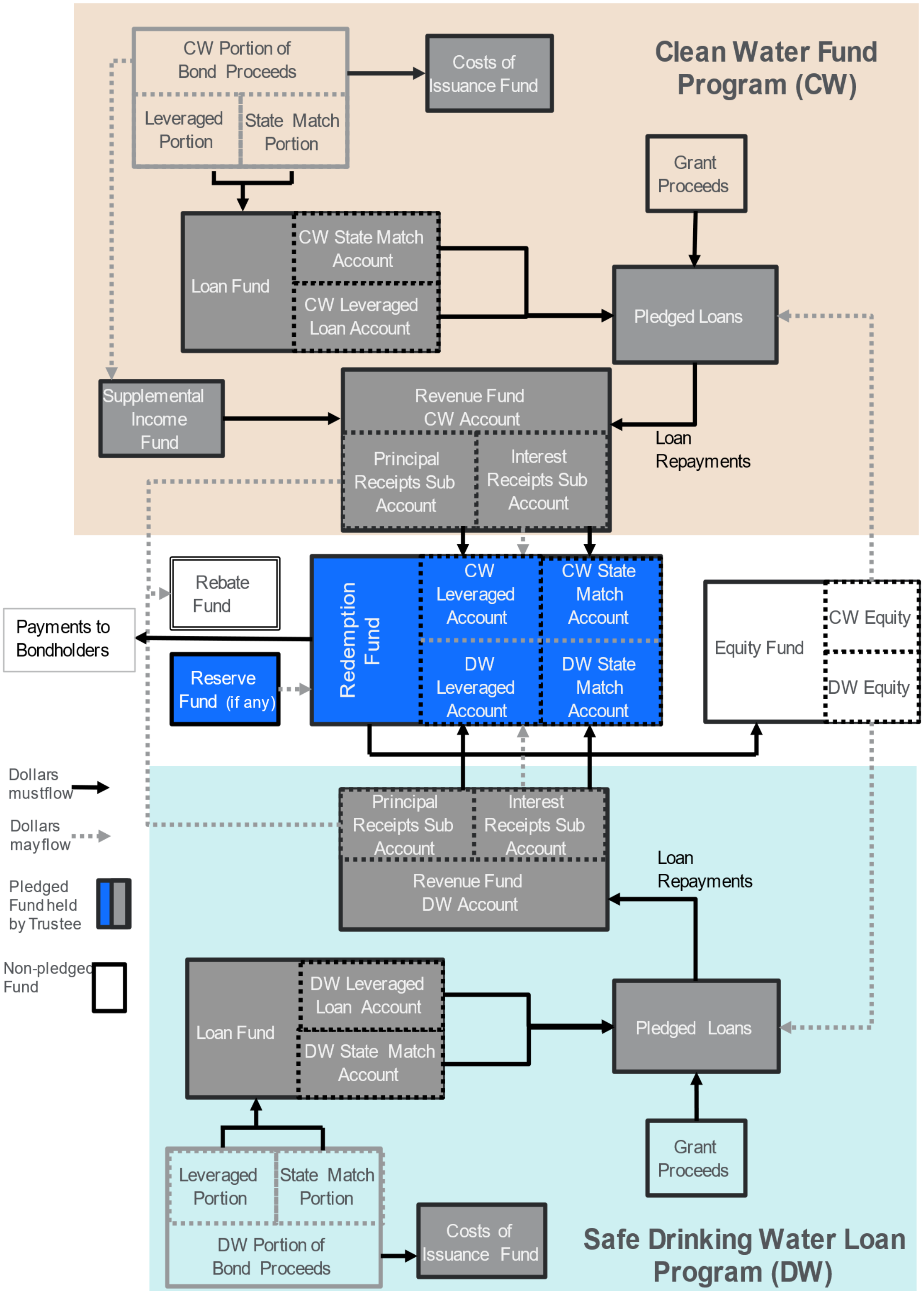
Upon receipt, all Pledged Revenues (other than (i) payments under Credit Enhancement Facilities or for the payment of the purchase price of Bonds on a Tender Date and (ii) any proceeds of the sale or other disposition of Pledged Loans that the State directs to be deposited in the Loan Fund or another Fund) shall be deposited to the Revenue Fund. All Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Clean Water Fund Program, and all Counterparty Swap Payments allocable to the Leveraged Clean Water Portion and the State Match Clean Water Portion, shall be credited to the Clean Water Revenue Account. Likewise, all Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Safe Drinking Water Loan Program, and all Counterparty Swap Payments allocable to the Leveraged Safe Drinking Water Portion and the State Match Safe Drinking Water Portion, shall be credited to the Safe Drinking Water Revenue Account. No Swap Agreements were entered into in connection with the issuance of the Outstanding Bonds or are otherwise contemplated at this time.

On each June 1 and December 1 (each a **Transfer Date**), amounts in the Revenue Fund are transferred to the applicable accounts in the Redemption Fund and applied to pay the debt service on the Bonds as described under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Revenue Fund".

The Equity Fund is held and maintained by the State and is not subject to the lien of the Program Resolution. There shall be deposited in the Equity Fund (i) all Fees and Charges, (ii) amounts transferred from the Revenue Fund on a Transfer Date, upon State Direction, following transfers to pay debt service on the Bonds and all other required transfers, and (iii) such additional funds that are not subject to the lien of the Program Resolution as may be directed by an Authorized Commission Representative. Moneys and securities may be transferred from the Equity Fund for any purpose authorized by the Act and deposited into other funds and accounts established by the Program Resolution at the written direction of an Authorized Commission Representative.

The following diagram is a detailed summary of the flow of funds under the Program Resolution. Further details of the flow of funds within the Program Resolution are outlined in "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION".

Detailed Flow of Funds*



* Additional detail on flow of funds outlined in section entitled "Summary of Certain Provisions of Program Resolution"

No Acceleration

Upon the occurrence of an Event of Default under the Program Resolution, there is no remedy of acceleration available to the Trustee with respect to the Bonds.

Investment of Funds

Moneys held under the Program Resolution, including proceeds of the Bonds held in the Loan Fund pending disbursement under Financial Assistance Agreements, will be invested by the Trustee, at the direction of the State, in Permitted Investments.

Funding Levels

The Clean Water Fund Program and the Safe Drinking Water Loan Program continue to receive applications for financial assistance and review and approve such applications prior to award of any additional Loans (including Pledged Loans). The amount of federal funding available in the future may affect the amount of Loans to be made by the Clean Water Fund Program and the Safe Drinking Water Loan Program and the amount of Bonds to be issued by the State. See "FINANCING PLAN".

Non-Impairment

Under Section 18.61 (2), Wisconsin Statutes, the State pledges and agrees with the Holders of the Bonds and the Other Beneficiaries that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds and the Other Beneficiaries or in any way impair the rights and remedies of the Holders of the Bonds or the Other Beneficiaries until the Bonds, together with interest (including interest on any unpaid installments of interest) and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds are fully met and discharged and the Other Beneficiaries are fully discharged or provided for.

PROJECTED CASH FLOW AND DEBT SERVICE TABLE

Table VI-5 sets forth projections of Projected Annual Revenues, Debt Service, and Aggregate Debt Service Coverage Ratio for each Fiscal Year. The projections assume that there are no defaults on the Pledged Loans. Actual events may vary from that assumption and any variations may be material and adverse. The presentation of projected Aggregate Debt Service Coverage Ratios does not constitute a representation by the State that the Projected Annual Revenues will be realized or will be received at the times or in the amounts projected.

Table VI-5 assumes that the Outstanding Bonds continue to be the only Bonds outstanding under the Program Resolution. Projected Annual Revenues, as expressed in Table VI-5, includes only the payments associated with the Pledged Loans outstanding as of December 15, 2022. The disbursement of the remaining 2022 Bond proceeds, combined with other sources, for Pledged Loans will increase the Projected Annual Revenues and the Aggregate Debt Service Coverage Ratio. The future issuance of additional Bonds and the acquisition of additional Pledged Loans will also affect the Projected Annual Revenues, the annual Debt Service amounts, and the Aggregate Debt Service Coverage Ratios. See "SECURITY; Additional Bonds".

Although satisfying certain projected Aggregate Debt Service Coverage Ratio tests is a condition to the issuance of additional Bonds under the Program Resolution, failure to maintain any level of coverage is not a default under the Program Resolution.

Table VI-5
PROJECTED DEBT SERVICE COVERAGE

Year Ending June 30	Revenue	Debt Service	Coverage Ratio
2023	$ 244,633,480	$ 47,386,172	5.16x
2024	241,070,372	51,370,200	4.69
2025	232,517,282	49,971,450	4.65
2026	213,584,824	47,908,450	4.46
2027	201,949,473	31,483,700	6.41
2028	186,922,379	29,826,200	6.27
2029	165,316,692	29,829,450	5.54
2030	152,115,484	29,822,200	5.10
2031	139,667,763	27,572,700	5.07
2032	123,551,886	28,174,400	4.39
2033	117,008,377	28,503,550	4.11
2034	103,136,204	27,985,200	3.69
2035	93,387,460	32,128,700	2.91
2036	75,968,593	23,359,900	3.25
2037	70,209,835	20,536,650	3.42
2038	62,998,008	16,995,500	3.71
2039	52,262,881	12,072,300	4.33
2040	42,174,204	9,473,200	4.45
2041	27,859,201	2,257,750	12.34
2042	17,692,658	2,260,250	7.83
2043	14,200,123	2,262,750	6.28

MUNICIPALITIES

General

Pursuant to the Act, the Clean Water Fund Program and the Safe Drinking Water Loan Program are authorized to provide financial assistance in the form of Loans to any Municipality. The following discussion applies to all Loans under the Clean Water Fund Program and the Safe Drinking Water Loan Program. A Municipality may be any city, town, village, county, town sanitary district, or public inland lake protection and rehabilitation district. For the Clean Water Fund Program, a Municipality may also be a metropolitan sewerage district or a federally recognized American Indian tribe or band located in the State, and for the Safe Drinking Water Loan Program, a Municipality may also be a joint local water authority or municipal water district. Due to the diversity of the types of potential recipients of financial assistance, the manner in which the Municipalities raise revenues and issue and secure debt will vary. The Program Resolution provides for financial assistance to other Borrowers. However, amendments to the Act would be needed before financial assistance to other Borrowers could be financed with Bonds.

Prospective municipal borrowers fall into one of several general categories:

- *General-purpose municipalities,* such as counties, cities, villages, and towns, may borrow for a variety of public purposes, including the construction or improvement of wastewater and water facilities. Such general-purpose municipalities may incur long-term obligations in the form of general obligation debt secured by property tax levies, revenue obligations secured by user fees and special assessments, or installment lease contracts.

- *Special-purpose municipalities,* such as town sanitary districts, public inland lake protection and rehabilitation districts, metropolitan sewerage districts, joint local water authorities, and municipal water districts, may borrow for the purpose for which they are created, primarily wastewater and water facilities. Debt may be incurred by special-purpose municipalities in generally the same forms as may be incurred by general-purpose municipalities. Town utility districts may be utilized by towns to allocate tax levies, but the town is the actual borrower, and any general obligation issued for a town utility district is secured by the full faith and credit of the entire town.
- *Indian tribes and bands* are sovereign governments that may borrow for various purposes, including the construction or improvement of wastewater and water facilities.
- *Intergovernmental cooperation commissions* are special-purpose intergovernmental bodies formed by agreements authorized under State law between two or more Municipalities. Because an intergovernmental cooperation commission does not have general taxing powers and typically depends upon its contracting members to collect revenues via user fees or tax levies from individual users of wastewater and water facilities, Loans are made only to the individual Municipalities that constitute the intergovernmental cooperation commission.

Constitutional and Statutory Requirements

Municipal powers are primarily statutory and in some instances established by the State Constitution. To the extent not inconsistent with the State Constitution and State law, Municipalities may adopt and amend local laws and ordinances relating to their property, affairs, or government.

In general, the State Constitution and State law limit the power of Municipalities to issue Municipal Obligations and otherwise to contract indebtedness. As a condition for making any Loan, the State requires an opinion of counsel to the effect that (subject to certain exceptions for bankruptcy, insolvency, and similar laws affecting creditors' rights or remedies and equitable principles) the Financial Assistance Agreement and the Municipal Obligation evidencing the Loan constitute legal, valid, and binding obligations of the Municipality, enforceable against the Municipality in accordance with their respective terms.

Limitations on Indebtedness

Generally, the aggregate general obligation debt that may be incurred by a Municipality may not exceed 5% of the equalized value of all real estate in the Municipality. Municipalities are not limited as to the amount of revenue obligations that they may incur. However, as described under "LENDING CRITERIA", the Act requires that a Municipality must comply with a number of requirements, including establishing a dedicated source of revenue for the repayment of financial assistance and developing and adopting a system of equitable user charges or user fees.

Revenues

Revenues of counties, cities, villages, and towns are principally derived from property taxes, State and federal aids, and fees and charges. Counties may levy a sales tax of up to a 0.5% rate. For a discussion of real property taxes and special assessments, see "MUNICIPALITIES; Collection of Real Property Taxes and Assessments".

Counties, cities, villages, and towns receive financial assistance from the State (**State Aid**). The State is not constitutionally obligated to maintain or continue State Aid. Accordingly, no assurance can be given that present State Aid levels will be maintained in the future. The payment of State Aid by the State is subject to appropriations being made by the Legislature. As discussed in more detail under "LOANS; Statutory Powers", DOA may intercept State Aid payable to certain types of Municipalities if such a Municipality defaults on a Loan.

Collection of Real Property Taxes and Assessments

Real property taxes, special assessments, and special charges are collected by the county treasurer and remitted to the proper taxing authority. Special assessments may be levied generally by a taxing authority as an assessment against property to compensate for all, or part of, the costs of a public work or improvement which benefits the property. The right to levy special assessments may be based upon the taxing power of the Municipality or the police power of the Municipality. The clearest difference between the two types of special assessments is that under the taxing power, the amount of the special assessment may not exceed the benefit conferred on the property, while under the police power, the amount of the special assessment need only be determined upon a reasonable basis as determined by the governing body of the Municipality. Costs of any public work or improvements that may be reflected in whole or in part by special assessments may include the direct and indirect costs thereof and the anticipated interest on a Municipal Obligation issued in anticipation of the collection of the assessments. Special assessments are collected by county treasurers along with general property taxes.

General property taxes may be paid in installments in the year following the levy thereof (so long as all installments are paid no later than July 31). Special assessments and special charges included in the tax roll must be paid in full on or before January 31. Even though a person elects to pay general property taxes in installments, if any special assessment or special charge entered on the tax roll is delinquent because it is not paid by January 31, the entire annual amount of real property taxes on that parcel that is unpaid becomes delinquent as of February 1. If the county treasurer receives a payment that is not sufficient to pay all general property taxes, special assessments, and special charges, the county treasurer applies the payments to the amounts due, including interest and penalties, in the following order:

- Special charges
- Special assessments
- Special taxes
- General property taxes

The county treasurer settles with the appropriate taxation district on or before January 15 of each year for all payments received through the previous December 31, and on or before February 20 for all payments received through January 31, including all special assessments and special charges received.

On or before each August 20, the county treasurer must settle in full with the underlying taxing jurisdictions for all real estate and special taxes (except special assessments). Counties are authorized, but not required, to settle in full with all taxing jurisdictions for special assessments and special charges, and if so directed by the county board of supervisors, August 20 would be the date upon which the Municipality would receive the cash in settlement of unpaid special assessments and special charges.

As discussed under "LOANS; Statutory Powers", if a Municipality is in default of payment on its Municipal Obligation, the State may, pursuant to the Act, add a special charge to the amount of State taxes levied upon the county. The enforceability of such a procedure has not been tested in court. Therefore, no assurance can be given as to the enforceability of this procedure.

A Municipality issuing a general obligation to the State must levy sufficient taxes, upon the adoption of the resolution authorizing the Municipal Obligation, to pay debt service on the Municipal Obligation, which tax levy will be collected along with other real estate taxes as discussed above. A Municipality may, however, abate such levy to the extent it deposits amounts in its statutorily required debt service fund before the date it carries the levy unto the tax roll. A Municipality issuing a revenue obligation may rely entirely upon sewer or water utility revenues to pay the Municipal Obligation or, alternatively, may in addition levy special assessments upon property within the boundaries of the Municipality in an amount sufficient to pay all or part of the Municipal Obligation.

Municipalities Exhibiting Financial Distress

The State is not aware that any Municipalities that are current Borrowers from the Environmental Improvement Fund loan Programs have made disclosures relating to financial distress they were undergoing. The State intends to provide additional information in future annual reports in the event a Municipality exhibits or discloses financial distress to the State.

LOANS

Financial Assistance

Clean Water Fund Program

Clean Water Fund Program projects are segregated into five different project-type categories. Interest rates for the project-type categories are determined pursuant to the Act.

The five project types include the following:

- *Compliance Maintenance/New and Changed Limits Projects*–Projects that are necessary to maintain compliance with permit requirements or to implement new or changed effluent limits required by DNR. If the project includes construction of a septage receiving and treatment facility, that portion of the project may be eligible for an interest rate of 0%.
- *Stormwater & Nonpoint Projects*–Projects pertaining to urban stormwater and nonpoint pollution sources.
- *Unsewered Projects*–Projects involving unsewered areas within Municipalities. More than two-thirds of the initial flow must be wastewater originating from residences in existence at least 20 years prior to the application date for this type of project to qualify for assistance.
- *Industrial, Violator, and Future Growth Projects*–Projects that address violations of a DNR discharge permit or that provide industrial or reserve capacity, or that involve certain other capital costs attributed to industrial or commercial needs or involve unsewered areas where residences were not in existence at least 20 years prior to the application date.
- *Pilot Projects*–Other projects consistent with the federal program for state water pollution control revolving funds.

Prior to July 1, 2011, the interest rate on each Loan varied by project type and the Clean Water Fund Program's costs of borrowing. Differing interest rates were designed to provide greater incentives for compliance with environmental requirements than for new sewer systems or correcting discharge permit violations.

Loans made after July 1, 2011, and prior to July 13, 2015, to finance most project-type categories had interest rates set at 75% of the actual or calculated cost of borrowing. Loans made on or after July 13, 2015, and prior to September 21, 2017, have an interest rate equal to 70% of the estimated cost of borrowing.

Loans made on or after September 21, 2017, have an interest rate equal to 55% of the estimated cost of borrowing, except that certain Loans may have interest rate equal to 33% of the estimated cost of borrowing if the Municipality has a population less than 10,000 and a median household income equal to or less than 80% of the median household income of the State, or equal to 0% if the Municipality has a population less than 1,000 and a median household income equal to or less than 65% of the median household income of the State.

The 2011, 2015, and 2017 changes to interest rates did not affect industrial, violator, or future growth projects. These projects may receive Loans at an interest rate equal to 100% of the estimated cost of borrowing.

If a Municipality undertakes a project that includes more than one of the above categories (or components within a category), the respective portions of the project may be allocated accordingly, resulting in a Loan with a blended interest rate. Most Clean Water Fund Program Loans have been made for compliance maintenance projects.

Safe Drinking Water Loan Program

The Safe Drinking Water Loan Program offers subsidized interest rates of 55% of the actual or calculated cost of borrowing for eligible Safe Drinking Water Loan Program projects. Loans to disadvantaged communities with populations less than 10,000 and median household incomes less than or equal to 80% of the State's median household income are offered at 33% of the State's market rate.

General

In a limited number of cases, the Clean Water Fund Program and the Safe Drinking Water Loan Program may provide additional financial assistance in the form of Loans with interest rates lower than those indicated above for qualifying projects. Prior State law established a program to provide additional assistance in the form of grants to Municipalities qualified as hardship.

The Clean Water Fund Program and the Safe Drinking Water Loan Program have provided financial assistance in the form of principal forgiveness, which has been a component of recent Capitalization Grants. Between October 1, 2009, and December 15, 2022, financial assistance in the form of principal forgiveness has been included in Financial Assistance Agreements made with Municipalities. The amount of Capitalization Grants allocable to principal forgiveness for this period is $293 million.

Requirements Under the Act

The Act sets forth certain requirements for eligibility of a Municipality to receive financial assistance from the Clean Water Fund Program and the Safe Drinking Water Loan Program. Each Municipality must be one of the types of governments specified by the Act. See "MUNICIPALITIES; General". The Act further requires that the Municipality comply with other requirements, including establishing a dedicated source of revenue for the repayment of the financial assistance, complying with the requirements of the Water Quality Act, developing a program of water conservation as required by DNR, and developing and adopting a system of equitable user charges or user fees. While the Act permits financial assistance to take forms other than Loans, such as guaranteeing or purchasing insurance for Municipal Obligations or subsidizing the interest cost on certain other loans, the State currently makes financial assistance available from the Clean Water Fund Program and the Safe Drinking Water Loan Program primarily by making Loans to Municipalities at interest rates that are at or below market rates, as specified in the Act.

DNR is responsible for establishing eligibility criteria for determining applicants and projects that are eligible to receive financial assistance. Among the criteria DNR considers are water quality and public health. A Municipality is eligible for financial assistance from the Clean Water Fund Program for a wastewater project that corrects a DNR discharge violation.

Loan Application Process

DOA and DNR have developed separate application forms for the Clean Water Fund Program and the Safe Drinking Water Loan Program, which Municipalities use to apply for financial assistance from the respective Programs. The application forms require the Municipality to provide technical information regarding the proposed project and the existing wastewater or water system, a project schedule, financial information relating to the project, and financial and other information relating to the Municipality. The application is reviewed by DNR for items pertaining to technical, administrative, and environmental matters, including project eligibility and determination of the interest rate category for which the project is eligible. The application is reviewed by DOA to determine, among other things:

- The financial capability of the applicant to repay its loan,
- The financial terms and conditions of the loan, and
- The security that will be required to be pledged by the Municipality for the loan.

A Loan is made only if DOA determines that the Municipality is likely to be able to repay the loan.

Financial Assistance Agreements

Upon a determination by DOA that the Municipality meets the financial criteria that DOA has established, DNR and DOA may approve an application and enter into a Financial Assistance Agreement, by which the Loan is made. The Financial Assistance Agreement contains the terms and conditions of the Loan, including the final maturity, maximum principal amount, interest rate, procedures for disbursement of funds to the Municipality, agreements of the Municipality to construct the project, and covenants of the Municipality regarding proper use of Loan proceeds and compliance with Clean Water Fund Program or Safe Drinking Water Loan Program requirements.

Certain Provisions of Financial Assistance Agreements

Proceeds of Loans are disbursed in installments pursuant to a Municipality's Financial Assistance Agreement, as project costs are incurred. As proceeds are disbursed, interest on the Loan accrues on the amount disbursed from the date of disbursement until the date such amount is repaid.

In most instances, the repayment schedule of each Loan is structured to provide level annual debt service from the disbursement dates until the final maturity date specified in the Municipality's Financial Assistance Agreement. Upon project completion, the Municipality's Loan repayment schedule under its Financial Assistance Agreement will reflect the cumulative principal amortization of the disbursements to the Municipality.

If the final audit of the project reveals that the eligible project costs are less than the amount disbursed to the Municipality, the Municipality agrees to reimburse the State within 60 days after DNR or DOA provides a notice of overpayment.

If the Municipality fails to make any payment when due on the Municipal Obligation or fails to observe or perform any other covenant, condition, or agreement on its part under the Financial Assistance Agreement for a period of 30 days after written notice specifying the default and requesting that it be remedied has been given to the Municipality by DNR, the State has all remedies provided by law and, to the extent permitted by law, the Financial Assistance Agreement.

The Financial Assistance Agreement may be modified or amended upon a written agreement between the State and the Municipality.

Loans and Municipal Obligations

Upon execution of a Financial Assistance Agreement, a Municipality must issue and deliver to the State one or more Municipal Obligations evidencing the obligation of the Municipality to repay the Loan. The Municipal Obligations reflect the terms of the Loan set forth in the Financial Assistance Agreement. Upon execution of a Financial Assistance Agreement and issuance of the Municipal Obligations, a Municipality must deliver an opinion of counsel concerning the validity and enforceability of its obligations under the agreement.

Statutory Powers

The Act includes several provisions that may provide additional security in the event a Municipality does not make payment of principal of, or interest on, its Loan. These provisions include State Aid intercept, collection through county treasurers, and (only in the case of a Loan made under the Clean Water Fund Program that has been designated for such purpose) a State moral obligation.

State Aid Intercept

The Act confers an intercept power upon DOA. If a Municipal Obligation is in default, DOA, as the paying agent for State moneys payable to Wisconsin municipalities, must place on file a certified statement of all amounts due under the Loan. Thereafter, DOA is authorized to collect all amounts due under the Loan by deducting those amounts from any State Aid payments due the Municipality. The State has covenanted in the Program Resolution to exercise this intercept power with respect to Pledged Loans to the extent State Aid payments are available. The amount of money realized by the Clean Water Fund Program or the Safe Drinking Water Loan Program from the exercise of the intercept power will depend on the amount of State Aid payments to the Municipality. Certain Municipalities, including but not limited to town sanitary districts, public inland lake protection and rehabilitation districts, metropolitan sewerage districts, joint local water authorities, municipal water districts, and intergovernmental cooperation commissions, do not receive any State Aid payments. The level of State Aid payments to Municipalities may vary in the future. Although State Aid payments can be intercepted by DOA for certain other purposes, current administrative rules require DOA to exercise the Clean Water Fund Program or Safe Drinking Water Loan Program intercept as a first charge against State Aid payments due to a particular Municipality. As of December 15, 2022, DOA had not exercised this intercept power.

Collection Through County Treasurers

If a Municipal Obligation to the State is in default, the Act gives DOA the authority, after placing on file the certified statement of amounts due under a Loan, to add the amount due on the Loan as a special charge to the amount of taxes levied upon the county in which the defaulting Municipality is located. In turn, the county treasurer must apportion the amount of such special charges to the underlying governmental entities. The special charges are then collected with the annual property tax. The enforceability of this procedure for collection of special charges has not been tested in court. Accordingly, no assurance can be given as to the enforceability of this procedure. As of December 15, 2022, DOA had not taken any actions under this authorization.

Power to Designate a Loan as a State Moral Obligation

At the time of making a Clean Water Fund Program Loan, the Building Commission may by resolution designate the Loan as one to which the State moral obligation applies. The Act provides that, if payments received or expected to be received from a Municipality for a Loan that has been so designated are insufficient to pay when due the principal of, and interest on, such Loan, DOA shall certify the amount of such insufficiency to the Secretary of Administration, the Governor, and the Joint Committee on Finance. The Joint Committee on Finance must then introduce a bill appropriating the amount so requested for the purpose of payment of the designated Loan. Recognizing its moral obligation, the Legislature expressed in the Act its expectation and aspiration that it would make such an appropriation if ever called upon to do so. The moral obligation does not apply to the Bonds; it applies only to the Loans that are specifically designated by the Building Commission when the Loan is made.

In the opinion of Bond Counsel, the provisions of the Act relating to the State's moral obligation do not violate the constitution of the State or any other law of the State, but such provisions do not constitute a legally enforceable obligation or create a debt on behalf of the State.

No Loan has been designated as a moral obligation Loan, and no Loan is expected to be so designated.

Loan Terms

Loan Size

The size of each Loan is determined as follows:

- The principal amount of the Loan will not exceed 100% of the estimated project costs, plus a contingency of up to 10% where applicable, plus any allowable amount of capitalized interest on the Loan.
- A contingency amount may be allowed only if the project has not been completed.
- In general, capitalized interest is only allowed for Municipalities that will not have revenues available for Loan debt service until after the Project is complete (such as unsewered Municipalities or those without water service).

Final Maturity and Amortization

The final maturity on a Loan from the Clean Water Fund Program or the Safe Drinking Water Loan Program may not exceed 30 years from the date of its origination. DOA requires principal amortization that is typically on a level-debt-service basis with principal amortization typically beginning not later than 12 months after the expected date of substantial completion of the project (except in the case of a refinancing, in which case principal amortization generally begins immediately). Loans with terms exceeding 20 years require a determination from DNR that the expected useful life of the Project exceeds the Loan term. As of December 15, 2022, there are 19 Loans totaling $300,104,657, made to certain cities, villages, and town sanitary districts, having maturities that exceed 20 years.

Debt Service Payment Dates

Principal payments are required on May 1 and interest payments on May 1 and November 1. For Loans secured primarily by special assessments, an annual payment of principal and interest may instead be required on May 1 to align more closely with the date on which the Municipality's collection of the special assessments is deposited into its debt service fund.

Special Provisions

DOA requires that the Financial Assistance Agreement include certain provisions that apply if an event of default occurs. These provisions permit the State to intercept any State Aid to the Municipality and to appoint a receiver to manage the Municipality's utility operations. The provisions require the Municipality, to the extent it has taxing power, to add delinquent user charges and user fees to the property tax bill of the user.

Tax Levy Limit for Cities, Villages, Towns, and Counties

Under current law and subject to certain exceptions and adjustments, no city, village, town, or county (**political subdivision**) may increase its property tax levy in any year by a percentage that exceeds its valuation factor. The valuation factor is the greater of zero percent and the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between January 1 of the previous year and the current year. However, the levy increase limit may be increased in either (but not both) of the following ways by action of the governing body:

- If a political subdivision's allowable levy in the prior year was greater than its actual levy, the levy increase limit otherwise applicable may be increased by the difference between the two amounts, up to a maximum increase of 1.5% of the actual levy in the prior year, or
- The levy increase limit may be increased by the total amount by which the valuation factor exceeded the actual percentage increase in the levy for each of the previous five years, up to a maximum increase of 5% of the actual levy in the prior year, to the extent such excess had not previously formed the basis for such an increase.

A political subdivision may also exceed the levy limit by action of its governing body that is approved by a referendum.

Exceptions apply to amounts levied to pay general obligation debt service. The levy increase limit otherwise applicable does not apply to property taxes levied to pay debt service on general obligations authorized on or after July 1, 2005. For general obligations authorized before July 1, 2005, if the amount of scheduled debt service in the preceding year is less than the amount of debt service needed in the current year, the levy increase limit otherwise applicable is increased by the difference in the two amounts. If the levy for debt service on general obligations issued before July 1, 2005 (and general obligations issued to fund or refund such general obligations) is less in the current year than it was in the previous year, the political subdivision shall reduce its levy increase limit in the current year by an amount equal to the amount that its levy was reduced.

The levy increase limit otherwise applicable does not apply to the amount that a political subdivision levies to make up any revenue shortfall for the debt service on a revenue bond issued under Section 66.0621 of the Wisconsin Statutes, which authorizes revenue obligations. Other exceptions or adjustments to the levy increase limit, which are not described in this summary, apply in specified situations.

Interest Rate Subsidies for Small Loans

In addition to providing Loans to directly fund project costs, the Clean Water Fund Program and the Safe Drinking Water Loan Program are authorized to subsidize the interest cost on loans made by the State Board of Commissioners of Public Lands to Municipalities for eligible projects. This subsidy is only available on loans of $2,000,000 or less. The State has not entered into agreements to provide these subsidies for any Loans related to Projects under the Safe Drinking Water Loan Program. The Clean Water Fund Program pays Municipalities in February or March of each year to reduce the Municipalities' interest cost on their loans from the State Board of Commissioners of Public Lands. As of December 15, 2022, the Clean Water Fund Program had outstanding agreements with 28 Municipalities to provide annual interest subsidies on 34 projects.

On January 1, 2022, the State stopped accepting applications for new interest rate subsidies for small loans until the State identified a sustainable funding source from which to pay subsidies. The State currently pays subsidies from money in the Proprietary Portfolio. Any additional agreements for these interest rate subsidies are subject to the availability of funds for such purpose.

Proceeds of the Bonds are not used for this purpose, and the subsidy payments are not paid from any funds pledged to the repayment of the Bonds.

LENDING CRITERIA

The same general loan underwriting standards are generally applied to all Loans regardless of whether they are made under the Clean Water Fund Program or the Safe Drinking Water Loan Program.

DOA, in consultation with DNR, has the statutory responsibility to establish the financial terms and conditions of Loans, including what type of Municipal Obligation is required. In establishing these terms and conditions, DOA may consider factors that it finds relevant, including the type of Municipal Obligation and the Municipality's creditworthiness. DOA must be satisfied that the Municipality has the financial capacity to assure sufficient revenues to operate and maintain the project for its useful life and to pay debt service on the loan according to its terms.

The following is a summary of the current lending criteria of DOA. DOA may change its lending criteria from time to time.

DOA requires each Loan to be evidenced by one of three types of Municipal Obligations:

- A revenue obligation secured by a covenant to assess user fees and a pledge of the utility's revenues,
- A revenue obligation secured by special assessments and other utility revenue and a pledge of the utility's revenues, or
- A general obligation secured by a tax levy and a pledge of the full faith and credit of the Municipality.

Some Loans may be evidenced by more than one type of Municipal Obligation.

Revenue Obligations

When a local government issues a revenue obligation, the obligation is a limited obligation of the government. Only revenues that are specifically pledged are available to pay the principal of, and interest on, the revenue obligation. Sewer utility revenues typically include sewer user charges and investment earnings but may also include impact fees, hook-up fees, and payments from tax incremental districts for their beneficial share of wastewater projects. Most of the Municipalities receiving financial assistance under the Clean Water Fund Program do not have sewer utilities regulated by the State of Wisconsin Public Service Commission. Water utility revenues typically include user fees and investment earnings but may also include hook-up fees and payments from tax incremental districts for their beneficial share of water projects. Most of the Municipalities receiving financial assistance under the Safe Drinking Water Loan Program have water utilities that are regulated by the State of Wisconsin Public Service Commission.

So long as the following criteria can be met, DOA will accept revenue obligations from all types of Municipalities except counties and metropolitan sewerage districts. Under the State constitution, a county's issuance of revenue obligations is treated as public debt. DOA requires a metropolitan sewerage district to provide general obligations as security for its Loans.

Coverage Ratio

For a revenue obligation, DOA will require the Municipality to covenant to generate each year **Net Revenues** (that is, utility revenues after deducting operating and maintenance expenses but not deducting depreciation, debt service, tax equivalents, or capital expenditures) equal to at least 110% of the annual principal of and interest on the Loan and other revenue obligations payable from the revenues of the utility (**110% Coverage**). The Net Revenues may be established from the existing utility revenues or projected net revenues from a newly imposed user fee rate structure. If the Municipality does not have outstanding any other obligations with a lien on pledged revenues, DOA will require the Municipality to covenant to generate Net Revenues sufficient to provide 110% Coverage. In the event the Municipality has other obligations outstanding with a lien on pledged revenues, DOA will require that the Municipality covenant to generate Net Revenues at least equal to the highest level of debt service coverage (but not less than 110% Coverage) then required under the Municipality's outstanding revenue obligations. In the event an outstanding obligation requires a debt service reserve fund for a parity obligation or requires payment dates that do not match the Loan payment dates, or requires other conditions which prevent the Loan from being a parity obligation, DOA will accept a subordinate obligation. In such cases, DOA normally requires any additional revenue obligations (whether senior, subordinate, or on a parity) to meet a coverage test equal to the highest ratio then in effect on any other obligations (including the Loan). During construction periods when the annual principal and semiannual interest payments are based on cumulative amounts drawn under the Financial Assistance Agreement, user fees may be assessed such that the level of coverage available is estimated based on debt service projections.

In the event a Municipality were to breach any of the covenants described above, it would be subject to a suit for mandamus to compel performance of such covenants. However, enforcement of the covenants through a suit for mandamus would likely be subject to the delays and costs inherent in litigation.

Collection of Delinquent Charges

The Clean Water Fund Program and Safe Drinking Water Loan Program loan documents require that the Municipality take all actions permitted by law to certify any delinquent user charges and user fees to the County Treasurer so that such unpaid amounts will be added as a special charge to the property tax bill of the user.

Senior Revenue Bonds

In most instances the Clean Water Fund Program and Safe Drinking Water Loan Program loan documents limit a Municipality's ability to issue additional bonds payable out of the revenues of the wastewater or water system that have payment priority over the bonds sold to the Environmental Improvement Fund. In some situations, this provision has been modified to allow additional senior bonds if the Municipality can demonstrate to the satisfaction of DOA that, following the issuance of the additional senior bonds, the rating of the Municipal Obligation evidencing the Loan will be no lower than AA or Aa2 or equivalent.

Service Contract

DOA will also require the Municipality to agree to pay for the value of sewerage or water services provided to it and to stipulate that the value equals any unpaid debt service on the Loan or debt coverage shortfall. Although such provisions are often used in revenue obligations from Wisconsin local governments, their enforceability has not been tested in court. Accordingly, no assurance can be given as to the enforceability of such a service contract. Moreover, the Wisconsin Statutes or local law may limit the value of the sewerage or water service, and unless the Municipality has already appropriated money for such payment, it would be necessary for the Municipality to levy and collect a tax, which could result in some delay in payment.

No Debt Service Reserve Fund or Mortgage

Although Wisconsin municipalities issuing revenue obligations typically establish a debt service reserve fund and sometimes pledge a mortgage to secure the revenue obligations, the current policy of DOA does not permit a debt service reserve fund to be established with respect to Municipal Obligations, and DOA will not require a mortgage on the property the Municipality uses to operate its wastewater or water facilities.

Special Assessment-Secured Revenue Obligations

Special assessments may be levied by a Municipality to pay the costs of a public improvement. Payments to the Municipality of such special assessments may be used to repay a revenue obligation. The special assessments are paid in annual installments as established by the Municipality. Because special assessments under State law may not exceed the cost of the project, the regularly scheduled special assessment revenue alone will typically not meet the 110% Coverage test. In the event the Municipality receives prepayments of its special assessment installments, or the term of the Loan exceeds the term of the special assessments, or the interest rate on the special assessment exceeds the interest rate on the Loan, the Municipality may have more special assessment revenue in a year than required for debt service on its Loan. In general, excess special assessment revenue collected by the Municipality will be applied to reduce debt incurred for the public improvement project. If special assessments are levied to secure revenue obligations, payments on the special assessments are deposited in the funds and accounts of the revenue-generating enterprise.

Collection of Delinquent Special Assessments

A special assessment constitutes a lien on the property against which it is levied on behalf of the local government that levies it. Delinquent special assessment payments are entered on the tax roll as a delinquent tax on the property against which they are levied and are subject to the same proceedings for collection, return, and sale of property that apply to delinquent real estate taxes.

General Obligations

When a Municipality issues a general obligation, its full faith and credit are pledged to secure payment when due of the principal of, and interest on, the obligation. State law requires the Municipality to levy taxes that will be collected in amounts and at times sufficient to make these payments (or to appropriate available funds for payments that are required to be made before taxes can be levied and collected). If the Municipality fails to make a payment when due, the owner of a general obligation can bring a suit for mandamus to require the tax levy to be collected and applied to debt service. A suit for mandamus would likely be subject to the delays and costs inherent in litigation.

With respect to general obligations:

- The amount of the general obligation may not exceed the constitutional or statutory limits. For an American Indian tribe or band, the amount of the general obligation may not exceed the amount that would be permitted if the constitutional and statutory limits were to apply to the tribe or band.
- As required by law, the Municipality must levy taxes sufficient to pay when due the principal of, and interest on, the Loan.

Intergovernmental Cooperation Commissions

The Clean Water Fund Program and the Safe Drinking Water Loan Program do not make Loans to intergovernmental cooperation commissions. Instead, DOA will analyze each member's credit, and separate Loans will be made to its members in proportion to their participation in the project.

SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION

Through the Program Resolution, the State pledges revenues that secure the Bonds, establishes certain funds and accounts, specifies the conditions under which Bonds may be issued, and makes covenants and other provisions for the benefit of Holders of the Bonds. Certain capitalized terms are defined in "GLOSSARY". A copy of the Program Resolution may be obtained by contacting the State via the means provided on the first page of this Part VI of the 2022 Annual Report.

The Program Resolution includes provisions permitting the financing of Loans to Borrowers other than Municipalities, and potentially, with the approval of EPA, loans made under other similar programs. However, those provisions could become effective only if the Act were to be amended to permit the State to issue revenue bonds to finance those Loans or programs. The Act currently authorizes revenue bonds issued by the State to fund only Loans made to Municipalities pursuant to the Clean Water Fund Program and the Safe Drinking Water Loan Program.

Resolution to Constitute a Contract

The provisions of the Program Resolution (including each Supplemental Resolution) constitute a contract with the Holders of the Bonds and the Other Beneficiaries.

Pledge

Pursuant to its power under the Wisconsin Statutes, the Building Commission (jointly with DOA and DNR) pledges the Pledged Revenues to the payment of the Bonds and Other Obligations and directs the Trustee to deposit the Pledged Revenues into the Funds and Accounts in the order and amounts described under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Establishment of Funds and Accounts", and determines that the amounts deposited in the Equity Fund may be made available for other purposes.

From time to time the State may, by State Certificate, designate additional Loans (which are not otherwise subject to the pledge of the Program Resolution) that meet the requirements set forth in the Program Resolution as "Pledged Loans," and thereby assign and grant to the Trustee a security interest in the related Loan Repayments and other related Pledged Revenues. Upon receipt by the Trustee of such State Certificate, the Loans identified therein will become Pledged Loans under the Program Resolution, subject to the lien of the Program Resolution.

In accordance with Section 18.561 (2), Wisconsin Statutes, a security interest is created, for the benefit of the Holders of the Bonds and the Other Beneficiaries, in the Pledged Revenues and in the Loan Fund, the Costs of Issuance Fund, the Revenue Fund, the Redemption Fund, the Supplemental Income Fund, and any Reserve Fund, Subordinate Redemption Fund and Subordinate Reserve Fund that may be established under the Program Resolution. Such Pledged Revenues and the moneys in such Funds will remain subject to the security interest until the Bonds and the Other Obligations have been paid in full or provision for their payment in full has been made, as described under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Defeasance". A Holder of the Bonds or any Other Beneficiary may (subject to the certain restrictions contained in the Program Resolution) either at law or in equity protect and enforce the security interest and compel performance of all duties required by Section 18.561, Wisconsin Statutes.

State Match Restriction

The establishment of the Funds and Accounts under the Program Resolution, and the deposit and disbursement of moneys held under the Program Resolution, are intended to ensure that Grant Proceeds and the principal repayments of Pledged Loans made under the Clean Water Fund Program and the Safe Drinking Water Loan Program will not be used to pay, or to reimburse any Credit Facility Provider for the payment of, amounts due on the State Match Clean Water Portion or the State Match Safe Drinking Water Portion of the Bonds or to make rebate payments from the Rebate Fund allocable to such State Match Portions. In light of the State Match Restriction, interest payments on Pledged Loans and other investment earnings will generally be used first to pay amounts due on the State Match Clean Water Portion and the State Match Safe Drinking Water Portion of the Bonds, and then to pay any remaining amounts due on the Leveraged Clean Water Portion and the Leveraged Safe Drinking Water Portion, respectively, of the Bonds.

Issuance of Bonds

The Bonds will be issued, pursuant to one or more Supplemental Resolutions, at one time or from time to time, in one or more series, in principal amounts specified by the Building Commission in or pursuant to a Supplemental Resolution.

The aggregate principal amount of Bonds issued under the Program Resolution shall not be greater than the aggregate amount at the time authorized by the Legislature for the program(s) or purpose(s) for which Bonds are issued, when considered together with any other obligations issued pursuant to such authorization.

From time to time, the State may issue one or more series of Bonds, upon compliance with the following conditions and any additional conditions specified in a Supplemental Resolution. In the case of Bond Anticipation Notes, the following conditions need be met only on the first date of issuance of any of the Bond Anticipation Notes authorized under the Supplemental Resolution providing for such Bond Anticipation Notes:

(1) The Trustee shall have been provided with a State Certificate to the effect that the State is not in default in the performance of any of its covenants and agreements in the Program Resolution (unless, in the opinion of Independent Counsel, any such default does not deprive any Beneficiary in any material respect of the security afforded by the Program Resolution).

(2) Except with respect to the issuance of Refunding Bonds issued to fund Bond Anticipation Notes that are also Bonds, the Trustee shall have been provided with a State Certificate evidencing that, as of the date of issuance of the Bonds (and after giving effect to the issuance of the Bonds and the pledge of any additional Loans to be financed with such Bonds or otherwise to be pledged pursuant to the Program Resolution or the Supplemental Resolution authorizing the Bonds), (i) the Aggregate Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year, and (ii) if the Bonds to be issued are Senior Bonds, the Senior Debt Service Coverage Ratio will be at least 1.0 to 1 for each future Fiscal Year. In connection with the issuance of Refunding Bonds, such State Certificate may instead evidence that the issuance of the Refunding Bonds will not increase Debt Service in any Fiscal Year.

(3) The Trustee, or another Fiduciary if directed by a Supplemental Resolution, shall have received the following:

(a) A duly certified copy of the Program Resolution, as then in effect.

(b) A duly certified copy of the particular Supplemental Resolution.

(c) Original, fully-executed Bonds for the series or an original, fully-executed master Bond that includes the series.

(d) An opinion of Bond Counsel to the effect that the Program Resolution and the particular Supplemental Resolution have each been duly adopted.

(e) An opinion of Bond Counsel to the effect that the Bonds of that series have been duly and validly authorized and, when duly executed in the form and manner provided in the Program Resolution and the particular Supplemental Resolution, duly authenticated by the Registrar or Issuing Agent, delivered, and paid for, will constitute valid and binding enterprise revenue obligations of the State.

(f) Such ancillary agreements or other documents as the Supplemental Resolution for such series shall specify.

Each Supplemental Resolution authorizing a series of Bonds shall designate the Bonds of such series as Senior Bonds or Subordinate Bonds; however, a Supplemental Resolution may provide that certain of the State's obligations with respect to such Bonds are Senior and its other obligations with respect to such Bonds are Subordinate.

Credit Enhancement Facilities and Swap Agreements

The State may from time to time, pursuant to a Supplemental Resolution and upon compliance with Section 18.55 (6) of the Wisconsin Statutes, enter into or obtain the benefit of any Credit Enhancement Facility with respect to Bonds of any series, or any Swap Agreement with respect to its Debt Service obligations relating to Bonds of any series. Any such Credit Enhancement Facility or Swap Agreement must satisfy any conditions specified in a Supplemental Resolution.

In connection with any Swap Agreement either a Supplemental Resolution or a State Direction provided to the Trustee shall set forth assumptions regarding State Swap Payments and Counterparty Swap Payments to be made thereunder for purposes of the definition of Debt Service in the "GLOSSARY".

Notwithstanding anything in the Program Resolution to the contrary, (1) any Supplemental Resolution authorizing the execution by the State of a Swap Agreement or Credit Enhancement Facility may include provisions with respect to the application and use of all amounts to be paid thereunder, (2) amounts paid under any such Credit Enhancement Facility with respect to the Bonds secured thereby shall be applied and used only as specifically provided in such Supplemental Resolution and no Beneficiaries shall have any rights with respect to any such amounts so paid except as may be specifically provided in such Supplemental Resolution, (3) Bonds of one or more series or any portions thereof may be secured by a pledge of any or all amounts payable pursuant to such Credit Enhancement Facility, in the manner and to the extent provided in such Supplemental Resolution, and (4) except as otherwise provided in the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained or such Swap Agreement is entered into, the State's obligations under any such Credit Enhancement Facility or Swap Agreement shall be limited obligations, payable solely from the revenues and assets of the State pledged therefor under the Program Resolution.

Each Supplemental Resolution authorizing any Swap Agreement or Credit Enhancement Facility shall designate the State's obligations under such Swap Agreement or Credit Enhancement Facility, as the case may be, as Senior Other Obligations or Subordinate Other Obligations. A Supplemental Resolution authorizing any Swap Agreement or Credit Enhancement Agreement may provide that certain of the State's obligations with respect thereto are Senior and its other obligations with respect thereto are Subordinate, except that all State Swap Payments in respect of the early termination of a Swap Agreement shall be designated as Subordinate.

Establishment of Funds and Accounts

The following funds (and within certain of the funds, the following accounts and subaccounts) are established and required to be maintained pursuant to the provisions of the Program Resolution:

(1) Loan Fund

- (a) Clean Water State Match Loan Account
- (b) Clean Water Leveraged Loan Account
- (c) Safe Drinking Water State Match Loan Account
- (d) Safe Drinking Water Leveraged Loan Account

(2) Revenue Fund

- (a) Clean Water Revenue Account
  - (i) Principal Receipts Subaccount

(ii) Interest Receipts Subaccount

(b) Safe Drinking Water Revenue Account

(i) Principal Receipts Subaccount

(ii) Interest Receipts Subaccount

(3) Rebate Fund

(a) Separate Account for each series of Tax-Exempt Bonds

(i) Clean Water State Match Subaccount

(ii) Clean Water Leveraged Subaccount

(iii) Safe Drinking Water State Match Subaccount

(iv) Safe Drinking Water Leveraged Subaccount

(4) Redemption Fund

(a) Clean Water State Match Redemption Account

(b) Clean Water Leveraged Redemption Account

(c) Safe Drinking Water State Match Redemption Account

(d) Safe Drinking Water Leveraged Redemption Account

(5) Supplemental Income Fund

(6) Reserve Fund

(a) Separate Account for each series of Bonds to be secured by the Reserve Fund

(i) Clean Water State Match Subaccount

(ii) Clean Water Leveraged Subaccount

(iii) Safe Drinking Water State Match Subaccount

(iv) Safe Drinking Water Leveraged Subaccount

(7) Subordinate Redemption Fund

(a) Clean Water State Match Subordinate Redemption Account

(b) Clean Water Leveraged Subordinate Redemption Account

(c) Safe Drinking Water State Match Subordinate Redemption Account

(d) Safe Drinking Water Leveraged Subordinate Redemption Account

(8) Subordinate Reserve Fund

(a) Separate Account for each series of Subordinate Bonds to be secured by the Subordinate Reserve Fund

(i) Clean Water State Match Subaccount

(ii) Clean Water Leveraged Subaccount

(iii) Safe Drinking Water State Match Subaccount

(iv) Safe Drinking Water Leveraged Subaccount

(9) Costs of Issuance Fund

(10) Equity Fund

Each of the funds and accounts, or assets for each of the funds and accounts, are deposited with, and held by the Trustee (or such other Fiduciary as the State may designate) pursuant to the provisions of the Program Resolution, except for the Equity Fund, which is held and maintained by either the State or the Trustee (at the State's direction). Amounts held in the Equity Fund and (except in certain limited circumstances) in the Rebate Fund are not available to pay debt service on the Bonds.

Loan Fund

Each Supplemental Resolution authorizing a series of Bonds will specify the amount of the proceeds of the Bonds of the series and any other State moneys that are required to be deposited in each Account within the Loan Fund. Proceeds of the disposition of Pledged Loans may also be deposited in the Loan Fund if so directed by the State. Amounts in the Loan Fund will be applied by the State from time to time as follows:

(1) For disbursing Loans to Borrowers under the Program, including transfers of Loan Capitalized Interest to the Revenue Fund; and

(2) For reimbursing the State for the application of other funds to the prior origination of Loans.

Moneys may be withdrawn from the Loan Fund for financing a Pledged Loan upon a requisition of an Authorized Commission Representative containing certifications as to the use of the amounts to be disbursed.

Prior to the initial transfer of amounts to a Municipality with respect to a Pledged Loan, the State will deliver to the Trustee:

(1) a copy of the original executed Financial Assistance Agreement evidencing the Loan to be so made and

(2) a copy of the original executed Debt Obligation evidencing and securing such Loan in an aggregate principal amount equal to the maximum permissible Loan amount.

The State agrees to maintain records of the account from which each Loan is disbursed.

A Supplemental Resolution authorizing a series of Bonds may provide for unused proceeds of such Bonds in the Loan Fund to be transferred to the Redemption Fund and used to redeem Bonds of such series.

Supplemental Income Fund

A Supplemental Resolution authorizing a series of Bonds may specify the amount of the proceeds of the Bonds of the series and any other State moneys that are required to be deposited in the Supplemental Income Fund. Amounts in the Supplemental Income Fund shall be applied to reimburse the State for the application of other funds to the prior origination of Investment Loans or otherwise refinancing Investment Loans, including by the defeasance of the bonds issued pursuant to the Prior General Resolution or by depositing amounts in the appropriate funds or accounts established pursuant to the Prior General Resolution to obtain the release of Loans financed thereunder. *A portion of the proceeds of the 2017 Bonds was applied as described in the immediately preceding sentence to refinance Investment Loans.*

Revenue Fund

Deposit of Pledged Revenues

The Trustee will credit all Pledged Revenues (other than (i) payments under Credit Enhancement Facilities for the payment of the principal of, and premium, if any, and interest on Bonds or for the payment of the purchase price of Bonds on a Tender Date and (ii) any proceeds of the sale or other disposition of Pledged Loans, to the extent directed to be applied in some other manner pursuant to the Program Resolution), upon receipt thereof, to the Revenue Fund. In accordance with the direction of an Authorized Commission Representative:

(1) all Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Clean Water Fund Program, and all Counterparty Swap Payments allocable to the Leveraged Clean Water Portion and the State Match Clean Water Portion, will be credited to the Clean Water Revenue Account;

(2) all Loan Repayments and other Pledged Revenues received with respect to Pledged Loans under the Safe Drinking Water Loan Program, and all Counterparty Swap Payments allocable to the Leveraged Safe Drinking Water Portion and the State Match Safe Drinking Water Portion, will be credited to the Safe Drinking Water Revenue Account;

(3) all Loan Repayments and other Pledged Revenues allocable to the payment of principal of or prepayment fees or premiums, if any, with respect to the Pledged Loans will be credited to the Principal Receipts Subaccount of the applicable Account; and

(4) all Loan Repayments and other Pledged Revenues allocable to interest on the Pledged Loans (including Loan Capitalized Interest transferred from the Loan Fund pursuant to the Program Resolution), all Counterparty Swap Payments, and all investment earnings on amounts in the Funds and Accounts (other than the Rebate Fund) will be credited to the Interest Receipts Subaccount of the applicable Account.

If all Bonds and Other Obligations of a particular class (that is, Senior Bonds and Other Obligations or Subordinate Bonds and Other Obligations) have been paid, or payment has been provided for, and no Bonds or Other Obligations of that class are Outstanding, money remaining in any Fund or Account established for the payment of principal of or interest on Bonds or Other Obligations of that class, or any reserve fund established with respect thereto, will be transferred to the corresponding Account(s) within the Revenue Fund.

Application of Revenues in the Clean Water Revenue Account

On each Transfer Date, the Trustee will transfer the moneys received in the Clean Water Revenue Account as follows:

First, amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water State Match Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the State Match Clean Water Portion of the Senior Bonds prior to the next Transfer Date;

Second, amounts in the Principal Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the Leveraged Clean Water Portion of the Senior Bonds prior to the next Transfer Date;

Third, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, to the extent of any shortfall under clause *Second* above;

Fourth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water State Match Redemption Account, to the extent of any shortfall under clause *First* under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Revenue Fund; *Application of Revenues in the Safe Drinking Water Revenue Account*" below;

Fifth, any remaining amounts in the Principal Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Redemption Account, to the extent of any shortfall under clause *Third* under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Revenue Fund; *Application of Revenues in the Safe Drinking Water Revenue Account*" below;

Sixth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Account, to the extent of any shortfall under clause *Fifth* above; and

Seventh, any excess amounts in the Principal Receipts Subaccount or the Interest Receipts Subaccount will (subject to the State Match Restriction) be transferred:

First, to the credit of the corresponding Account(s) or subaccount(s) within the Rebate Fund to the extent provided in the Program Resolution;

Second, to the credit of the corresponding Account(s) or subaccount(s) within the Reserve Fund to the extent provided in the Program Resolution;

Third, to the extent provided in a Supplemental Resolution, to the credit of the corresponding Account(s) or subaccount(s) within the Subordinate Redemption Fund or any Subordinate Reserve Fund established with respect thereto;

Fourth, (a) on the Transfer Date occurring in June of each year, remaining amounts in the Principal Receipts Subaccount will be transferred to the Clean Water Leveraged Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the Leveraged Clean Water Portion of the Senior Bonds prior to the next June Transfer Date, and (b) on the Transfer Date occurring in December of each year, remaining amounts in the Interest Receipts Subaccount will be transferred to the Clean Water State Match Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the State Match Clean Water Portion of the Senior Bonds prior to the next December Transfer Date; and

Fifth, pursuant to State Direction, to the credit of the Equity Fund.

Application of Revenues in the Safe Drinking Water Revenue Account

On each Transfer Date, the Trustee will transfer the moneys received in the Safe Drinking Water Revenue Account as follows:

First, amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water State Match Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the State Match Safe Drinking Water Portion of the Senior Bonds prior to the next Transfer Date;

Second, amounts in the Principal Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Redemption Account, until it is funded up to the amount necessary to pay Debt Service on the Leveraged Safe Drinking Water Portion of the Senior Bonds prior to the next Transfer Date;

Third, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Safe Drinking Water Leveraged Redemption Account, to the extent of any shortfall under clause *Second* above;

Fourth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water State Match Redemption Account, to the extent of any shortfall under clause *First* under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Revenue Fund; *Application of Revenues in the Clean Water Revenue Account*" above;

Fifth, any remaining amounts in the Principal Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, to the extent of any shortfall under clause *Third* under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Revenue Fund; *Application of Revenues in the Clean Water Revenue Account*" above;

Sixth, any remaining amounts in the Interest Receipts Subaccount within such Account will be transferred to the Clean Water Leveraged Redemption Account, to the extent of any shortfall under clause *Fifth* above; and

Seventh, any excess amounts in the Principal Receipts Subaccount or the Interest Receipts Subaccount will (subject to the State Match Restriction) be transferred:

First, to the credit of the corresponding Account(s) or subaccount(s) within the Rebate Fund to the extent provided in the Program Resolution;

Second, to the credit of the corresponding Account(s) or subaccount(s) within the Reserve Fund to the extent provided in the Program Resolution;

Third, to the extent provided in a Supplemental Resolution, to the credit of the corresponding Account(s) or subaccount(s) within the Subordinate Redemption Fund or any Subordinate Reserve Fund established with respect thereto; and

Fourth, (a) on the Transfer Date occurring in June of each year, remaining amounts in the Principal Receipts Subaccount will be transferred to the Safe Drinking Water Leveraged Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the Leveraged Safe Drinking Water Portion of the Senior Bonds prior to the next June Transfer Date, and (b) on the Transfer Date occurring in December of each year, remaining amounts in the Interest Receipts Subaccount will be transferred to the Safe Drinking Water State Match Redemption Account in an amount up to the amount necessary to cause the balance of such Account to equal the Debt Service to come due on the State Match Safe Drinking Water Portion of the Senior Bonds prior to the next December Transfer Date; and

Fifth, pursuant to State Direction, to the credit of the Equity Fund.

Investment

Pending transfers from the Revenue Fund, the moneys in either Account therein will be invested in Permitted Investments as provided in the Program Resolution, and any earnings on or income from said investments will be deposited in the Interest Receipts Subaccount of such Account.

Redemption Fund

The Redemption Fund will be used only for the payment when due of principal of, and premium, if any, and interest on, the Senior Bonds and Senior Other Obligations, as provided in the Program Resolution.

With respect to each series of Senior Bonds, the Trustee will, upon delivery to the original purchasers thereof and from the proceeds thereof, credit to each Account within the Redemption Fund the allocable portions of the amount, if any, so designated in any Supplemental Resolution for the issuance of Refunding Bonds. The Trustee will also deposit in each such Account (1) the allocable portions of the proceeds from the sale of the

State's bonds, notes, or other evidences of indebtedness (including Refunding Bonds), if any, to be used to pay principal of the Senior Bonds or interest on the Senior Bonds (except to the extent a Supplemental Resolution or State Direction directs that such proceeds be deposited into an Escrow Account), (2) all amounts required to be transferred thereto from the Revenue Fund and the Reserve Fund as described in the following two paragraphs, and (3) all amounts required under the Program Resolution to be transferred thereto from the Loan Fund or the Supplemental Income Fund.

To provide for the payment of (1) each installment of interest which falls due upon Outstanding Senior Bonds on each regularly scheduled Interest Payment Date, (2) each installment of principal which falls due upon Senior Serial Bonds (other than Bond Anticipation Notes which are also Senior Bonds, the payment of which will be paid from Refunding Bonds) at the stated maturity thereof or Senior Term Bonds on a Sinking Fund Payment Date therefor and (3) the reimbursement to all Credit Facility Providers for payments of principal of and interest on the Bonds pursuant to Senior Credit Enhancement Facilities, the Trustee will make deposits to the credit of each applicable Account within the Redemption Fund on each Transfer Date, (a) to aggregate the full amount of such principal coming due on any Principal Payment Date prior to the next Transfer Date and such interest coming due on any Interest Payment Date prior to the next Transfer Date, and (b) to the extent of available moneys in applicable Accounts within the Revenue Fund, to aggregate the respective amounts referred to in subclause *Fourth* of clause *Seventh* of each of the paragraphs describing payments from the Revenue Fund above under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Revenue Fund; *Application of Revenues in the Clean Water Revenue Account*" and *"Application of Revenues in the Safe Drinking Water Revenue Account"*. Each deposit provided for in the foregoing clauses (a) and (b) will be the amount allocable to the applicable Account, in proportion to the State Match Clean Water Portion, the State Match Safe Drinking Water Portion, the Leveraged Clean Water Portion and the Leveraged Safe Drinking Water Portion applicable to each applicable series of Bonds. To provide for the payment of all State Swap Payments and fees to a Credit Facility Provider, deposits will be made to each applicable Account in amounts determined as provided in the Supplemental Resolutions authorizing such Senior Swap Agreements or Senior Credit Enhancement Facilities, as the case may be.

Each deposit required by the immediately preceding paragraph will be made by transfer from the following Funds, in the following order of priority: the Revenue Fund (to the extent described above) and the Reserve Fund (but only from the Account therein, if any, established with respect to the series of Bonds for the payment of which such transfer is made, only with respect to the payments to come due prior to the next Transfer Date, and only to the extent authorized by the Supplemental Resolution pursuant to which such Account was established).

To provide for the payment of the redemption price of Senior Bonds to be redeemed on any Redemption Date, other than a Sinking Fund Payment Date for Term Bonds, the Trustee will make deposits to the applicable Accounts within the Redemption Fund from the proceeds of Refunding Bonds, excess amounts in the Loan Fund or the Costs of Issuance Fund, or such other source as may be provided in the Supplemental Resolution authorizing the issuance or redemption of such Senior Bonds.

The moneys in the Accounts within the Redemption Fund required for the payment of principal of and premium, if any, and interest on the Senior Bonds of any series, or for the reimbursement of amounts paid under a Senior Credit Enhancement Facility to pay principal of and premium, if any, and interest on the Bonds, will be applied by the Trustee to the payment of the allocable portions of such amounts when due without further authorization or direction and may be transferred to a Paying Agent, pursuant to State Direction.

Subject to the State Match Restriction and the provisions of the Program Resolution described below under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Remedies", when applicable, amounts on deposit in the Accounts within the Redemption Fund required to be applied on any date on which the balance in such Accounts (giving effect to the State Match Restriction) is not sufficient to pay all amounts payable therefrom on such date will be applied

first, to the payment of interest on all Senior Bonds, State Swap Payments under Senior Swap Agreements, and fees and reimbursements, allocable to interest payments, payable to Credit Facility Providers under Senior Credit Enhancement Facilities, *pro rata,* among such obligations based upon such amounts then owing to Beneficiaries and

second, to the payment of Senior Bonds at their stated maturity or on a Redemption Date or the reimbursements, allocable to principal and premium payments, payable to Credit Facility Providers under Senior Credit Enhancement Facilities, *pro rata,* among such obligations based upon such amounts then owing to Beneficiaries.

Moneys in the Redemption Fund may also be applied to the purchase of Senior Bonds at a purchase price (including any brokerage or other charges) not to exceed the principal amount thereof plus accrued interest thereon, as determined by the State at such time, provided the Trustee will have first certified that no deficiencies exist at such time in the Redemption Fund or the Rebate Fund. Any such purchase will be limited to those Senior Bonds whose stated maturity or Sinking Fund Payment Date is the next succeeding Principal Payment Date. Any such purchase of Senior Bonds may be made with or without tenders of Bonds and at either public or private sale.

The moneys in the Redemption Fund will be invested in Permitted Investments as provided in the Program Resolution, and any earnings on or income from such investments in each Account will be transferred to the Interest Receipts Subaccount of the corresponding Account in the Revenue Fund.

Reserve Fund

Upon the delivery of any series of Bonds, and from the proceeds thereof or, at the option of the State, from any other available moneys under the Program Resolution, the Trustee will credit to the Reserve Fund the amount, if any, specified in the Supplemental Resolution authorizing the issuance of that series of Bonds. From time to time, additional amounts will be deposited in the respective Accounts in the Reserve Fund as provided in the Supplemental Resolutions authorizing the series of Bonds secured thereby, to the extent such amounts are available pursuant to the Program Resolution. *No deposit to the Reserve Fund has been made with the proceeds of the Outstanding Bonds, and none of the Outstanding Bonds are expected to be entitled to the benefit of any amount that may be deposited in the Reserve Fund.*

Moneys in each Account of the Reserve Fund will be used and applied solely for the payment when due of principal of and interest on the Bonds of the corresponding series and amounts owing under Senior Other Obligations to the extent provided in the Supplemental Resolution that established such Account, or for the other purposes specified in such Supplemental Resolution, and (in the case of application to pay principal of and interest on the Bonds) will be so used and applied by transfer by the Trustee to the credit of the Redemption Fund, at any time and to the extent that the amount therein and the amounts available for deposit to the credit thereof from the Revenue Fund are insufficient to meet the requirements specified in the Program Resolution for deposit to the credit of the Redemption Fund at such time. Such amounts will be applied, subject to the State Match Restriction, to the payment of principal of and premium, if any, and interest on the Bonds of such series and the payment of Other Obligations related to such series in the order described above under "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Redemption Fund". However, on the stated maturity date or any Redemption Date of any Bonds secured by an Account within the Reserve Fund, amounts in such Account will, upon State Direction and subject to the State Match Restriction, be applied to the payment at maturity or redemption of all Outstanding Bonds of the corresponding series, to the extent that such application, and payment of all deposits to be made to the credit of the Rebate Fund required by the Program Resolution upon such redemption, will not reduce the balance of such Account below the applicable Reserve Fund Requirement (calculated as though the Bonds to be retired on such stated maturity date or Redemption Date were not Outstanding as of the date of such calculation).

Pending transfers from the Reserve Fund, the moneys in each Account therein will be invested in Permitted Investments as provided in the Program Resolution, and any earnings on or income from such investments will be transferred to the Interest Receipts Subaccount of the corresponding Account in the Revenue Fund.

Subordinate Redemption Fund

At the time of the initial issuance of any Subordinate Bonds or incurrence of Subordinate Other Obligations, there will be established a Subordinate Redemption Fund and, within such Fund, Accounts that correspond to those within the Redemption Fund, to the extent applicable. The Subordinate Redemption Fund will only be used for the payment when due of principal of and premium, if any, and interest on the Subordinate Bonds and Subordinate Other Obligations.

Rebate Fund

For each issue of Tax-Exempt Bonds, a separate Account shall be established in the Rebate Fund. The State shall determine the rebate amount for each issue of Tax-Exempt Bonds at the times and in the manner required by the Program Resolution and the Code. Upon each such determination, the Trustee shall transfer the rebate amount to the Account in the Rebate Fund relating to the Bonds of that issue. Moneys in an Account in the Rebate Fund shall be paid by the Trustee to the United States at such times and in such amounts as are necessary to comply with the provisions of the Code relating to arbitrage rebate.

Subordinate Reserve Fund

At the time of the initial issuance of any Subordinate Bonds there may be established a Subordinate Reserve Fund, and within such Fund, Accounts and subaccounts that correspond to those within the Reserve Fund, to the extent applicable, to be funded and applied as provided in the Supplemental Resolution authorizing such Subordinate Bonds.

Payment of Bonds

Each Bond certificate will contain on its face a statement to the effect that the State will not be generally liable on the Bonds, that the Bonds will not be a public debt of the State for any purpose whatsoever, and that each Bond will be payable only out of the redemption fund established for such payment.

Representations; Covenants

Authority; Due Execution. The State represents that it is duly authorized under the Constitution and laws of the State, including particularly the Revenue Obligations Act, to issue the Bonds, and to adopt the Program Resolution. The State further represents that all action on its part for the issuance of the Bonds and the adoption of the Program Resolution has been duly and effectively taken, and that the Bonds when issued and delivered in accordance with the provisions of the Program Resolution are and will be valid and enforceable enterprise revenue obligations of the State according to the terms thereof and of the Program Resolution.

Agreement of the State. The State pledges and agrees with the Holders of the Bonds and the Other Beneficiaries that the State will not limit or alter its powers to fulfill the terms of any agreements made with the Holders of the Bonds and the Other Beneficiaries or in any way impair the rights and remedies of the Holders of the Bonds or the Other Beneficiaries until the Bonds, together with interest (including interest on any unpaid installments of interest) and all costs and expenses in connection with any action or proceeding by or on behalf of the Holders of the Bonds are fully met and discharged and the Other Beneficiaries are fully discharged or provided for.

Arbitrage and Tax Covenants. The State agrees that it will, to the extent that it may lawfully do so, comply with all requirements of the Code that must be satisfied in order that interest on the Tax-Exempt Bonds be (or continue to be) excluded from gross income for federal income tax purposes.

The State agrees that it will not take any action or fail to take any action with respect to the investment of the proceeds of, or amounts pledged to the payment of, Tax-Exempt Bonds or in any other manner which would result in constituting such Tax-Exempt Bonds "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

The federal tax covenants contained in the Program Resolution will not apply to Taxable Bonds.

Accounts and Reports. The State will keep, or cause to be kept, proper books of record and account in which complete and correct entries will be made of its transactions relating to all Loan Repayments, Debt Obligations, and Fees and Charges, if any, and all Funds and Accounts established by the Program Resolution.

The State will annually, within 180 days after the end of each Fiscal Year, file with the Trustee and with the Rating Agencies a copy of the audited financial report for the preceding Fiscal Year with respect to each Program.

A copy of the independent auditor's report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2022 and 2021, is set forth as APPENDIX A to this Part VI of the 2022 Annual Report.

Covenants Relating to Loans. The State covenants to (i) diligently enforce, and take all steps, actions, and proceedings reasonably necessary in the judgment of the State for the enforcement of, all terms, covenants, and conditions of all Financial Assistance Agreements and the Debt Obligations evidencing the Pledged Loans, and (ii) at all times defend, enforce, preserve, and protect the rights and privileges of the State under or with respect to each Pledged Loan and the Financial Assistance Agreements and Debt Obligations evidencing and securing the same. The State has the power and authority to settle a default on any Pledged Loan on such terms as the State will determine to be in the best interests of the State and the Beneficiaries and to forbear from taking action with respect to enforcement of a Pledged Loan if it determines such forbearance to be in the best interests of the State and the Beneficiaries. The State also has the authority to modify the terms and conditions of the Financial Assistance Agreements or Debt Obligations, subject to the limitations in the Program Resolution. See "SECURITY; Amendment of Loan Terms".

Events of Default

Each of the following events constitutes an "Event of Default":

(1) The State defaults in the due and punctual payment of any interest on any Bond of the most senior class then Outstanding; or

(2) The State defaults in the due and punctual payment of the principal of, or premium, if any, on, any Bond of the most senior class then Outstanding, whether at the stated maturity thereof, at the date fixed for redemption thereof (including, but not limited to, Sinking Fund Payment Dates) or otherwise upon the maturity thereof; or

(3) The State defaults in its obligation to purchase any Bond of the most senior class then Outstanding (or Beneficial Ownership Interests therein) on a Tender Date therefor; or

(4) The State defaults in the due and punctual payment of any amount owed by the State under a Swap Agreement or Credit Enhancement Facility to any Other Beneficiary, the State's obligation to which is senior to or on a parity with Bonds of the most senior class then Outstanding; or

(5) The State defaults in the performance of any of the State's obligations with respect to the transmittal of moneys to be credited to the Revenue Fund, the Rebate Fund, or the redemption fund established for payment of Bonds of the most senior class then Outstanding (which, in the case of the Senior Bonds, will be the Redemption Fund and, in the case of the Subordinate Bonds, will be the Subordinate Redemption Fund) under the provisions of the Program Resolution and such default continues for a period of 30 days; or

(6) The State defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the State in the Program Resolution or in the Bonds of the most senior class then Outstanding, and such default continues for a period of 45 days after written notice thereof, specifying such default, has been given to the State by the Trustee, which may give such notice in its discretion and is required to give such notice at the written request of the Acting Beneficiaries Upon Default (and for this purpose the specified percentage will be 25% in aggregate Principal Amount of the Outstanding Bonds of the most senior class) to the State and the Trustee. Except with respect to the State's arbitrage and tax covenants under the Program Resolution, if the default is such that it can be corrected, but not within such 45 days, it will not constitute an Event of Default if corrective action is instituted by the State within such 45 days and is diligently pursued until the default is corrected.

Remedies

If an Event of Default has occurred and is continuing, the Trustee may (1) institute judicial proceedings in its own name and as or on behalf of a trustee of an express trust for the collection of all amounts then payable on the Bonds and any Other Obligations or under the Program Resolution with respect thereto, enforce any judgment obtained, and collect from the State and any other obligor upon such Bonds and Other Obligations moneys adjudged due, and (2) pursue any other available remedy by suit at law or in equity to enforce the covenants of the State in the Program Resolution, including, without limitation, any remedy of a secured party under the Uniform Commercial Code, foreclosure, and mandamus, and may pursue such appropriate judicial proceedings as the Trustee will deem most effective to protect and enforce, or aid in the protection and enforcement of, the covenants and agreements in the Program Resolution.

If an Event of Default has occurred and is continuing, and if it has been requested so to do by the Acting Beneficiaries Upon Default (and for this purpose the specified percentage will be a majority of the aggregate Principal Amount of Outstanding Bonds) and has been indemnified as provided in the Program Resolution, the Trustee will be obliged to exercise such one or more of the rights and powers conferred by the Program Resolution as the Trustee, being advised by its counsel, deems most expedient in the interests of the Beneficiaries. However, the Trustee will have the right to decline to comply with any such request if the Trustee is advised by counsel that the action so requested may not lawfully be taken or if the Trustee receives, before exercising such right or power, contrary instructions from the Holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding or from any Other Beneficiary.

Notwithstanding any other default and remedy provisions of the Program Resolution, if a default occurs under a Swap Agreement or a Credit Enhancement Facility and, as a result, the Other Beneficiary that is a party thereto is entitled to exercise one or more remedies thereunder, such Other Beneficiary may exercise such remedies, including, without limitation, the termination of such agreement, as provided therein, in its own discretion so long as the exercise of any such remedy will not adversely affect the legal ability of the Trustee or Acting Beneficiaries Upon Default to exercise any remedy available under the Program Resolution.

No remedy conferred upon or reserved to the Trustee or to the Beneficiaries under the Program Resolution is intended to be exclusive of any other remedy, but each and every such remedy is intended to be cumulative and to be in addition to any other remedy given to the Trustee or to the Beneficiaries under the Program Resolution or now or hereafter existing at law or in equity or by statute.

All moneys received by the Trustee pursuant to the default and remedy provisions of the Program Resolution shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee with respect thereto, be applied as follows, subject to the State Match Restriction (except that moneys received under Credit Enhancement Facilities shall be applied only to the purposes for which such Credit Enhancement Facilities were provided):

- The Trustee shall apply the amounts to each class in order of priority, namely, Senior Bonds and Senior Other Obligations shall be paid in full before any payment shall be made with respect to Subordinate Bonds and Subordinate Other Obligations.

- Unless the principal of all the Outstanding Bonds of a particular class shall have become due and payable, all such moneys shall be applied to the payment of all principal and interest then due on the Bonds and all amounts due under Other Obligations, as follows:

  First, (i) to the Holders of the Bonds, all installments of interest (other than interest on overdue principal) then due and payable, (ii) to the Beneficiaries of Other Obligations, all periodic fees for Credit Enhancement Facilities and reimbursement payments for interest payments advanced under Credit Enhancement Facilities, to the extent provided in the Supplemental Resolutions authorizing such Credit Enhancement Facilities, and (iii) to the appropriate Swap Counterparties, State Swap Payments to the extent provided in the Supplemental Resolutions authorizing the related Swap Agreements, in the order in which such installments of interest or such Other Obligations became due and payable, and if the amount available is not sufficient to pay in full the amounts due on any date, then to the payment, ratably, according to the amounts due on such date; and

  Second, (i) to the Holders of the Bonds, the unpaid principal of any of the Bonds which shall have become due and payable (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Program Resolution), with interest on the principal amount of such Bonds at the respective rates specified therein from the respective dates upon which such Bonds became due and payable, (ii) to the Beneficiaries of Other Obligations, reimbursement payments for principal payments advanced under Credit Enhancement Facilities, to the extent provided in the Supplemental Resolutions authorizing such Credit Enhancement Facilities, and (iii) to the appropriate Swap Counterparties, State Swap Payments not paid in clause *First* above, in the order of their stated payment dates, and if the amount available is not sufficient to pay in full the amounts due on any date, then to the payment, ratably, according to the amounts due on such date.

If the principal of all Outstanding Bonds of a particular class shall have become due and payable, all such moneys shall be applied to the payment to the Beneficiaries of the principal and interest then due and unpaid upon the Bonds and all Other Obligations that are on a parity with such class of Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Beneficiary over any Other Beneficiary, ratably, according to the amounts due.

Supplemental Resolutions

The Program Resolution may not be modified or amended in any respect subsequent to the delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions described below.

Supplemental Resolutions Without Holder Consent. Subject to such additional provisions as a Supplemental Resolution may provide, the Building Commission may, from time to time and at any time, without the consent of or notice to the Beneficiaries, adopt Supplemental Resolutions for any of the following purposes:

(i) to cure any formal defect, omission, inconsistency, or ambiguity in the Program Resolution; however, no such action may adversely affect the interests of the Beneficiaries who have not consented thereto;

(ii) to add to the covenants and agreements of the State in the Program Resolution other covenants or agreements, or to surrender any right or power reserved or conferred upon the State, which does not adversely affect the interests of the Beneficiaries who have not consented thereto;

(iii) to issue a particular series of Bonds as permitted by the Program Resolution or enter into a Swap Agreement or obtain a Credit Enhancement Facility as permitted by the Program Resolution and, in connection therewith, to establish provisions for making deposits to the Redemption Fund to provide for the payment of any Bonds or Other Obligations and to establish assumptions for computing the Debt Service with respect thereto;

(iv) to cause the Program Resolution to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(v) to provide for the removal of a Fiduciary or the Securities Depository, or the appointment of an additional or successor Fiduciary or a successor Securities Depository;

(vi) to make any change in the Program Resolution required by any Rating Agency in order to maintain the current, or restore the previous, rating by such Rating Agency on the Bonds, which does not adversely affect the interests of the Beneficiaries who have not consented thereto;

(vii) to provide for the creation of Funds or Accounts, to which amounts in the Revenue Fund may be credited on any Transfer Date prior to transfer of such amounts to the Subordinate Redemption Fund, or after the transfer of such amounts to such Fund but prior to the transfer of such amounts to the Equity Fund, but in either case only after all transfers therefrom to the Rebate Fund, the Redemption Fund, and (if applicable) the Reserve Fund, or the creation of one or more subordinate classes of Bonds payable from Funds and Accounts created under that or another Supplemental Resolution; however, no such subordinate class of Bonds or Other Obligations may be senior in any respect to any previously created class of Bonds or Other Obligations any of which are then Outstanding, except to the extent specifically authorized or permitted by the Supplemental Resolution authorizing such previously created class or except to the extent consented to by each Beneficiary who would be adversely affected thereby;

(viii) to pledge additional revenues of the Program(s) to secure the payment of the Bonds or Other Obligations under the Program Resolution;

(ix) to modify, alter, amend, or supplement the Program Resolution in any other respect which is not materially adverse to the Beneficiaries who have not consented thereto or which is permitted for Bonds of one or more particular series, as provided in the Supplemental Resolution for Bonds of those series, and affects only (1) the Holders of such Bonds and (2) any Other Beneficiaries who have consented thereto;

(x) to provide for the financing of Loans under the Safe Drinking Water Loan Program (*the Building Commission adopted such a Supplemental Resolution on August 7, 2019*), Loans to Borrowers other than Municipalities, and/or obligations incurred under such additional programs from time to time under the Water Pollution Control Act, the Safe Drinking Water Act, or any other similar State or federally-supported financing program as may be approved by EPA, to the extent such Loans or other obligations are then authorized to be financed with enterprise revenue obligations under the Revenue Obligations Act;

(xi) to modify, alter, amend or supplement the provisions of the Program Resolution related to the establishment of the Rebate Fund or arbitrage and tax covenants to reflect or conform to amendments made to the Code as it applies to Bonds issued under the Program Resolution; or

(xii) to modify, alter, amend, or supplement the Program Resolution in any other respect so long as the State has determined that the adoption of such Supplemental Resolution will not result in the withdrawal or downgrade of any rating of the Bonds then maintained by any Rating Agency.

In connection with the adoption of any such Supplemental Resolution, there must be delivered to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Resolution is authorized or permitted by the Program Resolution and the Revenue Obligations Act, complies with their respective terms, will, upon the adoption thereof, be valid and binding upon the State in accordance with its terms, and will not adversely affect the exclusion of the interest payable on any outstanding Tax-Exempt Bonds from gross income of the Holders of the Bonds for federal income tax purposes pursuant to the Code.

Supplemental Resolutions with Holder Consent. Subject to such additional provisions as a Supplemental Resolution may provide, the Building Commission may, from time to time and at any time, with the prior written consent of the Holders of a majority of the principal amount of each class of Bonds Outstanding affected by such Supplemental Resolution, and with the prior written consent of the Other Beneficiaries, adopt a Supplemental Resolution to modify, alter, amend, or supplement the Program Resolution in any respect. However, no Supplemental Resolution may permit (1) an extension of the stated maturity or reduction in the principal amount of, a reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of, a reduction in the purchase price payable on a Tender Date for, or a reduction in the amount or extension of the time for any principal payment required for any sinking fund or otherwise applicable to, any of the Bonds without the consent of the Holders of all the Bonds and Other Beneficiaries which would be affected by the action to be taken, (2) except as expressly permitted under the Program Resolution, the creation of any security interest prior to or on a parity with the security interest in the Funds and Accounts for the benefit of the Holders of the Bonds and the Other Beneficiaries without the consent of the Holders of all the Bonds Outstanding and the Other Beneficiaries which would be adversely affected by such creation, (3) a reduction in the aggregate principal amounts of Bonds the Holders of which are required to consent to any Supplemental Resolution, without the consent of the Holders of all Bonds at the time Outstanding, or the elimination of a requirement that any Other Beneficiary consent to any Supplemental Resolution, without the consent of any Other Beneficiary which would be affected by the action to be taken, (4) a modification of the rights, duties, or immunities of the Trustee or any Fiduciary without the written consent of the Trustee or such Fiduciary, or (5) the creation of a privilege or priority of any Obligation of one class over any other Obligation of the same class, or of any other class except as provided in the Program Resolution, or the surrender of a privilege or a priority granted by the Program Resolution, to the detriment of another Beneficiary under the Program Resolution.

Redemption and Purchase of Bonds

Right of Redemption. The Bonds of any series are subject to redemption as provided in the Program Resolution and in the Supplemental Resolution creating such series.

Purchase of Bonds. The State may at any time authorize and direct the Trustee to purchase Bonds in the open market out of any funds available for such purpose (subject to the State Match Restriction), such purchases to be made at a price not in excess of the amount specified in the Program Resolution. In addition, the State may, from time to time, direct the Trustee to request the submission of tenders following published notice requesting such submission prior to making the purchases authorized pursuant to the Program Resolution. All Bonds so purchased by the Trustee will be canceled and not reissued.

Defeasance

Any Outstanding Bond (or any portion thereof) will be deemed to have been paid for the purposes of the Program Resolution, and will no longer be entitled to the benefit of the Program Resolution, if there are deposited in an Escrow Account either moneys in an amount sufficient, or Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys in an amount sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said Bond (or portion thereof) at or prior to the stated maturity thereof.

The moneys and Defeasance Securities deposited in an Escrow Account held by an escrow agent pursuant to the defeasance provisions of the Program Resolution shall be held in trust and shall not be withdrawn or used for any purpose other than the payment of the principal of and premium, if any, and interest on said Bonds (or portions thereof) deemed to have been paid in accordance with the defeasance provisions of the Program Resolution.

GLOSSARY

The following definitions apply to capitalized terms used in this Part VI of the 2022 Annual Report:

2015 Bonds means the State of Wisconsin Environmental Improvement Fund Revenue Bonds, 2015 Series A, issued on December 3, 2015.

2017 Bonds means the 2017 Series A Bonds and the 2017 Series B Bonds.

2017 Series A Bonds means the State of Wisconsin Environmental Improvement Fund Revenue Bonds, 2017 Series A, issued on June 6, 2017.

2017 Series B Bonds means the State of Wisconsin Environmental Improvement Fund Revenue Bonds, 2017 Series B (Taxable), issued on June 6, 2017.

2018 Bonds means the State of Wisconsin Environmental Improvement Fund Revenue Bonds, 2018 Series A, issued on September 13, 2018.

2020 Bonds means the State of Wisconsin Environmental Improvement Fund Revenue Bonds, 2020 Series A (Green Bonds), issued on May 13, 2020.

2021 Bonds means the State of Wisconsin Environmental Improvement Fund Revenue Bonds, 2021 Series A (Green Bonds), issued on September 16, 2021.

2022 Bonds means the State of Wisconsin Environmental Improvement Fund Revenue Bonds, 2022 Series A (Green Bonds), issued on November 17, 2022.

Account means any of the accounts in the Funds created by or pursuant to the Program Resolution.

Act means Sections 281.58, 281.59, and 281.61 of the Wisconsin Statutes, as amended from time to time.

Acting Beneficiaries Upon Default means:

(1) for purposes of the direction of proceedings by the Trustee, the Holders of not less than the specified percentage (as set forth in the applicable provisions of the Program Resolution) of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds are Outstanding and otherwise the Holders of not less than the specified percentage of the most senior class of Bonds Outstanding, and

(2) for all other purposes under the Program Resolution, any Senior Other Beneficiary or the Holders of not less than the specified percentage of the aggregate Principal Amount of Senior Bonds Outstanding if Senior Bonds or Senior Other Obligations are Outstanding and otherwise the Holders of not less than the specified percentage of Bonds the most senior class any Bonds or Other Obligations of which are Outstanding and any Other Beneficiary of such class.

Aggregate Debt Service Coverage Ratio means, for any Fiscal Year, the ratio of Projected Annual Revenues to Debt Service.

Authorized Commission Representative means any person at the time designated to act on behalf of the State by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the State by the Capital Finance Director, and also includes the Capital Finance Director.

Balloon Bonds means any series of Bonds, 25% or more of the aggregate principal amount of which mature in a single year.

Balloon Payments means regularly scheduled principal payments with respect to a series of Balloon Bonds that are due in any year in which 25% or more of the aggregate principal amount of such series of Balloon Bonds matures.

Beneficial Owner means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository, Participant, or Indirect Participant, as the case may be.

Beneficial Ownership Interest means the right to receive payments and notices with respect to Bonds which are held by the Securities Depository under a Book-Entry System and for which the Securities Depository does not act on behalf of the Beneficial Owners in connection with the optional or mandatory tender of Bonds on a Tender Date.

Beneficiary means any Holder of Bonds and, to the extent provided in a Supplemental Resolution, any Swap Counterparty and any Credit Facility Provider.

Bond Anticipation Notes means obligations for the funding of which the Building Commission has authorized the issuance of Bonds in a Supplemental Resolution.

Bond Counsel means any Independent Counsel selected by the State and nationally recognized as an attorney or firm of attorneys whose opinions are generally accepted in the municipal bond market and who is familiar with the transactions contemplated under the Program Resolution. Any opinion of Bond Counsel required by the Program Resolution shall be in writing.

Bonds means revenue obligations of the State, however designated and whether Senior or Subordinate, that are issued pursuant to the Program Resolution and payable, in whole or in part, from the Pledged Revenues but does not include Bond Anticipation Notes that are payable solely from the proceeds of Bonds authorized in a Supplemental Resolution.

Book-Entry System means a book-entry system established and operated for the recordation of Beneficial Owners of Bonds pursuant to the Program Resolution and the Supplemental Resolution providing for the issuance of such Bonds.

Borrower means any Person authorized to obtain a Loan under the Act pursuant to either the Clean Water Fund Program or the Safe Drinking Water Loan Program.

Building Commission means the State of Wisconsin Building Commission or any successor body having the power under subchapter II of Chapter 18 of the Wisconsin Statutes (or any successor provision) to authorize and direct the issuance of Bonds.

Capitalization Grant means grants that EPA is authorized to make, pursuant to the Water Pollution Control Act or the Safe Drinking Water Act, to a state to assist in providing financial assistance to municipalities within the state for governmentally-owned water treatment projects and other water pollution abatement projects and to assist public water systems with financing the costs of infrastructure to achieve and maintain compliance with water quality standards and to protect public health.

Capitalization Grant Agreement means an agreement the State has entered into with EPA for receipt of Capitalization Grants.

Clean Water Fund Program means the Clean Water Fund Program as defined in and established by the Act.

Clean Water Revenue Bonds means the State's clean water revenue bonds previously issued under the Prior General Resolution.

Code means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code in the Program Resolution shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

Costs of Issuance means, except as limited in any Supplemental Resolution, any items of expense directly or indirectly payable by or reimbursable to the State and related to the authorization, sale and issuance of Bonds and the investment of the proceeds thereof, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of Fiduciaries, fees, costs and expenses of underwriters, purchasers and placement agents, legal fees and charges, professional consultants' fees, costs of credit ratings, premiums for insurance of the payment of Bonds or any fees and expenses payable in connection with any Credit Enhancement Facilities or Swap Agreements, costs and expenses of refunding of Bonds or any fees and expenses payable in connection with any remarketing agreements, tender agent agreements, or interest rate indexing agreements and other costs, charges, and fees in connection with the original issuance of Bonds.

Costs of Issuance Fund means the Costs of Issuance Fund established by the Program Resolution.

Counterparty Swap Payment means a payment due to or received by the State from or for the account of a Swap Counterparty pursuant to a Swap Agreement (including payments in respect of any early termination of such Swap Agreement), including amounts received by the State under any related guaranty or other credit support in favor of the State given in connection with such Swap Agreement.

Credit Enhancement Facility means, if and to the extent provided for in a Supplemental Resolution, with respect to Bonds of one or more series, (1) an insurance policy insuring, or a letter of credit, surety bond, or other guaranty providing a direct or indirect source of funds for, the payment of principal of and interest on such Bonds or (2) a letter of credit, standby purchase agreement, line of credit, or similar instrument or facility, providing for the purchase of such Bonds (or the Beneficial Ownership Interests therein) on a Tender Date, and in either case, all agreements entered into by the State or the Trustee and the Credit Facility Provider with respect thereto.

Credit Facility Provider means any Person or Persons engaged by the State, pursuant to a Credit Enhancement Facility, to provide credit enhancement or liquidity for the payment of the principal of and interest on Bonds or the State's obligation to purchase Bonds (or the Beneficial Ownership Interests therein) on a Tender Date.

Debt Obligation means an evidence of indebtedness issued by a Borrower evidencing and securing a Loan to such Borrower, which in the case of a Municipality shall be a Municipal Obligation.

Debt Service means the aggregate regularly scheduled principal payments (whether at stated maturity or pursuant to sinking fund redemption requirements), interest payments, and other payments of the State on all Outstanding Bonds and Other Obligations for any Fiscal Year (including any State Swap Payments, less any Counterparty Swap Payments unless the Swap Counterparty is in default with respect to its payment obligations under the related Swap Agreement, and including any fees with respect to Credit Enhancement Facilities). For purposes of calculating such amount:

1. Any Variable Rate Bonds shall, for any future period for which the actual interest rate is not known on the date of determination (that is, on the date on which Debt Service is being calculated), be assumed to bear interest at a rate equal, as applicable, to: (i) if such Variable Rate Bonds bear interest based on a stated index or benchmark rate (including at a stated margin above or below such index or benchmark or a percentage thereof), the rate that would apply based on the daily average of such index or benchmark during the five years preceding the date of such calculation (or if such index or benchmark has not been available for five years, such shorter period during which it has been available) or (ii) if such Variable Rate Bonds do not bear interest based on a stated index or benchmark rate, (A) if such Variable Rate Bonds have been or are to be issued as Tax-Exempt Bonds, the daily average SIFMA Municipal Swap Index during the five years preceding the date of such calculation, or (B) if such Variable Rate Bonds have been or are to be issued as Taxable Bonds, the daily average LIBOR during the five years preceding the date of such calculation. A Supplemental Resolution that contains a determination by the Building Commission that another generally available index or benchmark more closely corresponds to the actual or expected interest rate on any such Variable Rate Bonds may substitute such index or benchmark for the SIFMA Municipal Swap Index or LIBOR, as applicable. *Because LIBOR is currently scheduled to be discontinued as an available index after June 30, 2023, the State expects that any Supplemental Resolution authorizing Variable Rate Bonds issued as Taxable Bonds would provide for such a substitute index.*

2. All Outstanding Bond Anticipation Notes shall be assumed to be funded at or before the stated maturity thereof, and all Bond Anticipation Notes which have been authorized by a Supplemental Resolution but not yet issued shall be assumed to be issued and immediately funded on the date of determination, in each case by the issuance of Senior Refunding Bonds in the full amount authorized with respect to such Bond Anticipation Notes, maturing according to such amortization schedule as the State may determine (however, the final maturity must not be later than 30 years from the original issuance of the Bond Anticipation Notes), and bearing interest at rates based on the then-applicable rates for comparable maturities of municipal bonds of comparable credit rating, as set forth in such nationally recognized municipal market publication as the State may select (including interest rate scales published by Municipal Market Data, a division of Thomson Reuters).

3. All Balloon Payments shall be assumed to be funded or refunded at or before the stated maturity thereof, by the issuance of Senior Refunding Bonds in the full amount of such Balloon Payment, maturing according to such amortization schedule as the State may determine (however, the final maturity must

not be later than 30 years from the original issuance of the related Balloon Bonds), and bearing interest at rates based on the then-applicable rates for comparable maturities of municipal bonds of comparable credit rating, as set forth in such nationally recognized municipal market publication as the State may select (including interest rate scales published by Municipal Market Data, a division of Thomson Reuters).

4. Amounts of principal or interest due on a particular date shall be excluded from the determination of Debt Service to the extent that such amounts are payable from amounts deposited in trust, escrowed, or otherwise set aside for the payment thereof with the Trustee or another Person approved by the State or the Trustee (including amounts in an Escrow Account established in the Redemption Fund pursuant to the Program Resolution).
5. State Swap Payments, Counterparty Swap Payments, and payments with respect to Credit Enhancement Facilities shall be determined based upon such assumptions as may be set forth in the Supplemental Resolution authorizing the related Swap Agreement or the Credit Enhancement Facility, as the case may be, or in a State Direction provided to the Trustee with respect to such Swap Agreement or Credit Enhancement Facility, as provided in the Program Resolution.
6. For purposes of applying the test set forth in the Program Resolution in connection with the issuance of Refunding Bonds, the proceeds of such Refunding Bonds shall be assumed to have been applied on their issuance date for the purposes provided in the Supplemental Resolution authorizing such Refunding Bonds.

Defeasance Securities means, subject to any applicable restrictions relating to investment of Funds or Accounts in the Revenue Obligations Act or otherwise applicable to the Environmental Improvement Fund, and except as limited with respect to any series of Bonds as provided in the Supplemental Resolution authorizing such series:

1. any direct and general obligations of, or any obligations unconditionally guaranteed by, the United States of America, which obligations are not redeemable prior to maturity other than at the option of the holder thereof;
2. obligations of, or unconditionally guaranteed as to payment of principal and interest by, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Bank, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, the Farmers Home Administration or the Federal Home Loan Mortgage Corporation, or any other agency or corporation created pursuant to an act of the Congress of the United States as an agency or instrumentality thereof, which obligations are not redeemable prior to maturity other than at the option of the holder thereof;
3. any obligations of any state or political subdivision of a state **(Municipal Bonds)** that are rated at least the rating then assigned to the Senior Bonds by each Rating Agency and that (i) are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the owners of the Municipal Bonds, and (ii) are not redeemable prior to maturity other than at the option of the holder thereof;
4. certificates of ownership of the principal of or interest on direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System, which certificates of ownership are not redeemable prior to maturity other than at the option of the holder thereof;

5. the interest component of obligations issued by the Resolution Trust Corporation, which are not redeemable prior to maturity other than at the option of the holder thereof; and
6. securities evidencing ownership interests in open-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, whose investments are limited to the obligations described in clauses (a) and (b) of the definition of "Permitted Investments" and to repurchase agreements fully collateralized by such obligations, the average maturity of which obligations does not exceed 90 days.

DNR means the State of Wisconsin Department of Natural Resources or any other body succeeding to the authority and responsibilities of the State of Wisconsin Department of Natural Resources under the Act.

DOA means the State of Wisconsin Department of Administration or any other body succeeding to the authority and responsibilities of the State of Wisconsin Department of Administration under the Act.

Environmental Improvement Fund means the separate nonlapsible trust fund created under Section 25.43, Wisconsin Statutes, which includes all the Funds and Accounts created under the Program Resolution and which is a separate fund held in the State treasury.

EPA means the United States Environmental Protection Agency or any successor entity which may succeed to the administration of the programs established by the Water Pollution Control Act or the Safe Drinking Water Act.

Escrow Account means a separate and distinct Account created within the Redemption Fund or the Subordinate Redemption Fund pursuant to the Program Resolution in connection with the defeasance of any Bonds pursuant to the Program Resolution.

Event of Default means one of the events described as such under the heading "SUMMARY OF CERTAIN PROVISIONS OF PROGRAM RESOLUTION; Events of Default".

Equity Fund means the Equity Fund created in the Program Resolution.

Fees and Charges means all fees and charges, if any, charged by the State to Borrowers pursuant to the terms and provisions of Pledged Loans or Financial Assistance Agreements but does not include principal of and interest on, or any prepayment fee or premium with respect to, such Pledged Loans.

Fiduciary means each of the Trustee and any co-trustee, Registrar, Issuing Agent, Paying Agent, or other fiscal agent and includes any agent designated by or on behalf of the Building Commission or a Fiduciary to perform the functions of a Fiduciary. One entity may perform multiple Fiduciary functions, and multiple entities may perform a particular Fiduciary function.

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

Fiscal Year means the annual period beginning on July 1 of each year and ending on June 30 of the following year.

Fund means any of the funds created by the Program Resolution.

Grant Proceeds means the funds received under a Capitalization Grant award made to the DNR by the EPA under the terms of a Capitalization Grant Agreement.

Holder means the registered owner of any Bond (which shall be the Securities Depository Nominee so long as a Book-Entry System is being used), as shown on the registration books of the State maintained by the Registrar, *except* that to the extent and for the purposes provided in a Supplemental Resolution for a series of Bonds (including for purposes of the definition of "Acting Beneficiaries Upon Default"), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Bonds may instead be treated as the Holder of the Bonds of such series.

Independent Counsel means an Independent Person duly admitted to practice law before the highest court of any state of the United States of America or the highest court of the District of Columbia. Any opinion of Independent Counsel required by the Program Resolution shall be in writing.

Independent Person means a Person designated by the State and not an employee of the State.

Indirect Participant means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

Interest Payment Date means any date on which interest is due on any Bond pursuant to the Program Resolution and the applicable Supplemental Resolution.

Investment Loans means any Loans that meet the definition of "Permitted Investments" pursuant to clause (o) of that definition below, financed through the application of amounts in the Supplemental Income Fund as provided in the Program Resolution, except that "Investment Loans" shall not include Loans released from the pledge of the Program Resolution as described under "SECURITY; Disposition of Loans".

Issuing Agent means an entity designated by or on behalf of the Building Commission to perform such duties as may be required of the Issuing Agent under the Program Resolution or any Supplemental Resolution.

Legislature means the legislature of the State.

Leveraged Clean Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

Leveraged Portion means the Leveraged Clean Water Portion and/or the Leveraged Safe Drinking Water Portion of a series of Bonds.

Leveraged Safe Drinking Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

LIBOR means, for any date of determination, a rate of interest equal to the rate per annum (rounded to the nearest one-hundred thousandth percent) at which United States dollar deposits having a maturity of one month are offered to prime banks in the London interbank market which appears on Reuters Page LIBOR01 as of approximately 11:00 a.m., London time, on such date. If such rate does not appear on Reuters Page LIBOR01, the rate shall be determined from such other source in general use in the financial service industry as may be designated in a State Direction. For this purpose, "Reuters Page LIBOR01" means the display page so designated on the Reuters Money 3000 Service (or such other page as may replace that page on that service or such other service as may be nominated by ice Benchmark Administration Limited or a successor organization for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

Loan means any form of financial assistance subject to repayment, whether or not interest bearing, provided by the State to a Borrower in accordance with a Financial Assistance Agreement for all or any part of the cost of a Project, made pursuant to the Act.

Loan Capitalized Interest means, for any Loan financed in whole or in part by disbursement of amounts in the Loan Fund, the amount, if any, that the State agrees in a Financial Assistance Agreement shall be advanced on behalf of a Borrower as capitalized interest on such Loan, which amount shall be transferred by the Trustee from the Loan Fund to the Interest Receipts Subaccount(s) of the appropriate Account(s) in the Revenue Fund as provided in the Program Resolution, and which amount shall, when transferred, be deemed to be a Loan disbursement from the Loan Fund to such Borrower.

Loan Fund means the Loan Fund established by the Program Resolution.

Loan Repayment means any payment on a Pledged Loan pursuant to a Financial Assistance Agreement, or on the Debt Obligation evidencing and securing such Pledged Loan, on account of the principal, interest and premium, if any, due on such Pledged Loan, including scheduled payments of principal and interest on such Pledged Loan or Debt Obligation, any payment made to cure a default, prepayments of principal or interest and any additional amounts payable upon prepayment of such Pledged Loan or Debt Obligation, and any amounts paid with respect to such Pledged Loan or Debt Obligation on account of (i) acceleration of the due date of such Pledged Loan or such Debt Obligation, (ii) the sale or other disposition of such Pledged Loan or Debt Obligation and other collateral securing such Pledged Loan, (iii) the receipt of proceeds of any insurance, letter of credit or other guaranty of such Pledged Loan or Debt Obligation, (iv) payments with respect to such Pledged Loan pursuant to Section 281.59 (13m) of the Wisconsin Statutes (that is, the State moral obligation), and (v) the exercise or any right or remedy granted to the State and available under law or the applicable Financial Assistance Agreement or Debt Obligation upon default on such Pledged Loan or Debt Obligation (including by recourse to collateral and security devices under the Debt Obligation), but specifically excluding Fees and Charges.

Municipal Obligation means the Debt Obligation, in the form of a bond, note or other evidence of debt issued by any Municipality and authorized by law, which has been or shall be acquired by the State as evidence of indebtedness of a Loan to the Municipality pursuant to the Act.

Municipality means a political subdivision of the State or a federally recognized American Indian tribe or band located within the State, in either case constituting a “municipality” within the meaning of the Act.

Other Beneficiary means a Person who is a Beneficiary of an Other Obligation.

Other Obligation means, to the extent provided in a Supplemental Resolution, the State’s obligations to pay any amounts under any Swap Agreements and any Credit Enhancement Facilities.

Outstanding means, (1) when used in reference to the Bonds as of any given date, all Bonds which have been duly authenticated and delivered by the Registrar or Issuing Agent under the Program Resolution *except*:

(a) Bonds which have been canceled by the Registrar at or before such date or which have been delivered to the Registrar at or before such date for cancellation;

(b) Bonds deemed to be paid in accordance with Article VI of the Program Resolution (relating to defeasance);

(c) Bonds in lieu of which other Bonds have been authenticated under the Program Resolution;

(d) Bonds not surrendered for payment when due (unless the State shall default in the payment thereof); and

(e) Bonds which are otherwise not treated as Outstanding pursuant to the terms of the Supplemental Resolution providing for their issuance; and

(2) when used with respect to Other Obligations, means any Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

Participant means a broker-dealer, bank, or other financial institution for which the Securities Depository holds Bonds as a securities depository.

Paying Agent means the Trustee or another agent of the State designated by or on behalf of the Building Commission to process payments to Holders of the Bonds.

Permitted Investments means, subject to any applicable restrictions relating to investment of Funds or Accounts in the Revenue Obligations Act (including particularly Sections 18.561 (5) and 18.57 (3), Wisconsin Statutes) or otherwise applicable to the Environmental Improvement Fund, any of the following:

(a) Any bonds or other obligations which the timely payment of principal and interest constitutes direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (c) of this definition to the extent unconditionally guaranteed by the United States of America.

(b) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) of this definition, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate, and (iii) as to which the principal of and interest on bonds or other obligations of the character described in clause (a) of this definition which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate; and that are rated at the date of purchase at least the Required Rating for Permitted Investments.

(c) Bonds, debentures or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America.

(d) The interest component of obligations issued by the Resolution Trust Corporation, which are not redeemable prior to maturity other than at the option of the holder thereof.

(e) Obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any such state or political subdivision which are rated at least the Required Rating for Permitted Investments.

(f) Certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, if (i) such obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and meets the eligibility requirements for a Trustee under the Program Resolution, and (ii) payment of all principal of and interest on such certificates or such obligations is fully insured or unconditionally guaranteed by, or unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations the debt of which is rated at least the Required Rating for Permitted Investments, or, in the case of an insurer providing municipal bond insurance policies insuring the payment when due of the principal of and interest on municipal bonds, such insurance policy results in such municipal bonds being rated at least the Required Rating for Permitted Investments.

(g) Certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (a) of this definition, provided that such obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and meets the eligibility requirements for a Trustee under the Program Resolution.

(h) Certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any bank in the United States of America which is rated at least the Required Rating for Permitted Investments.

(i) Commercial paper, other than that issued by bank holding companies, the debt of which is rated at least the Required Rating for Permitted Investments.

(j) Written repurchase contracts, reverse repurchase contracts or securities lending agreements (collateralized by cash or securities) that satisfy the criteria for being rated at least the Required Rating for Permitted Investments.

(k) Shares of an investment company organized under or a money market fund regulated under the Investment Company Act of 1940, as amended, or units of a common trust fund, which satisfies the criteria for being rated at least the Required Rating for Permitted Investments.

(l) Any agreement for an investment of money with a Qualified Institution, provided that such agreement (or the debt of the Qualified Institution) must (i) be rated at least the Required Rating for Permitted Investments at the time such agreement is entered into or (ii) be collateralized with cash or securities in such manner as required for a Required Rating for Permitted Investments. **Qualified Institution** means any entity, the unsecured long-term debt obligations of which are rated at least the Required Rating for Permitted Investments.

(m) obligations secured or supported by a letter of credit, contract, guaranty, agreement or surety bond issued by an entity the obligations of which are rated at least the Required Rating for Permitted Investments.

(n) any investment agreements or debt obligations rated at least the Required Rating for Permitted Investments.

(o) Loans or other obligations incurred under the Clean Water Fund Program or the Safe Drinking Water Loan Program (including Loans made with bonds issued pursuant to the Prior General Resolution).

(p) The local government pooled-investment fund managed by the State of Wisconsin Investment Board pursuant to Section 25.50 of the Wisconsin Statutes.

(q) Any other investment that the State is authorized to make pursuant to the Act and the Revenue Obligations Act and that is rated at least the Required Rating for Permitted Investments.

Person means any natural person, firm, association, corporation, company, trust, partnership, public body, or other entity.

Pledged Loans means (i) all Loans financed through the application of amounts in the Loan Fund as provided in the Program Resolution, (ii) all Investment Loans, and (iii) any other Loans designated as such by the State under the Program Resolution pursuant to the provisions thereof, except that "Pledged Loans" shall not include Loans released from the pledge of the Program Resolution as described under "SECURITY; Disposition of Loans".

Pledged Revenues means (i) all Loan Repayments, including both timely and delinquent payments; (ii) any moneys received by the State under Section 281.59 (11) (b) of the Wisconsin Statutes (that is, State Aid payments intercepted by doa, and taxes collected by county treasurers) upon a default under a Municipal Obligation that evidences and secures a Pledged Loan; (iii) all Counterparty Swap Payments; (iv) except as limited as provided in the Supplemental Resolution authorizing such Credit Enhancement Facility, all amounts received with respect to the payment of Bonds pursuant to a Credit Enhancement Facility; (v) earnings or income from investments of moneys in the Funds and Accounts that are payable into the Revenue Fund (without double-counting any earnings on or income from Investment Loans); (vi) any other moneys held or received by the State or the Trustee relating to any Debt Obligation that evidences and secures a Pledged Loan; and (vii) any other revenues of the Program(s) pledged to secure Bonds by a Supplemental Resolution adopted pursuant to the Program Resolution.

Principal Amount when used with respect to a Bond, means the then outstanding principal amount of such Bond. To the extent provided in the Supplemental Resolution for Bonds of a series that pay interest less frequently than semiannually, accrued interest or amortized original issue discount with respect to such Bond shall be treated as principal, and to the extent provided in the Supplemental Resolution for Bonds of a series that bear no interest, only the purchase price plus amortized original issue discount shall be treated as principal.

Principal Payment Date means the stated maturity date of principal of any Serial Bond, the Sinking Fund Payment Date for any Term Bond, and any other Redemption Date for any Bond.

Prior General Resolution means 1991 State of Wisconsin Building Commission Resolution 5, entitled "State of Wisconsin Clean Water Revenue Bond General Resolution," as amended.

Program means the Clean Water Fund Program or the Safe Drinking Water Loan Program.

Program Resolution means the 2015 State of Wisconsin Building Commission Resolution 10, entitled "Program Resolution for State of Wisconsin Environmental Improvement Fund Revenue Obligations", adopted by the Building Commission on October 7, 2015, as amended and restated by 2017 State of Wisconsin Building Commission Resolution 2, entitled "Amended and Restated Program Resolution for State of Wisconsin Environmental Improvement Fund Revenue Obligations", adopted by the Building Commission on February 15, 2017, as supplemented and amended from time to time by Supplemental Resolutions.

Project means any project for the planning, design, acquisition, construction, improvement, repair, reconstruction, modification, renovation or expansion of any wastewater collection or treatment system or water supply system, or other project that is eligible for financing by the State, pursuant to the Act.

Projected Annual Revenues means, for any Fiscal Year, the sum of (i) the aggregate amount of Loan Repayments scheduled to come due during such Fiscal Year (based on the State's estimated schedule for disbursement of Loans), excluding any such payments with respect to Pledged Loans that are in default, and (ii) the aggregate amount that the State estimates will be received during such Fiscal Year as earnings or income from investments of moneys in the Funds and Accounts that are payable into the Revenue Fund (without double-counting any earnings on or income from Investment Loans).

Rating Agency means, at any time, any nationally recognized securities rating agency which then provides a rating on the Bonds at the request of the State (which request may be withdrawn) and includes the successors and assigns of any such agency.

Rebate Fund means the Rebate Fund created in the Program Resolution.

Redemption Date means the date fixed for redemption of any Bond pursuant to the Program Resolution and the applicable Supplemental Resolution.

Redemption Fund means the Redemption Fund created in the Program Resolution.

Refunding Bonds means Bonds issued or to be issued to provide for the payment of principal of (and, to the extent provided by the Supplemental Resolution authorizing the issuance thereof, premium, if any, and interest on) Bonds previously issued under the Program Resolution or to fund Bond Anticipation Notes.

Registrar means the Trustee or any other agent of the State designated by or on behalf of the Secretary of DOA to maintain the registration books for the Bonds.

Required Rating for Permitted Investments means:

(a) in the case of investment securities or debt obligations to which long-term debt ratings apply, that such securities or obligations (or where applicable, other securities or obligations of the issuer thereof) are rated by each Rating Agency at least "AA-," "Aa3" or their equivalent, and

(b) in the case of investment securities or debt obligations to which short-term debt ratings apply, that such securities or obligations (or where applicable, other securities or obligations of the issuer thereof) are rated by each Rating Agency in its highest applicable rating category,

in each case, without regard to numerical or other modifiers of such rating categories.

Reserve Fund means the Reserve Fund created in the Program Resolution.

Reserve Fund Requirement means, with respect to any Account within the Reserve Fund, the amount established as such in the Supplemental Resolution pursuant to which such Account is established, which may be expressed as a percentage of the Outstanding Bonds secured by such Account, as a stated dollar amount, or in any other manner. In calculating the Reserve Fund Requirement, all Bonds to be redeemed or defeased by a series of Refunding Bonds shall be deemed not Outstanding as of the date of calculation.

Revenue Fund means the Revenue Fund created in the Program Resolution.

Revenue Obligations Act means Subchapter II of Chapter 18 of the Wisconsin Statutes and any other enactment by the Legislature that shall authorize the issuance of revenue obligations of the nature of the Bonds on behalf of the State.

Safe Drinking Water Act means the federal Safe Drinking Water Act, 42 U.S.C. Section 300f *et seq.*, as amended from time to time, or any successor provisions.

Safe Drinking Water Loan Program means the Safe Drinking Water Loan Program as defined in and established by the Act.

Securities Depository means the securities depository and any substitute for or successor to such securities depository that shall, at the request of the Building Commission, maintain a Book-Entry System with respect to the Bonds.

Securities Depository Nominee means the Securities Depository or the nominee of the Securities Depository in whose name the Bonds are registered during the continuation with such Securities Depository of participation in its Book-Entry System.

Senior means, (1) when used with respect to a Bond, a Bond of a series designated (or deemed to have been designated) as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated (or deemed to have been designated) as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated (or deemed to have been designated) as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State. A Supplemental Resolution may provide that only certain obligations with respect to Bonds, Credit Enhancement Facilities or Swap Agreements are Senior. Payments in respect of any early termination of a Swap Agreement may not be designated as Senior.

Senior Debt Service means Debt Service, computed without taking into account Subordinate Bonds and Other Subordinate Obligations.

Senior Debt Service Coverage Ratio means, for any Fiscal Year, the ratio of Projected Annual Revenues to Senior Debt Service.

Serial Bonds means all Bonds other than Term Bonds.

Sinking Fund Payment Date means the date on which any Term Bond is to be called for redemption pursuant to the sinking fund requirements of the Supplemental Resolution providing for the issuance thereof or, if not redeemed, the stated maturity date thereof.

State means the State of Wisconsin.

State Aid means aid that counties, cities, villages, and towns receive from the State (including primarily, but not limited to, pursuant to Chapter 79 of the Wisconsin Statutes).

State Certificate means a certificate signed by an Authorized Commission Representative and delivered to the Trustee or, if required by the context in which such term is used, to any other Fiduciary.

State Direction means a direction to the Trustee or, if required by the context in which such term is used, to any other Fiduciary and signed by an Authorized Commission Representative.

State Match means the amount of matching State funds required under the Water Pollution Control Act or the Safe Drinking Water Act, which presently equals not less than 20% of the amount of funds available under the applicable Capitalization Grant Agreement.

State Match Clean Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

State Match Portion means the State Match Clean Water Portion and/or the State Match Safe Drinking Water Portion of a series of Bonds.

State Match Restriction means the prohibition set forth in the Program Resolution against using Grant Proceeds and principal repayments of Pledged Loans to pay amounts due with respect to State Match Portions.

State Match Safe Drinking Water Portion means that portion of a series of Bonds designated as such in the applicable Supplemental Resolution, as adjusted pursuant to a State Direction, if applicable.

State Swap Payment means a payment due to a Swap Counterparty from the State pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

Subordinate means, after the adoption of a Supplemental Resolution pursuant to the Program Resolution to provide for the creation of a class of Bonds or Other Obligations that is subordinate to Senior Bonds, (1) when used with respect to a Bond, a Bond of a series designated as such pursuant the Program Resolution and the Supplemental Resolution pursuant to which such series of Bonds is issued, (2) when used with respect to a Credit Enhancement Facility, a Credit Enhancement Facility designated as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Credit Enhancement Facility is obtained by the State, and (3) when used with respect to a Swap Agreement, a Swap Agreement designated as such pursuant to the Program Resolution and the Supplemental Resolution pursuant to which such Swap Agreement is obtained by the State. A Supplemental Resolution may provide that only certain obligations with respect to Bonds, Credit Enhancement Facilities or Swap Agreements are Subordinate.

Subordinate Redemption Fund means the Subordinate Redemption Fund created in the Program Resolution.

Supplemental Income Fund means the Supplemental Income Fund created in the Program Resolution.

Supplemental Resolution means a resolution adopted by the Building Commission in accordance with the Program Resolution to supplement or amend the Program Resolution.

Swap Agreement means an interest rate exchange agreement or other interest rate hedge agreement between the State and a Swap Counterparty, for the purpose of (1) converting, in whole or in part, (a) the State's fixed interest rate liability on all or a portion of any Bonds to a variable interest rate liability, (b) the State's variable interest rate liability on all or a portion of any Bonds to a fixed interest rate liability, or (c) the State's variable interest rate liability on all or a portion of any Bonds to a different variable interest rate liability, or (2) providing a maximum or minimum with respect to the State's variable interest rate liability on all or a portion of any Bonds.

Swap Counterparty means any Person with whom the State shall, from time to time, enter into a Swap Agreement.

Taxable Bonds means Bonds of a series that are not offered on the basis that interest on the Bonds of that series is excluded from gross income of the Beneficial Owners for federal income tax purposes pursuant to the Code, as designated in the Supplemental Resolution authorizing such Bonds.

Tax-Exempt Bonds means Bonds of a series are offered on the basis that interest on the Bonds of that series is excluded from gross income of the Beneficial Owners for federal income tax purposes pursuant to the Code, as designated in the Supplemental Resolution authorizing such Bonds.

Tender Date means, with respect to any Bond or Beneficial Ownership Interest, a date on which such Bond or Beneficial Ownership Interest is required to be tendered for purchase by or on behalf of the State, or has been tendered for purchase by or on behalf of the State pursuant to a right given the Holder or Beneficial Owner of such Bond, in accordance with the provisions in the Supplemental Resolution providing for the issuance thereof.

Term Bonds means Bonds which are subject to mandatory redemption on Sinking Fund Payment Dates according to a schedule provided in or pursuant to the Supplemental Resolution providing for the issuance of such Bonds.

Transfer Date means each June 1 and December 1, commencing June 1, 2016.

Trustee means U.S. Bank Trust Company, National Association or any successor entity designated by or on behalf of the Building Commission to have custody of the Funds and Accounts and to perform such other duties as may be required of the Trustee under the Program Resolution or any Supplemental Resolution.

Variable Rate Bonds means Bonds whose interest rate is not fixed for the entire remaining term of such Bonds, but varies on a periodic basis as specified in the Supplemental Resolution providing for the issuance thereof.

Water Pollution Control Act or **Water Quality Act** means subchapter VI of the federal Water Pollution Control Act, 33 U.S.C. Section 1381 *et seq.*, as amended from time to time, or any successor provisions.

APPENDIX A
AUDITED FINANCIAL STATEMENTS

The following are the independent auditor's report and financial statements for the Environmental Improvement Fund for the years ended June 30, 2022 and 2021, along with supplemental information as of June 30, 2022. Any websites listed in the independent auditor's report and the financial statements are not incorporated by reference into this Part VI of the 2022 Annual Report.

Financial statements present the financial position, results of operations, and cash flows of the Environmental Improvement Fund for the fiscal years ended June 30, 2022 and 2021. These financial statements are not intended to predict future cash flows that will be available for the benefit of the owners of the Bonds pursuant to the Program Resolution.

Baker Tilly US, LLP, the independent auditor of the Environmental Improvement Fund, has not been engaged to perform and has not performed, since the date of its reports included on the following pages, any procedures on the financial statements addressed in those reports. Baker Tilly US, LLP also has not performed any procedures related to this Part VI of the 2022 Annual Report.

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{This page number is the last sequential page number of the 2022 Annual Report to be used in Part VI of the 2022 Annual Report. The following uses page numbers from the financial statements and independent auditor's report. The sequential page numbers for the 2022 Annual Report continue in Part VII.}

State of Wisconsin
Environmental Improvement Fund

Financial Statements and
Supplementary Information

June 30, 2022 and 2021

State of Wisconsin Environmental Improvement Fund

Table of Contents
June 30, 2022 and 2021

Independent Auditors' Report

To the Secretary-designee of the Department of Administration and the
Secretary of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for the State of Wisconsin Environmental Improvement Fund, as of June 30, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Wisconsin Environmental Improvement Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the State of Wisconsin Environmental Improvement Fund are intended to present the financial position, the changes in the financial position, and where applicable, cash flows of only the State of Wisconsin Environmental Improvement Fund. They do not purport to, and do not, present fairly the financial position of the State of Wisconsin, as of June 30, 2022, and 2021, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Net Position by Program, Statement of Revenues, Expenses, and Changes in Net Position by Program, and the Statement of Cash Flows by Program as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022 on our consideration of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
November 1, 2022

Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Assets and Deferred Outflows of Resources		
Current Assets		
Unrestricted cash and cash equivalents	$ 394,460,113	$ 431,626,644
Receivables:		
Loans to local governments, current portion	197,114,074	193,282,815
Due from other funds	283,091	1,464,500
Due from other governmental entities	10,181,358	10,376,570
Accrued investment income	7,637	269
Other receivables	31,934	35,285
Prepaid items	16,917	16,906
Total current assets	602,095,124	636,802,989
Noncurrent Assets		
Loans to local governments	2,002,366,053	1,858,775,801
Advances to other funds	6,599,140	6,586,860
Prepaid items	15,480	32,366
Restricted assets:		
Net pension asset	210,764	148,236
Sick Leave OPEB Asset	23,938	31,267
Total noncurrent assets	2,009,215,375	1,865,574,530
Total assets	2,611,310,499	2,502,377,519
Deferred Outflows of Resources		
Pension related amounts	375,778	234,588
OPEB related amounts, health	9,271	5,516
OPEB related amounts, life	11,628	12,759
OPEB related amounts, sick	8,932	2,400
Unamortized charges	818,804	978,058
Total deferred outflows of resources	1,224,413	1,233,321
Total assets and deferred outflows of resources	$ 2,612,534,912	$ 2,503,610,840

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accrued expenses	$ 71,870	$ 92,804
Accrued interest on bonds	1,388,662	1,188,333
Due to other funds	1,334,228	845,276
Due to other governmental entities	378,322	405,727
Compensated absences, current portion	206,715	205,692
Revenue obligation bonds, current maturities	29,375,000	23,830,000
Total current liabilities	32,754,797	26,567,832
Noncurrent Liabilities		
OPEB liability, health	34,897	32,796
Net OPEB liability, life	39,475	29,219
Compensated absences	549,374	452,991
Revenue obligation bonds (including unamortized premium)	369,234,992	301,331,509
Total noncurrent liabilities	369,858,738	301,846,515
Total liabilities	402,613,535	328,414,347
Deferred Inflows of Resources		
Pension related amounts	461,626	318,091
OPEB related amounts, health	16,086	16,122
OPEB related amounts, life	4,582	5,378
OPEB related amounts, sick	20,711	28,326
Total deferred inflows of resources	503,005	367,917
Net Position		
Restricted for:		
Environmental improvement	2,188,383,867	2,153,715,978
Pension and OPEB	234,702	179,503
Unrestricted	20,799,803	20,933,095
Total net position	2,209,418,372	2,174,828,576
Total liabilities, deferred inflows of resources and net position	$ 2,612,534,912	$ 2,503,610,840

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenues		
Loan interest	$ 173,241	$ 211,685
Interest income used as security for revenue bonds	44,486,957	43,897,324
Miscellaneous other	2,010,001	529,961
Total operating revenues	46,670,199	44,638,970
Operating Expenses		
Interest	10,241,199	8,894,895
Salaries and benefits	5,700,473	6,494,484
Contractual services and other	3,299,048	3,651,644
Total operating expenses	19,240,720	19,041,023
Operating income	27,429,479	25,597,947
Nonoperating Revenues (Expenses)		
Investment income	349,176	180,379
Intergovernmental grants	61,464,161	61,366,448
Grants awarded	(46,691,872)	(21,106,093)
Total nonoperating revenues	15,121,465	40,440,734
Income Before Transfers	42,550,944	66,038,681
Transfers in	52,060	467,933
Transfers out	(8,013,208)	(8,014,623)
Increase in net position	34,589,796	58,491,991
Net Position, Beginning	2,174,828,576	2,116,336,585
Net Position, Ending	$ 2,209,418,372	$ 2,174,828,576

See notes to financial statements

State of Wisconsin Environmental Improvement Fund

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Collection of loans	$ 200,358,908	$ 200,306,765
Interest received on loans	44,442,971	43,810,629
Origination of loans	(347,780,419)	(332,447,840)
Payments to employees for services	(4,873,754)	(7,402,193)
Payments to suppliers and other	(3,159,544)	(4,156,293)
Other operating revenues	2,010,001	529,960
Net cash flows from operating activities	(109,001,837)	(99,358,972)
Cash Flows From Noncapital Financial Activities		
Intergovernmental grants received	61,927,152	60,226,533
Grants paid	(46,675,380)	(21,106,092)
Transfers in	519,992	3,019,975
Transfers out	(8,013,207)	(8,014,623)
Proceeds from issuance of long-term debt	122,841,571	-
Retirement of long-term debt	(23,830,000)	(22,560,000)
Payment to escrow agent	(18,699,701)	-
Interest payments	(16,567,610)	(15,588,001)
Other cash flows from noncapital financing activities	(12,280)	(4,834)
Net cash flows from noncapital financing activities	71,490,537	(4,027,042)
Cash Flows From Investing Activities		
Investment and interest income	344,769	178,486
Net cash flows from investing activities	344,769	178,486
Net increase in cash and cash equivalents	(37,166,531)	(103,207,528)
Cash and Cash Equivalents, Beginning	431,626,644	534,834,172
Cash and Cash Equivalents, Ending	$ 394,460,113	$ 431,626,644

See notes to financial statements

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	$ 27,429,479	$ 25,597,947
Adjustments to reconcile operating income to net cash flows from operating activities:		
Interest expense classified as noncapital financing activity	10,063,806	8,799,626
Changes in assets and liabilities:		
Receivables	388	(5,458)
Loans to other governments	(147,421,512)	(132,141,075)
Due from other funds	662,709	(2,407,301)
Proportionate share of contributions	(15,258)	58,405
Prepaid items	16,876	16,888
Compensated absences	97,407	82,302
Other assets	(42,842)	(98,795)
Accrued expenses	(29,014)	12,985
Accrued interest on bonds	(217,227)	(295,058)
Due to other funds	489,168	1,146,466
Due to other governmental entities	(35,817)	(125,904)
Total adjustments	(136,431,316)	(124,956,919)
Net cash flows from operating activities	$ (109,001,837)	$ (99,358,972)
Noncash Investing and Noncapital Financing Activities		
Bond premium amortization	$ 9,233,166	$ 6,845,078

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity

The State of Wisconsin Environmental Improvement Fund (the Fund) is an enterprise fund of the State of Wisconsin (the State) administered by the State of Wisconsin Department of Natural Resources (the DNR) and the State of Wisconsin Department of Administration (the DOA).

The Fund was established with the adoption of the 1997-1999 State of Wisconsin budget. The Fund replaced the Clean Water Fund Program and expanded loan activity to include drinking water system loans and brownfield loans. The Fund provides for two separate environmental financing programs: the Clean Water Fund Program (which includes the Land Recycling Loan Program) and the Safe Drinking Water Loan Program.

The Clean Water Fund Program was established in 1990 and provides financial assistance to municipalities at subsidized interest rates for the purpose of constructing or improving municipal wastewater facilities. The Safe Drinking Water Loan Program was established in 1997 and provides municipal loans for the construction or repair of municipal drinking water facilities. The following four loan portfolios have historically and continue to comprise the Environmental Improvement Fund for reporting purposes, and are based on the source of funds:

- **Direct Loan Portfolio** - This portfolio is funded by the U.S. Environmental Protection Agency (the EPA) grants and proceeds from the issuance of Environmental Improvement Fund Revenue Bonds (which revenue bonds are issued, in part, to meet the 20% match of EPA capitalization grants). Repayments from loans in this portfolio are also used to fund new loans. Loans in this portfolio are made for wastewater projects of the Clean Water Fund Program.
- **Leveraged Loan Portfolio** - This portfolio was funded by proceeds of Clean Water Revenue Bonds and operating transfers from the State. Assets in this portfolio were used for loans for Wisconsin municipal wastewater projects that met applicable State eligibility and reporting requirements of the Clean Water Fund Program. During fiscal 2017, all of the Clean Water Revenue Bonds were economically or legally defeased and the municipal loans were sold to and purchased by the Direct Loan Portfolio (see Note 6).
- **Proprietary Loan/Grant Portfolio** - This portfolio is funded by operating transfers from the State. Assets of this portfolio are used to fund both loans and previously awarded hardship grants for qualifying wastewater projects. Repayments from loans in this portfolio may be used to fund new loans, previously awarded hardship grants under the Clean Water Fund Program, or other allowable uses.
- **Safe Drinking Water Loan Portfolio** - This portfolio is funded by the EPA grants, operating transfers from the State, and proceeds from the issuance of Environmental Improvement Fund Revenue Bonds (which revenue bonds are issued, in part, to meet the 20% match of EPA grants). Repayments from loans in this portfolio are also used to fund new loans. Loans in this portfolio are made for drinking water projects under the Safe Drinking Water Loan Program.

The issuance of Environmental Improvement Fund Revenue Bonds is pursuant to a program resolution that was adopted in 2015 for a new revenue bond program.

The Land Recycling Loan Program is a municipal loan program for the remediation of contaminated lands. As of June 30, 2022 and 2021, there were ten loans granted under this program for a total of $15,218,891. As of June 30, 2022 and 2021, the total amount drawn on these loans was $13,500,343. The Land Recycling Program loans are included in the Clean Water Fund Program - Direct Loan Portfolio for reporting purposes.

Net Operating Income/Loss

The Fund incurred net operating income of $27.4 million and a net operating income of $25.6 million in 2022 and 2021, respectively. However, management anticipates the Fund will periodically incur net operating losses. As explained in Note 2, a loss will generally result from the Fund's statutory mission to provide loans to municipalities at interest rates below the Fund's own cost of funds. Previous losses have historically been funded by EPA grants and operating transfers from the State of Wisconsin. EPA grants were approximately $61.5 million and $61.4 million in 2022 and 2021, respectively and are classified as intergovernmental grants. Transfers from the State of Wisconsin were approximately $.05 million and $.47 million in 2022 and 2021, respectively and are classified as transfers in. Management expects the grants and transfers will continue for the foreseeable future sufficient to fund both the anticipated future net operating losses and, together with additional borrowing, to fund additional loans to municipalities.

Loans Receivable

Loans receivable are recorded at cost. Direct costs to originate loans are not material and are expensed as incurred. Fees received to originate loans are not material and are recorded as income when received.

Interest on Loans Receivable

Interest on loans receivable is recognized on an accrual basis and recorded within Due from Other Governmental Entities on the statements of net position.

Investments

The Fund may invest in direct obligations of the United States and Canada, securities guaranteed by the United States, certificates of deposit issued by banks in the United States and solvent financial institutions in the State, commercial paper and nonsecured corporation notes and bonds, bankers acceptances, participation agreements, privately placed bonds and mortgages, common and preferred stock and other securities approved by applicable sections of the Wisconsin Statutes, bond resolutions and various trust indentures (see Note 3).

Investments that are stated at fair value includes the State Investment Fund (SIF) (see Note 3). The Fund has received fair value information for investments from external sources. Changes in the fair value of investments are included in investment income. Accrued interest on investments is recorded as earned. To the extent interest income on investments exceeds applicable arbitrage limits specified in the Internal Revenue Code; the amount that must be rebated (estimated arbitrage) to the U.S. Treasury is recorded as a reduction of investment income (see Note 7). Investment transactions are recorded on the trade date.

Comparative Data

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Revenue Obligation Bonds

Interest expense on revenue obligation bonds is recognized on an accrual basis.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

The Fund defers the difference between the reacquisition price and the net carrying amount of defeased debt and amortizes it as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized deferred charge related to debt defeasance is classified as a deferred outflow of resources.

Cash Equivalents

The Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents in the Direct Loan Portfolio, Leveraged Loan Portfolio, and Safe Drinking Water Portfolio, while classified as unrestricted assets under accounting principles generally accepted in the United States (GAAP), are restricted as to use under federal statute and code and under the Environmental Improvement Fund Bond covenants and indenture. Those federal restrictions require that, with few exceptions, the funds can only be used for purposes of making loans to municipalities for program purposes and that the funds must be kept available in perpetuity for such purposes. Likewise, the Environmental Improvement Fund Bond indenture specifies the use of bond proceeds, proceeds from loan repayments and money in other accounts created under the bond indenture.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Net Position

Net position is classified as either restricted or unrestricted based on the presence or absence of restrictions, including federal laws, the Clean Water Act of 1987, resolutions, state statutes and Title XIV of the 1996 Safe Drinking Water Act, as amended. When both restricted and unrestricted resources are available for use, restricted resources are used first, then unrestricted as they are needed.

Revenue Recognition

Loan interest and investment income are recognized as revenue when earned. Operating grants are recognized as revenue in the period the related expense occurs and include $61.5 million and $61.4 million of EPA contributions in 2022 and 2021, respectively.

Hardship Grants

Hardship grants are recognized as an expense when the funds are disbursed.

Transfers In / (Out)

Transfers in consist primarily of contributions from the State of Wisconsin and are recognized as the contributions are received. Transfers out consist primarily of items related to debt service.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. Refer to Note 11 on commitments and contingencies.

2. Financial Assistance Agreements to Local Governments

Loans to local governments at June 30, 2022 and 2021 represent loans for wastewater treatment projects or drinking water projects and are for terms of up to 30 years. These loans are made at a variety of prescribed interest rates based on project type categories. In order to effectuate statutory policy, virtually all of the loans issued by the Clean Water Fund Program and Safe Drinking Water Loan Program are at interest rates that are below the market rate that is established by the State. The net losses that can result from this negative interest margin are funded by State transfers. Interest rates on loans receivable ranged from 0% to 4.09% in both 2022 and 2021. The weighted average interest rate was 1.580% and 1.617% at June 30, 2022 and 2021, respectively. The loans contractually are revenue obligations or general obligations of the local governments or both. Additionally, various statutory provisions exist which provide further security for payment.

In the event of a default, the State can intercept State aid payments due to the applicable local government, induce an additional charge to the amount of property taxes levied by the county in which the applicable local government is located or both. Accordingly, no reserve for loan loss is deemed necessary. At June 30, 2022 and 2021, all loan repayments were performing in accordance with the contractual terms.

Principal forgiveness, awarded through the Clean Water Fund Program and Safe Drinking Water Loan Program, is an additional subsidy in the form of a grant, to assist municipalities that would experience significant difficulty in raising the revenue necessary to finance needed infrastructure projects. From July 1, 2021 through June 30, 2022, these programs entered into financial assistance agreements that included principal forgiveness grants of $45,057,745.

Of the loans outstanding at June 30, 2022 and 2021, $357,911,545 and $387,832,474 (16% and 19%), respectively, were loans due from the Milwaukee Metropolitan Sewerage District.

The Clean Water Fund Program and Safe Drinking Water Loan Program entered into $338,500,436 of new loans and $45,057,745 of new grants during fiscal year 2022. For fiscal year 2021, these same programs entered into $349,780,090 of new loans and $27,243,516 of new grants. As of June 30, 2022, they had undisbursed commitments of $246,421,829 relating to loans and $11,136,105 relating to grants. For fiscal year 2021, they had undisbursed commitments of $269,611,643 relating to loans and $23,461,394 relating to grants.

From July 1, 2022 to August 1, 2022, the Fund executed 21 new financial assistance agreements with loans that totaled $72,472,240. Between July 1, 2022 and August 1, 2022, disbursements against these loans totaled $5,896,375. These funding commitments are generally met through the proceeds from additional Federal grants, recycled loan payments and from the issuance of additional revenue obligation bonds (see Note 5).

3. Cash and Cash Equivalents

As of June 30, 2022 and 2021, cash and cash equivalents consisted of the following:

	2022	2021	Associated Risk
Money market mutual funds	$ 385,105,113	$ 422,355,078	N/A
State Investment Fund (SIF)	9,355,000	7,699,000	Custodial credit risk, credit risk, concentration of credit risk, interest rate risk
Cash held by custodian	-	1,572,566	N/A
Total unrestricted cash and cash equivalents	$ 394,460,113	$ 431,626,644	

The SIF functions as the State of Wisconsin's cash management fund by pooling the idle cash balances of all State funds and other public institutions. In the State of Wisconsin's Annual Comprehensive Financial Report, the SIF is not reported as a separate fund; rather, each State fund's share in the pool is reported on the balance sheet as Cash and Cash Equivalents, including amounts reported in the Environmental Improvement Fund. SIF pool shares are bought and redeemed at $1.00. The State of Wisconsin does not provide any legally binding guarantees to support the value of pool shares. Wisconsin Statute 25.17 enumerate the various types of securities in which the SIF can be invested. Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. As of both June 30, 2022 and 2021, the SIF made up 2% of the Fund's total portfolio. For further information on the specific associated risks for SIF, see the State of Wisconsin's Annual Comprehensive Financial Report as of and for the year ended June 30, 2022, when available.

4. Interfund Receivables/Payables and Transfers

Interfunds resulted from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

The following is a schedule of transfers between the loan portfolios and/or other funds at the State of Wisconsin at June 30, 2022 and 2021:

Transferred To	Transferred From	June 30, 2022 Amount	June 30, 2021 Amount	Principal Purpose
Proprietary Portfolio	Capital Improvement	$ 52,060	$ 467,933	Future debt service
Bond Security and Redemption	Direct Loan Portfolio	8,000,000	8,000,000	G.O. bond debt service
Debt Service Fund Program	Proprietary Portfolio	13,208	14,623	Personnel services
Subtotal		8,065,268	8,482,556	
Less eliminations		-	-	
Total transfers, statements of revenues, expenses and changes in net position		$ 8,065,268	$ 8,482,556	

Generally, transfers are used to: (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

5. Revenue Obligation Bonds

Revenue bonds are payable only from revenues derived from the operation of the loan programs.

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Clean Water Fund Program:					
Revenue bonds issued	$ 247,410,000	$ 96,930,000	$ 39,355,000	$ 304,985,000	$ 28,085,000
Unamortized premiums	31,029,556	22,188,791	8,372,148	44,846,199	-
Safe Drinking Water Loan Program:					
Revenue bonds issued	37,790,000	3,070,000	875,000	39,985,000	1,290,000
Unamortized premiums	8,931,953	722,858	861,018	8,793,793	-
Total	$ 325,161,509	$ 122,911,649	$ 49,463,166	$ 398,609,992	$ 29,375,000

Environmental Improvement Fund Revenue Bonds activity as of June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Clean Water Fund Program:					
Revenue bonds issued	$ 269,180,000	$ -	$ 21,770,000	$ 247,410,000	$ 22,955,000
Unamortized premiums	36,960,714	-	5,931,158	31,029,556	-
Safe Drinking Water Loan Program:					
Revenue bonds issued	38,580,000	-	790,000	37,790,000	875,000
Unamortized premiums	9,845,873	-	913,920	8,931,953	-
Total	$ 354,566,587	$ -	$ 29,405,078	$ 325,161,509	$ 23,830,000

Environmental Improvement Fund revenue obligation serial and term bonds as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
2015 Series A:		
Serial Bonds, final maturity June 1, 2025	$ 8,240,000	$ 27,550,000
Unamortized premium on bonds	396,938	2,513,906
	8,636,938	30,063,906
2017 Series A:		
Serial Bonds, final maturity June 1, 2035	101,770,000	108,090,000
Unamortized premium on bonds	10,845,417	12,774,380
	112,615,417	120,864,380
2018 Series A:		
Serial Bonds, final maturity June 1, 2026	58,215,000	71,080,000
Unamortized premium on bonds	3,950,149	5,914,754
	62,165,149	76,994,754
2020 Series A:		
Serial Bonds, final maturity June 1, 2039	76,745,000	78,480,000
Unamortized premium on bonds	17,173,914	18,758,469
	93,918,914	97,238,469
2021 Series A:		
Serial Bonds, final maturity June 1, 2040	100,000,000	-
Unamortized premium on bonds	21,273,574	-
	121,273,574	-
Total environmental improvement fund revenue series	$ 398,609,992	$ 325,161,509

The original premium at issuance and the interest rates for Environmental Improvement Fund Revenue Bonds outstanding at June 30, 2022 was the following:

Series	Original Issue (Premium)	Interest Rates
2015 Series A	$ (7,039,669)	3.00 – 5.00%
2017 Series A	(28,543,314)	3.00 – 5.00%
2018 Series A	(12,386,409)	5.00%
2020 Series A	(20,705,136)	5.00%
2021 Series A	(22,911,649)	4.00 – 5.00%

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2022, are as follows:

	Clean Water Fund Program		Safe Drinking Water Loan Program		
	Principal	Interest	Principal	Interest	Total
Years ending June 30:					
2023	$ 28,085,000	$ 14,664,700	$ 1,290,000	$ 1,999,250	$ 46,038,950
2024	29,445,000	13,260,450	1,395,000	1,934,750	46,035,200
2025	29,525,000	11,788,200	1,465,000	1,865,000	44,643,200
2026	28,940,000	10,311,950	1,530,000	1,791,750	42,573,700
2027	14,510,000	8,864,950	1,065,000	1,715,250	26,155,200
2028-2032	69,905,000	33,708,200	7,225,000	7,737,250	118,575,450
2033-2037	78,150,000	16,349,750	22,905,000	3,798,000	121,202,750
2038-2040	26,425,000	2,017,000	3,110,000	204,750	31,756,750
Total	$ 304,985,000	$ 110,965,200	$ 39,985,000	$ 21,046,000	$ 476,981,200

Principal and interest due on the Environmental Improvement Fund Revenue Bonds as of June 30, 2021, are as follows:

	Clean Water Fund Program		Safe Drinking Water Loan Program		
	Principal	Interest	Principal	Interest	Total
Years ending June 30:					
2022	$ 22,955,000	$ 12,370,500	$ 875,000	$ 1,889,500	$ 38,090,000
2023	24,055,000	11,222,750	970,000	1,845,750	38,093,500
2024	25,215,000	10,020,000	1,055,000	1,797,250	38,087,250
2025	25,080,000	8,759,250	1,110,000	1,744,500	36,693,750
2026	25,270,000	7,505,250	1,160,000	1,689,000	35,624,250
2027-2031	60,495,000	24,792,250	3,905,000	7,800,750	96,993,000
2032-2036	50,805,000	11,378,000	22,630,000	4,929,500	89,742,500
2037-2039	13,535,000	1,072,750	6,085,000	509,000	21,201,750
Total	$ 247,410,000	$ 87,120,750	$ 37,790,000	$ 22,205,250	$ 394,526,000

Environmental Improvement Fund revenue bonds are payable only from revenues derived from: (1) pledged loan amounts, (2) amounts in the Loan Fund, Reserve Fund (if any) and (3) all other pledged receipts.

The Environmental Improvement Fund has pledged future loan revenues, net of specified operating expenses, to repay outstanding revenue bonds. Proceeds from the bonds provided financing for loans to municipalities to construct or improve water and wastewater projects. The bonds are payable solely from loan revenues. Specifics of these requirements are as follows:

Type of Revenue Bonds	Outstanding	Issuance Dates	Maturity Through	Percentage of Revenues to Pay Principal and Interest	Principal and Interest Outstanding	Principal and Interest Paid In Current Year	Total Net Revenues
Environmental Improvement Fund - 2022	$ 344.9M	2015 - 2021	2040	18%	$ 476.98 M	$ 40.4 M	$ 146.4 M
Environmental Improvement Fund - 2021	$ 285.2M	2015 - 2020	2039	15%	$ 394.53 M	$ 38.1 M	$ 144.3 M

6. Debt Refunding

Prior-Year Defeasance of Debt

In prior years, the Fund defeased certain Clean Water Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. On August 4, 2021, the State of Wisconsin Building Commission entered into a Defeasance Escrow Agreement, where the State of Wisconsin deposited $18.7 million of cash into an escrow account for the defeasance of five maturities in the aggregate par amount of $16.4 million from State of Wisconsin Environmental Improvement Revenues Bonds, 2015 Series A: Maturities June 1, 2026 through and including June 30, 2030. At June 30, 2022, $268,165,000 of bonds outstanding are considered defeased. At June 30, 2021, $327,905,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

	Amount as of June 30, 2022	Amount as of June 30, 2021
6/1/2022	$ -	$ 76,140,000
6/1/2023	85,900,000	85,900,000
6/1/2024	182,265,000	165,865,000

7. Investment Income

Investment income is recorded net of estimated required arbitrage relating to outstanding State of Wisconsin Environmental Improvement Revenue Bonds and consisted of the following for the fiscal years ended June 30, 2022 and 2021:

	2022	2021
Interest:		
State of Wisconsin Investment Board Local Government Investment Pool	$ 349,176	$ 180,379
Total investment income	$ 349,176	$ 180,379

8. Operating Grants and Financial Assistance

EPA Operating Grants for Wastewater Projects - The Federal Water Quality Act of 1987 (the Water Quality Act) established a joint Federal and State program with the EPA to assist in providing financial assistance to municipalities within the states for governmentally owned wastewater treatment projects. Under the terms of the EPA grant, the State was required: (1) to establish the Clean Water Fund Program, a perpetual state revolving fund into which the grant monies must be deposited, (2) to provide State matching funds equal to 20% of the grant and (3) to use the monies to provide financial assistance to municipalities for governmental owned wastewater treatment projects in a number of ways, provided that such assistance is not in the form of a grant. Reauthorization of the Water Quality Act of 1987 is expected to result in the allocation of capitalization grants to Wisconsin of approximately $79.4 million for federal fiscal year 2022. Four percent of the EPA grant amount may be used for wastewater program administrative expenses. Appropriation levels for years after 2022 through and including 2026 are known and were included as part of the Infrastructure Investment and Jobs Act. Appropriation levels for years after 2026 are unknown at this time.

EPA Operating Grants for Drinking Water Projects - The Federal Safe Drinking Water Act Amendment of 1996 (the Safe Drinking Water Act) established a joint Federal and State program with the EPA to assist in providing financial assistance to municipal and community water system projects. Under the terms of the EPA grant, the State was required: (1) to establish the Safe Drinking Water Loan Program, a perpetual state revolving fund into which the grant monies must be deposited; (2) to provide State matching funds equal to 20% of the grant; and (3) to use the monies to provide financial assistance to municipal and community water system projects. The Safe Drinking Water Act was authorized through federal fiscal year 2022 and a grant to Wisconsin of approximately $42.6 million is expected for federal fiscal year 2022.

Reauthorization of the Safe Drinking Water Act may not be acted upon by the present Congress of the United States, although the Fund expects EPA capitalization grants to states to continue into the future. Four percent of the EPA grant amount may be used for water program administrative expenses plus a portion of the grant may be used by DNR for various water-related issues and initiatives.

Hardship Assistance -Wisconsin statutes require that the Fund provide financial hardship assistance to disadvantaged communities that qualify under Wisconsin Statute 281.58(12). This assistance is currently in the form of further reduced interest rates (as low as 0%), but prior to statutory changes that were effective September 23, 2017 was in the form of reduced interest rates (as low as 0%) or grants, for wastewater projects subject to limitations prescribed by the statute.

9. Subsequent Events

On October 25, 2022 the State of Wisconsin sold at competitive sale $50.0 million of its Environmental Improvement Fund Revenue Bonds, 2022 Series A (Green Bonds). The bonds will be issued on November 17, 2022, and the proceeds will be used to make loans under the Clean Water Fund and Safe Drinking Water Loan Programs. The interest rate associated with these bonds was set at 5.0% payable semiannually beginning June 1, 2023. The bonds mature annually beginning June 1, 2024 through 2043.

10. Effect of New Accounting Standards on Current-Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 91*, Conduit Debt Obligations*
- Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96*, Subscription-Based Information Technology Arrangements*
- Statement No. 99*, Omnibus 2022*
- Statement No. 100*, Accounting Changes and Error Corrections – an Amendment to GASB Statement No. 62*
- Statement No. 101*, Compensated Absences*

Statement No. 91 listed above had its required effective date postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*.

When they become effective, application of these standards may restate portions of these financial statements.

11. Commitments and Contingencies

Occasionally the Fund is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the state legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Fund's financial position or results of operations.

12. Risk Management

The State of Wisconsin's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, risks are managed internally through self-insurance accounted for in an internal service fund. No separate policies exist for the Fund itself.

SUPPLEMENTARY INFORMATION

State of Wisconsin Environmental Improvement Fund

Statement of Net Position by Program

June 30, 2022

	Clean Water Fund Program					
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio	Safe Drinking Water Loan Program	Eliminations	Total
Assets and Deferred Outflows of Resources						
Current Assets						
Unrestricted cash and cash equivalents	$ 216,322,121	$ 1,701,827	$ -	$ 176,436,165	$ -	$ 394,460,113
Receivables:						
Loans to local governments, current portion	161,835,220	1,030,371	-	34,248,483	-	197,114,074
Due from other funds	216	9,925,467	-	97,708	(9,740,300)	283,091
Due from other governmental entities	7,086,118	27,086	-	3,068,154	-	10,181,358
Accrued investment income	-	7,637	-	-	-	7,637
Other receivables	13,459	14,511	-	3,964	-	31,934
Prepaid items	-	30	16,887	-	-	16,917
Total current assets	385,257,134	12,706,929	16,887	213,854,474	(9,740,300)	602,095,124
Noncurrent Assets						
Loans to local governments	1,634,636,735	9,086,800	-	358,642,518	-	2,002,366,053
Advances to other funds	6,599,140	-	-	-	-	6,599,140
Prepaid items	-	-	15,480	-	-	15,480
Restricted assets:						
Net pension asset	-	210,764	-	-	-	210,764
Sick Leave OPEB Asset	-	23,938	-	-	-	23,938
Total noncurrent assets	1,641,235,875	9,321,502	15,480	358,642,518	-	2,009,215,375
Total assets	2,026,493,009	22,028,431	32,367	572,496,992	(9,740,300)	2,611,310,499
Deferred Outflows of Resources						
Pension related amounts	-	375,778	-	-	-	375,778
OPEB related amounts, health	-	9,271	-	-	-	9,271
OPEB related amounts, life	-	11,628	-	-	-	11,628
OPEB related amounts, sick	-	8,932	-	-	-	8,932
Unamortized charges	818,804	-	-	-	-	818,804
Total deferred outflows of resources	818,804	405,609	-	-	-	1,224,413
Total assets and deferred outflows of resources	$ 2,027,311,813	$ 22,434,040	$ 32,367	$ 572,496,992	$ (9,740,300)	$ 2,612,534,912

State of Wisconsin Environmental Improvement Fund

Statement of Net Position by Program

June 30, 2022

	Clean Water Fund Program: Direct Loan Portfolio	Clean Water Fund Program: Proprietary Portfolio	Clean Water Fund Program: Leveraged Loan Portfolio	Safe Drinking Water Loan Program	Eliminations	Total
Liabilities, Deferred Inflows of Resources and Net Position						
Current Liabilities						
Accrued expenses	$ 11,646	$ 9,151	$ -	$ 51,073	$ -	$ 71,870
Accrued interest on bonds	1,222,058	-	-	166,604	-	1,388,662
Due to other funds	10,509,577	54,585	-	510,366	(9,740,300)	1,334,228
Due to other governmental entities	-	2,333	-	375,989	-	378,322
Compensated absences, current portion	-	206,715	-	-	-	206,715
Revenue obligation bonds, current maturities	28,085,000	-	-	1,290,000	-	29,375,000
Total current liabilities	39,828,281	272,784	-	2,394,032	(9,740,300)	32,754,797
Noncurrent Liabilities						
OPEB liability, health	-	34,897	-	-	-	34,897
Net OPEB liability, life	-	39,475	-	-	-	39,475
Compensated absences	-	549,374	-	-	-	549,374
Revenue obligation bonds (including unamortized premium)	321,746,199	-	-	47,488,793	-	369,234,992
Total noncurrent liabilities	321,746,199	623,746	-	47,488,793	-	369,858,738
Total liabilities	361,574,480	896,530	-	49,882,825	(9,740,300)	402,613,535
Deferred Inflows of Resources						
Pension related amounts	-	461,626	-	-	-	461,626
OPEB related amounts, health	-	16,086	-	-	-	16,086
OPEB related amounts, life	-	4,582	-	-	-	4,582
OPEB related amounts, sick	-	20,711	-	-	-	20,711
Total deferred inflows of resources	-	503,005	-	-	-	503,005
Net Position						
Restricted for:						
Environmental improvement	1,665,737,333	-	32,367	522,614,167	-	2,188,383,867
Pension and OPEB	-	234,702	-	-	-	234,702
Unrestricted	-	20,799,803	-	-	-	20,799,803
Total net position	1,665,737,333	21,034,505	32,367	522,614,167	-	2,209,418,372
Total liabilities, deferred inflows of resources and net position	$ 2,027,311,813	$ 22,434,040	$ 32,367	$ 572,496,992	$ (9,740,300)	$ 2,612,534,912

State of Wisconsin Environmental Improvement Fund

Statement of Revenues, Expenses and Changes in Net Position by Program

Year Ended June 30, 2022

	Clean Water Fund Program			Safe Drinking Water Loan Program	Eliminations	Total
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio			
Operating Revenues						
Loan interest	$ -	$ 173,241	$ -	$ -	$ -	$ 173,241
Interest income used as security for revenue bonds	37,704,457	-	-	6,782,500	-	44,486,957
Miscellaneous other	1,649,280	16,081	-	344,640	-	2,010,001
Total operating revenues	39,353,737	189,322	-	7,127,140	-	46,670,199
Operating Expenses						
Interest	9,086,384	-	-	1,154,815	-	10,241,199
Salaries and benefits	3,301,818	26,098	-	2,372,557	-	5,700,473
Contractual services and other	747,828	-	16,887	2,534,333	-	3,299,048
Total operating expenses	13,136,030	26,098	16,887	6,061,705	-	19,240,720
Operating income (loss)	26,217,707	163,224	(16,887)	1,065,435	-	27,429,479
Nonoperating Revenues (Expenses)						
Investment income	187,098	3,532	160	158,386	-	349,176
Intergovernmental grants	42,856,145	-	-	18,608,016	-	61,464,161
Grants awarded	(17,606,388)	(335,761)	-	(28,749,723)	-	(46,691,872)
Total nonoperating revenues (expenses)	25,436,855	(332,229)	160	(9,983,321)	-	15,121,465
Income (Loss) Before Transfers	51,654,562	(169,005)	(16,727)	(8,917,886)	-	42,550,944
Transfers in	82,227,365	52,060	-	26,752,166	(108,979,531)	52,060
Transfers out	(88,680,486)	(13,208)	(1,546,879)	(26,752,166)	108,979,531	(8,013,208)
Change in net position	45,201,441	(130,153)	(1,563,606)	(8,917,886)	-	34,589,796
Net Position, Beginning	1,620,535,892	21,164,658	1,595,973	531,532,053	-	2,174,828,576
Net Position, Ending	$ 1,665,737,333	$ 21,034,505	$ 32,367	$ 522,614,167	$ -	$ 2,209,418,372

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows by Program
Year Ended June 30, 2022

	Clean Water Fund Program			Safe		
	Direct Loan Portfolio	Proprietary Portfolio	Leveraged Loan Portfolio	Drinking Water Loan Program	Eliminations	Total
Cash Flows From Operating Activities						
Collection of loans	$ 167,052,628	$ 1,106,567	$ -	$ 32,199,713	$ -	$ 200,358,908
Interest received on loans	37,486,008	176,813	-	6,780,150	-	44,442,971
Origination of loans	(308,496,753)	-	-	(39,283,666)	-	(347,780,419)
Payments to employees for services	(1,796,715)	(817,422)	-	(2,259,617)	-	(4,873,754)
Payments to suppliers and other	(384,434)	(501,539)	-	(2,273,571)	-	(3,159,544)
Other operating revenues	1,649,280	16,081	-	344,640	-	2,010,001
Net cash flows from operating activities	(104,489,986)	(19,500)	-	(4,492,351)	-	(109,001,837)
Cash Flows From Noncapital Financing Activities						
Intergovernmental grants received	42,704,734	-	-	19,222,418	-	61,927,152
Grants paid	(17,606,388)	(335,761)	-	(28,733,231)	-	(46,675,380)
Transfers in	82,227,365	519,992	-	26,752,166	(108,979,531)	519,992
Transfers out	(88,680,486)	(13,207)	(1,546,879)	(26,752,166)	108,979,531	(8,013,207)
Proceeds from issuance of long-term debt	119,050,865	-	-	3,790,706	-	122,841,571
Retirement of long-term debt	(22,955,000)	-	-	(875,000)	-	(23,830,000)
Payment to escrow agent	(18,699,701)	-	-	-	-	(18,699,701)
Interest payments	(14,569,381)	-	-	(1,998,229)	-	(16,567,610)
Other cash flows from noncapital financing activities	(12,280)	-	-	-	-	(12,280)
Net cash flows from noncapital financing activities	81,459,728	171,024	(1,546,879)	(8,593,336)	-	71,490,537
Cash Flows From Investing Activities						
Investment and interest income	187,098	(874)	159	158,386	-	344,769
Net cash flows from investing activities	187,098	(874)	159	158,386	-	344,769
Net increase in cash and cash equivalents	(22,843,160)	150,650	(1,546,720)	(12,927,301)	-	(37,166,531)
Cash and Cash Equivalents, Beginning	239,165,281	1,551,177	1,546,720	189,363,466	-	431,626,644
Cash and Cash Equivalents, Ending	$ 216,322,121	$ 1,701,827	$ -	$ 176,436,165	$ -	$ 394,460,113

State of Wisconsin Environmental Improvement Fund

Statement of Cash Flows by Program
Year Ended June 30, 2022

	Clean Water Fund Program: Direct Loan Portfolio	Clean Water Fund Program: Proprietary Portfolio	Clean Water Fund Program: Leveraged Loan Portfolio	Safe Drinking Water Loan Program	Eliminations	Total
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities						
Operating income (loss)	$ 26,217,707	$ 163,224	$ (16,887)	$ 1,065,435	$ -	$ 27,429,479
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Interest expense classified as noncapital financing activity	8,915,297	-	-	1,148,509	-	10,063,806
Changes in assets and liabilities:						
Receivables	1,685	-	-	(1,297)	-	388
Loans to other governments	(141,444,125)	1,106,567	-	(7,083,954)	-	(147,421,512)
Due from other funds	701	(1,164,437)	-	356,666	1,469,779	662,709
Proportionate share of contributions	-	(15,258)	-	-	-	(15,258)
Prepaid items	-	(11)	16,887	-	-	16,876
Compensated absences	-	97,407	-	-	-	97,407
Other assets	-	(42,842)	-	-	-	(42,842)
Accrued expenses	5,246	(23,587)	-	(10,673)	-	(29,014)
Accrued interest on bonds	(218,449)	3,572	-	(2,350)	-	(217,227)
Due to other funds	2,031,952	(143,250)	-	70,245	(1,469,779)	489,168
Due to other governmental entities	-	(885)	-	(34,932)	-	(35,817)
Total adjustments	(130,707,693)	(182,724)	16,887	(5,557,786)	-	(136,431,316)
Net cash flows from operating activities	$ (104,489,986)	$ (19,500)	$ -	$ (4,492,351)	$ -	$ (109,001,837)
Noncash Investing and Noncapital Financing Activities						
Bond premium amortization	$ 8,372,148	$ -	$ -	$ 861,018	$ -	$ 9,233,166

Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards*

Independent Auditors' Report

To the Secretary-designee of the Department of Administration and the Secretary
of the Department of Natural Resources of the State of Wisconsin
State of Wisconsin Environmental Improvement Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Wisconsin Environmental Improvement Fund, an enterprise fund of the State of Wisconsin, which comprise the State of Wisconsin Environmental Improvement Fund's statement of net position as of June 30, 2022, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Wisconsin Environmental Improvement Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Wisconsin Environmental Improvement Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Wisconsin Environmental Improvement Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Madison, Wisconsin
November 1, 2022

PART VII

GENERAL FUND ANNUAL APPROPRIATION BONDS

Part VII of the 2022 Annual Report provides information about general fund annual appropriation bonds issued by the State of Wisconsin **(State)**. The State provides select information in this introduction for the convenience of the readers; however, readers should review all information presented in this Part VII of the 2022 Annual Report to make an informed investment decision.

Total Outstanding Balance (12/15/2022)	$2,660,835,000
Amount Outstanding of Fixed-Rate Obligations	2,660,835,000
Ratings (Fitch/Moody's/S&P)[a]	AA/Aa2/AA
Authority	Authorizing Certifications of the Secretary of Administration and either the 2003 Indenture or the 2009 Indenture, and Section 16.527, Wisconsin Statutes.
Trustee/Paying Agent	The Bank of New York Mellon Trust Company, N.A. as successor to U.S. Bank National Association
Security	The payment of the principal of, and interest on, the Bonds is subject to annual appropriation; that is, payments due in any Fiscal Year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature for that purpose. *The Bonds do not constitute debt of the State or any of its subdivisions. The State's obligation to make payments of the principal of, and interest on, the Bonds is not a general obligation of the State and is not supported by the full faith and credit of the State.*

[a] Not every rating agency has been asked to rate every series of Bonds.

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The Capital Finance Office, which is part of the Department of Administration's Division of Executive Budget and Finance, is responsible for managing the State's borrowing programs, and requests for additional information about general fund annual appropriation bonds may be directed to the Capital Finance Office. The law firms of Quarles & Brady LLP and Foley & Lardner LLP have provided bond counsel services in connection with the issuance of the outstanding general fund annual appropriation bonds.

General fund annual appropriation bonds have been issued as both tax-exempt obligations and taxable obligations.

The 2022 Annual Report includes information and defined terms for different types of securities issued by the State. The context or meaning of a term used in one part of the 2022 Annual Report may differ from that of the same term used in another part, and the total amount shown in a table may vary from the related sum due to rounding. See "GLOSSARY" for the definitions of capitalized terms used in this Part VII of the 2022 Annual Report. No information or resource referred to in the 2022 Annual Report is part of the report unless expressly incorporated by reference.

Part II of the 2022 Annual Report contains general information about the State including, but not limited to, operating data, such as revenues, expenditures, budgets, General Fund data, information on significant pending litigation, and statistical information on the State's economic condition and Wisconsin Retirement System, along with the audited general purpose external financial statements for the fiscal year ending June 30, 2022 and the independent auditor's report provided by the State Auditor.

Certain statements in Part II and this Part VII of the 2022 Annual Report may be forward-looking statements that are based on expectations, estimates, projections, or assumptions. Any forward-looking statements are made as of the date of the 2022 Annual Report, 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.

COVID-19 UPDATE

Responses commencing in calendar year 2020 and continuing in calendar year 2022 to the COVID-19 pandemic have had an impact on economic activity in the State. See "COVID-19 UPDATE" in Part II of the 2022 Annual Report for further information on the COVID-19 pandemic, including recent developments and actions the State has taken to address the pandemic, and the impact the pandemic has had on the State. Any impact of the pandemic on the State's finances and, in particular, its General Fund, may affect its general fund annual appropriation bonds.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

See "ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS" in Part II of the 2022 Annual Report for further information on the State's disclosure relating to these factors that may present a risk to the State's finances and, in particular, its General Fund that could then affect its general fund annual appropriation bonds.

OUTSTANDING OBLIGATIONS

The State has issued general fund annual appropriation bonds on the dates and in the amounts shown in Table VII-1. The table also includes the outstanding principal balances of general fund annual appropriation bonds as of December 15, 2022.

Table VII-1
OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
Fixed-Rate Bonds				
2003- Series A (Taxable) **(2003 Series A Bonds)**	12/18/03			
Serial Bond		2013	$250,000,000	-0-
Term Bond		2018	100,000,000	-0-
Term Bond		2026	500,000,000	$349,550,000
2008- Series A (Taxable) **(2008 Series A Bonds)**	4/1/08			
Serial Bonds		2009-14	135,120,000	-0-
Serial Bond		2018	150,000,000	-0-
Serial Bond		2018	213,000,000	-0-

Table VII-1 – Continued
OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS BY ISSUE
(As of December 15, 2022)

Financing	Date of Financing	Maturity	Amount of Issuance	Amount Outstanding
2009- Series A **(2009 Bonds)**	4/8/09			
Serial Bonds		2010-29	$586,575,000	-0-
Term Bond		2033	100,000,000	-0-
Term Bond		2033	304,550,000	-0-
Term Bond		2036	395,345,000	-0-
Serial Bond		2037	142,595,000	-0-
2012- Series A (Taxable) **(2012 Bonds)**	11/29/12			
Serial Bonds		2015-18	137,940,000	-0-
Serial Bonds		2027-31	113,615,000	-0-
2016 - Series A (Taxable) **(2016 Series A Bonds)**	8/16/16	2020-27	400,145,000	$206,260,000
2016 - Series B (Taxable) **(2016 Series B Bonds)**	8/16/16			
Serial Bonds		2020-29	28,700,000	20,690,000
Term Bond		2033	13,680,000	13,680,000
Term Bond		2037	158,135,000	158,135,000
2017 - Series A (Taxable) **(2017 Series A Bonds)**	1/26/17			
Serial Bonds		2020-33	59,935,000	49,020,000
Term Bond		2036	367,835,000	367,835,000
Series B **(2017 Series B Bonds)**	1/26/17	2020-36	102,105,000	101,870,000
Series C (Taxable) **(2017 Series C Bonds)**	5/16/17	2018-27	402,140,000	388,790,000
2019- Series A **(2019 Bonds)**	1/31/19	2021-29	359,950,000	316,705,000
2020- Series A (Taxable) **(2020 Bonds)**	2/13/20	2021-32	623,320,000	570,350,000
2021- Series A (Taxable) **(2021 Bonds)**	3/10/21	2022-31	118,745,000	117,950,000
Total Fixed-Rate Bonds				$2,660,835,000
Variable-Rate Obligations				
2003- Series B (Taxable) **(2003 Series B Bonds)**	12/18/03	2009-32	$944,850,000	-0-
2008- Series B (Taxable) **(2008 Series B Bonds)**	4/1/08	2026-32	300,000,000	-0-
Series C (Taxable) **(2008 Series C Bonds)**	6/10/08	2009-32	209,000,000	-0-
Total Variable-Rate Obligations				-0-
Total Outstanding General Fund Annual Appropriation Bonds				$ 2,660,835,000

Of the outstanding general fund annual appropriation bonds, the 2003 Series A Bonds, 2016 Series A Bonds, 2020 Bonds, and 2021 Bonds are collectively referred to as the **Outstanding 2003 Indenture Bonds**, and are currently outstanding in the amount of $1.244 billion. They were issued pursuant to an Indenture dated December 1, 2003, as amended and supplemented **(2003 Indenture)**, by and between the State, acting by and through the State of Wisconsin Department of Administration (**DOA** or **Department of Administration**), and The Bank of New York Mellon Trust Company, N.A., as successor to Deutsche Bank Trust Company Americas and U.S. Bank National Association **(Trustee)**. The Outstanding 2003 Indenture Bonds, together with the obligations, if any, issued in the future under the 2003 Indenture, are referred to as the **2003 Indenture Bonds**. Similarly, the 2003 Series A Bonds and 2003 Series B Bonds are collectively referred to as the **2003 Bonds**, and the 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds are collectively referred to as the **2008 Bonds**.

The 2016 Series B Bonds, 2017 Series A Bonds, 2017 Series B Bonds, 2017 Series C Bonds, and 2019 Bonds are collectively referred to as the **Outstanding 2009 Indenture Bonds**, and are currently outstanding in the amount of $1.417 billion. They were issued pursuant to an Indenture dated April 1, 2009 **(2009 Indenture)**, by and between the State, acting by and through the Department of Administration and the Trustee. The Outstanding 2009 Indenture Bonds, together with the obligations, if any, issued in the future under the 2009 Indenture, are referred to as the **2009 Indenture Bonds**. Similarly, the 2017 Series A Bonds, 2017 Series B Bonds, and 2017 Series C Bonds are collectively referred to as the **2017 Bonds**.

The 2003 Indenture Bonds and the 2009 Indenture Bonds are collectively referred to as the **Bonds**. References to the "**Indenture"** refer to the 2003 Indenture, the 2009 Indenture, or both, as applicable.

Table VII-2 provides a historical view of the amount of outstanding Bonds as of December 15th for the previous ten years.

Table VII-2
HISTORICAL OUTSTANDING GENERAL FUND ANNUAL APPROPRIATION BONDS

Year (December 15)	Outstanding Amount
2012	$3,302,625,000
2013	3,259,490,000
2014	3,179,230,000
2015	3,115,935,000
2016	3,101,760,000
2017	3,096,995,000
2018	3,027,935,000
2019	2,944,650,000
2020	2,977,575,000
2021	2,839,035,000

FINANCING PLAN

General

Part VII of the 2022 Annual Report addresses general fund annual appropriation bonds, which were authorized and have been issued:

- To fund the State's unfunded accrued prior service (pension) liability and the State's unfunded accrued liability for sick leave conversion, and to refund a portion of obligations previously issued for that purpose.
- To finance the purchase of tobacco settlement revenues that had been previously sold by the State, and to refund obligations previously issued for that purpose.

The State issued the 2003 Bonds to provide funds for costs of issuance, capitalized interest, and payment to the Wisconsin Retirement System (**Retirement System**) for the State's unfunded accrued prior service (pension) liability, as of January 1, 2003 and its unfunded accrued liability for sick leave conversion credits, as of October 1, 2003. The State has issued various series of 2003 Indenture Bonds to refund all or a portion of previous series of 2003 Indenture Bonds and to pay termination payments related to certain interest rate exchange agreements.

The State issued the 2009 Bonds to purchase tobacco settlement revenues that were previously sold by the State to the Badger Tobacco Asset Securitization Corporation **(BTASC)** and to pay costs of issuance. The State has issued various series of 2009 Indenture Bonds to refund all or a portion of previous series of 2009 Indenture Bonds.

The Bonds were issued pursuant to Section 16.527, Wisconsin Statutes, as amended (**Enabling Act**), Authorizing Certifications signed by the Secretary of Administration, and the 2003 Indenture or the 2009 Indenture, respectively.

Statutory Authority for Issuance

2003 Indenture Bonds

The Enabling Act contains a legislative finding that the State, by prepaying all, or part of, its unfunded prior service liability and its unfunded liability for sick leave conversion credits, may reduce its costs and better ensure the timely and full payment of retirement benefits. The Department is authorized by the Enabling Act to issue bonds to provide up to $1.500 billion of net proceeds to make payments to the Retirement System for the State's unfunded prior service liability and its unfunded accrued liability for sick leave conversion credits. The State has issued bonds providing $1.488 billion of net proceeds for those purposes. The 2003 Bonds were issued primarily for such purposes. The Department is also authorized to issue bonds without limit to fund or refund outstanding 2003 Indenture Bonds, to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements. The 2012 Bonds, 2016 Series A Bonds, 2020 Bonds, and 2021 Bonds were issued for such purposes.

See "STATE OBLIGATIONS; Employee Pension Funds" in Part II of the 2022 Annual Report for further information on the Retirement System and prior service pension liabilities and other post-employment benefits.

2009 Indenture Bonds

The Enabling Act contains a legislative finding that the State, by purchasing tobacco settlement revenues previously sold by the State, is acting appropriately and in the public interest and will serve a public purpose. The Department is authorized by the Enabling Act to issue bonds to provide up to $1.700 billion of net proceeds to purchase tobacco settlement revenues previously sold by the State. The State has issued bonds in the aggregate par amount of $1.529 billion and with the proceeds completed the purchase of the tobacco settlement revenues from BTASC, as authorized by the Enabling Act. With the receipts received from the State's purchase, BTASC defeased and subsequently redeemed all the obligations that it previously issued. The Department is also authorized to issue bonds without limit to fund or refund outstanding 2009 Indenture Bonds, to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay costs of credit enhancement, or to make payments under certain ancillary agreements. The 2016 Series B Bonds, the 2017 Bonds, and the 2019 Bonds were issued for such purposes.

Interest Rate Exchange Agreements

No interest rate exchange agreements are outstanding as of December 15, 2022.

Additional Bonds

Subject to certain conditions, the issuance by the State of additional bonds for the following purposes **(Additional Bonds)** is permitted:

- Under the 2003 Indenture, to provide funds (up to the remaining amounts provided for in the Enabling Act, which at this time is limited to $12 million) for payment to the Retirement System for any unfunded accrued prior service (pension) liability and any unfunded accrued liability for sick leave conversion credits;
- Under the 2003 Indenture or the 2009 Indenture, to refund any Bonds, provided the principal amount of the refunding obligations may not exceed the sum of the principal amount of obligations being refunded, applicable redemption premiums, unpaid interest on the refunded obligations, and expenses incurred in the issuance of the refunding obligations; and
- Under the 2003 Indenture or the 2009 Indenture, to pay any cost of issuing Bonds (which includes accrued or funded interest, issuance expenses, deposits to reserve funds, administrative expenses, and credit enhancement facilities), or to make payments under any Swap Agreement, or Credit Facility.

The State anticipates that it will issue Additional Bonds under the 2009 Indenture to refund, on or prior to May 1, 2027, all, or part of, the principal of the 2017 Series C Bonds maturing on May 1, 2027. The intent at the time such 2017 Series C Bonds were issued was to issue Additional Bonds prior to May 1, 2027 for such purpose. See "RISK FACTORS; Legislative Decision-Making" herein.

INFORMATION ABOUT THE STATE OF WISCONSIN

See Part II of the 2022 Annual Report for further information about the State of Wisconsin. Part II of the 2022 Annual Report includes information on various State financial, budgetary, and statistical matters.

PAYMENT FROM ANNUAL APPROPRIATIONS

The Bonds are not general obligations of the State and do not constitute "public debt" of the State as that term is used in the Wisconsin Constitution and in the Wisconsin Statutes. The payment of the principal of, and premium, if any, and interest on, the Bonds is subject to annual appropriation; that is, payments due in any Fiscal Year of the State will be made only to the extent sufficient amounts are appropriated by the Legislature for that purpose. The State is not legally obligated to appropriate any amounts for payment of debt service on the Bonds, and if it does not do so, it incurs no liability to the owners of the Bonds. Thus, payment of the Bonds is at the discretion of the Legislature.

The Enabling Act contains a statement to the effect that the Legislature, recognizing its moral obligation to make timely appropriations from the General Fund sufficient to pay debt service on obligations such as the Bonds, expresses its expectation and aspiration to make timely appropriations from the General Fund sufficient to pay debt service on obligations such as the Bonds. The Legislature's recognition of a moral obligation, however, does not create a legally enforceable obligation. Separate appropriations exist for payment of debt service on obligations issued under each respective Indenture, and an appropriation for payment of debt service on Bonds issued under one Indenture may not be available for payment of debt service on Bonds issued under the other Indenture. See "RISK FACTORS; Nature of Moral Obligation".

Separate appropriations exist for payment of debt service on obligations issued under the 2003 Indenture and the 2009 Indenture. An appropriation for payment of debt service on obligations issued under one trust indenture may not be available for payment of debt service on obligations issued under the other trust indenture.

General Fund

The Wisconsin Statutes establish the General Fund, into which are deposited income tax, sales tax, and other general tax revenues and other revenues not dedicated to a specific purpose. Out of the General Fund the State pays its general operating expenses, shared revenues to local governmental units, aids to individuals and organizations, and many State program expenses. See Part II of the 2022 Annual Report for further information about the General Fund. The State has chosen a name for the Bonds that includes the words "General Fund" because the Enabling Act reflects an expectation that appropriations to pay debt service will be made from the General Fund. In the Enabling Act, the Legislature expressed its expectation and aspiration (but not a binding obligation) that it would make timely appropriations from money in the General Fund that are sufficient to pay the principal and interest due in any year with respect to obligations such as the Bonds. A budget adopted for any Fiscal Year may fail to make an appropriation or may change the source of the appropriation to a fund other than the General Fund (and thus a fund with substantially less annual revenues than the General Fund). See "RISK FACTORS; Dependence Upon Annual Appropriations" and "RISK FACTORS; Nature of Moral Obligation".

2021-23 Biennium

Under each Indenture, the Department is required to take actions to facilitate the appropriation for each year of a specified amount **(Annual Appropriation Amount)** for the purpose of paying debt service on the respective Bonds and for other purposes under that Indenture. The General Fund budget adopted by the Legislature for the current biennium (2021-23), and the schedule of annual appropriations in the Wisconsin Statutes, includes an appropriation from the General Fund to make debt service payments due in the 2022-23 fiscal year on the Bonds issued under the Enabling Act, to make any payments under ancillary agreements, to make any deposits into reserve funds, and to pay related issuance or administrative costs.

In addition, under each Indenture, the Annual Appropriation Amount for the second Fiscal Year of the 2021-23 biennium is based on the greater of the amount determined for fiscal year 2022-23 and the amount determined for the first year of the next biennium (fiscal year 2023-24). If the Legislature does not adopt a new budget before the start of the 2023-25 biennium, the continuing authority of appropriations from fiscal year 2022-23 would be sufficient to make all payments of principal and interest due on the Bonds through at least June 30, 2024. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Annual Appropriations and Continuing Authority".

Budget Process

Annual appropriations are made through the enactment of the State budget. Most of the budget process derives from statutory laws or custom and practice, and thus the process is subject to change. The State budget is the legislative document that sets the level of authorized state expenditures for the two Fiscal Years in the Biennium and the corresponding level of revenues (primarily taxes) projected to be available to finance those expenditures. See Part II of the 2022 Annual Report for further information about the State's budget process.

Annual Appropriations and Continuing Authority

Although the Wisconsin Statutes provide for other types of appropriations, any appropriation made to pay debt service on the Bonds as anticipated by the Enabling Act would be an annual appropriation. That is, the amount appropriated would be separately stated for each of the two Fiscal Years that the Biennium comprises, and any unused amount would lapse at the end of the applicable Fiscal Year.

The failure of the Legislature to adopt a new budget before the commencement of a Biennium does not result in a lack of spending authority. Under Wisconsin law an existing appropriation continues in effect until it is amended or repealed. Thus, in the event a budget is not in effect at the start of a Fiscal Year, the prior year's budget serves as the budget until such time a new one is enacted. Once a newly enacted budget becomes effective, the continuing authority is superseded by the newly enacted appropriations.

The continuing authority of existing appropriations until a new budget is adopted helps to protect against the effect of a delay in the adoption of a budget. The 2021-23 biennial budget of the State was enacted on July 8, 2021, which was seven days after the start of the Biennium. Of the ten prior biennial budgets, the 2009-11, 2011-13 and 2013-15 biennial budgets were enacted prior to the start of the respective biennia; however, the 2015-17, 2017-19, and 2019-21 biennial budgets and each of the four biennial budgets prior to the 2009-11 biennium were enacted after the start of the respective biennia, with the latest date after the start of a Biennium being October 26, 2007 (for the 2007-09 biennium), which was nearly four months after the start of the first Fiscal Year of that Biennium. See "PAYMENT FROM ANNUAL APPROPRIATIONS; Determination of Annual Appropriation Amount" and Part II of the 2022 Annual Report.

General Fund Cash Flow and Priority of Payments

The State has experienced, and expects to continue to experience, certain periods when the General Fund is in a negative cash position. The Wisconsin Statutes provide certain administrative remedies to deal with these periods. The Secretary of Administration may temporarily reallocate cash in other funds to the General Fund.

If needed, the Secretary of Administration has statutory power to order reductions in the appropriations of state agencies, which represent less than one-quarter of the General Fund budget. In addition, the Secretary of Administration may set priorities for payments from the General Fund as well as prorate certain payments. The Wisconsin Statutes provide that all payments shall be in accordance with the following order of preference:

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

See Part II of the 2022 Annual Report for further information about these remedies when the General Fund is in a negative cash position.

Under the 2003 Indenture, the State has covenanted that the Secretary of Administration will give payment of the appropriation obligations issued under the 2003 Indenture the highest possible priority permitted under law. In the Authorizing Certification for the 2009 Bonds, the Secretary of Administration has covenanted to give debt service payments on appropriation obligations issued under the 2009 Indenture a higher priority than all other payments (after the first three statutory priorities above) that may be prorated or reduced. Similar covenants have been made with respect to priority of payment for lease payments due under the State's existing master lease and also for appropriations to the Wisconsin Center District to assist in the development and construction of a new arena in Milwaukee, Wisconsin. Before the Secretary of Administration may establish any priority schedule for payments, the Secretary of Administration is required to notify the Legislature's Joint Committee on Finance.

Determination of Annual Appropriation Amount

In each Indenture, the State directs officers of the Department of Administration to take actions to facilitate the appropriation for each Fiscal Year of the Annual Appropriation Amount. The Annual Appropriation Amount is summarized in more detail below and equals the sum of the following respective amounts (except that, for the second Fiscal Year in a Biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second Fiscal Year or the immediately succeeding Fiscal Year, whichever is greater).

2003 Indenture Bonds

With respect to the 2003 Indenture Bonds, the Annual Appropriation Amount is summarized in more detail below and equals the sum of the following amounts (except that, for the second Fiscal Year in a Biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second Fiscal Year or the immediately succeeding Fiscal Year, whichever is greater):

- *Bonds – Principal.* The amount of principal of 2003 Indenture Bonds coming due during the Fiscal Year.
- *Bonds – Redemption.* The amount of principal of 2003 Indenture Bonds to be redeemed during the Fiscal Year, including any scheduled amount to be redeemed pursuant to optional redemption.
- *Bonds – Fixed Rate Interest.* Interest to be paid during the Fiscal Year on 2003 Indenture Bonds bearing interest at a fixed rate.
- *Bonds – Variable Rate Interest (Maximum Rate).* Interest that would be payable during the Fiscal Year on 2003 Indenture Bonds bearing interest at a variable rate, assuming they bear interest at the maximum permitted rate.
- *Swap Agreements (Maximum Rate).* The maximum amount of any payment obligations (other than termination payments) that would be payable during the Fiscal Year under Swap Agreements that provide for a variable rate or rates to be paid by the State to the counterparty, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in the Swap Agreement were at 15% per annum.
- *Credit Facilities.* The maximum amount of payments due during the Fiscal Year with respect to credit facilities, to the extent not included in the amounts described above.
- *Administrative Expenses.* Estimated administrative expenses payable from the Operating Expense Fund during the Fiscal Year.
- *Swap Termination Payments.* The amount of all termination payments with respect to Swap Agreements that are unpaid as of the September 1st immediately preceding the commencement of the Biennium that includes the Fiscal Year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

Table VII-3 summarizes the calculation of the Annual Appropriation Amount for the 2003 Indenture Bonds applicable for the 2023-25 biennium.

Table VII-3
DETERMINATION OF ANNUAL APPROPRIATION AMOUNT
2003 INDENTURE BONDS

Determination: 2023-25 Biennium	Fiscal Year 2023-24	Fiscal Year 2024-25 (Equal to Greater Total of the Following)	
		Fiscal Year 2024-25	Fiscal Year 2025-26[a]
Bonds – Principal	$162,765,000	$177,860,000	$195,600,000
Bonds – Redemption	0	0	0
Bonds – Fixed Rate Interest	34,290,828	27,709,483	20,130,116
Bonds – Variable Rate Interest (Maximum Rate)	0	0	0
Swap Agreements (Maximum Rate)	0	0	0
Credit Facilities	0	0	0
Administrative Expenses	1,004,000	1,004,000	1,004,000
Termination Payments	0	0	0
Totals	$198,059,828	$206,573,483	$216,734,116

[a] First Fiscal Year of the next Biennium.

Table VII-4 includes the amounts previously appropriated by the Legislature for the 2003 Indenture Bonds in each Fiscal Year of the 2021-23 biennium and each of the prior ten Fiscal Years.

Table VII-4
AMOUNTS APPROPRIATED BY LEGISLATURE
(Section 20.505 (1)(br), Wisconsin Statutes)

Fiscal Year	Annual Appropriation Amount	Amount Appropriated By Legislature
2011-12	$274,749,000	$274,749,000
2012-13	533,473,500	533,473,500
2013-14	306,297,900	306,297,900
2014-15	279,865,100	279,865,100
2015-16	279,865,067	279,865,100
2016-17	662,929,976	662,930,000
2017-18	279,969,796	279,969,800
2018-19	307,789,647	307,789,700
2019-20	307,789,647	307,789,700
2020-21	317,261,249	317,261,300
2021-22	181,429,845	181,429,800
2022-23	199,760,867	199,760,900

2009 Indenture Bonds

With respect to the 2009 Indenture Bonds, the Annual Appropriation Amount equals the sum of the following amounts (except that, for the second Fiscal Year in a Biennium, the Annual Appropriation Amount equals the sum of the following amounts determined for such second Fiscal Year or the immediately succeeding Fiscal Year, whichever is greater):

- *Bonds - Principal Maturities.* The amount of principal of 2009 Indenture Bonds maturing during the Fiscal Year.
- *Bonds - Redemption*. The amount of principal of 2009 Indenture Bonds to be redeemed during the Fiscal Year, including any scheduled amount to be redeemed pursuant to optional redemption.
- *Bonds and Notes - Fixed Rate Interest*. Interest to be paid during the Fiscal Year on 2009 Indenture Bonds and Notes, if any, bearing interest at a fixed rate.
- *Bonds and Notes - Variable Rate Interest (Maximum Rate)*. Interest that would be payable during the Fiscal Year on 2009 Indenture Bonds and Notes, if any, bearing interest at a variable rate, assuming they bear interest at the maximum permitted rate.
- *Funding Obligations – Interest (Assumed Rate).* The amount of interest on Additional Bonds or Notes, if any, under the 2009 Indenture assuming that they are issued to fund Notes that mature during, or prior to, the Fiscal Year, that they bear interest at a rate of 15%, and that they are in a principal amount estimated by the Department to be sufficient.
- *Funding Obligations – Principal.* The amount, if any, certified by an authorized Department representative to be the expected principal amortization in such Fiscal Year for Additional Bonds under the 2009 Indenture to be issued to fund Notes, if any, that are scheduled to mature during, or prior to, the Fiscal Year.
- *Swap Agreements (Assumed Rate)*. The maximum amount of any payment obligations (other than termination payments) that would be payable during the Fiscal Year under interest rate exchange agreements that provide for a variable rate or rates to be paid by the State to the counterparty, with any payment that is determined without limit as to amount to be determined at a rate that would result if the index provided in such agreement were at 15% per annum.
- *Credit Facilities*. The maximum amount of payments due during the Fiscal Year with respect to credit facilities, to the extent not included in the amounts described above.
- *Administrative Expenses*. Estimated administrative expenses payable from the Operating Expense Fund during the Fiscal Year.
- *Swap Termination Payments*. The amount of all termination payments with respect to interest rate exchange agreements that are unpaid as of the September 1st immediately preceding the commencement of the Biennium that includes the Fiscal Year, plus interest to accrue on the payments to the date on which they are reasonably expected to be made.

The determination of the Annual Appropriation Amount does not include the principal amount of any Notes.

Table VII-5 summarizes the calculation of the Annual Appropriation Amount for the 2009 Indenture Bonds applicable for the 2023-25 biennium.

Table VII-5
DETERMINATION OF ANNUAL APPROPRIATION AMOUNT
2009 INDENTURE BONDS

Determination: 2023-25 Biennium	Fiscal Year 2023-24	Fiscal Year 2024-25 (Equal to Greater Total of the Following)	
		Fiscal Year 2024-25	Fiscal Year 2025-26[(a)]
Bonds – Principal	$57,985,000	$53,660,000	$58,070,000
Bonds – Redemption	0	0	0
Bonds and Notes – Fixed Rate Interest	53,415,142	50,741,639	48,270,643
Bonds and Notes – Var. Rate Interest (Max. Rate)	0	0	0
Funding Obligations – Interest (Assumed)	0	0	0
Funding Obligations – Principal	0	0	0
Swap Agreements (Assumed Rate)	0	0	0
Credit Facilities	0	0	0
Administrative Expenses	18,750	18,750	18,750
Swap Termination Payments	0	0	0
Totals	$111,418,892	$104,420,389	$106,359,393

(a) First Fiscal Year of the next Biennium.

Table VII-6 includes the amount previously appropriated by the Legislature in each Fiscal Year of the 2021-23 biennium and for each Fiscal Year since the date the 2009 Indenture Bonds were issued.

Table VII-6
AMOUNTS APPROPRIATED BY LEGISLATURE
(Section 20.505 (1)(bq), Wisconsin Statutes)

Fiscal Year	Annual Appropriation Amount	Amount Appropriated By Legislature
2011-12	$92,474,100	$92,474,100
2012-13	93,693,400	93,693,400
2013-14	93,693,400	93,693,400
2014-15	113,262,100	113,262,000
2015-16	113,262,037	113,262,000
2016-17	107,423,457	107,423,500
2017-18	70,493,340	76,783,800
2018-19	99,072,112	105,433,400
2019-20	67,013,806	67,013,900
2020-21	99,758,618	99,758,700
2021-22	99,758,618	99,758,700
2022-23	111,418,892	111,418,900

Deposit Amount

Each Indenture also provides that, on the first business day of each Fiscal Year, the State shall pay to the Trustee from appropriated funds, for deposit into the respective Appropriations Fund, an amount (**Deposit Amount**) certified by the Secretary as the net amount reasonably expected to be needed during that Fiscal Year to pay principal of the respective Bonds (including any scheduled amount to be redeemed by optional redemption), interest on the respective Bonds, and any payment obligations (other than Subordinated Swap Payment Obligations) with respect to Swap Agreements, and to pay respective administrative expenses.

Due to requirements for determining each Annual Appropriation Amount, the respective Deposit Amount is expected to be less than the related Annual Appropriation Amount. The Deposit Amount in the 2022-23 fiscal year for the 2003 Indenture Bonds was calculated and certified to be $187 million and, for the 2009 Indenture Bonds, was calculated and certified to be $102 million.

Event of Nonappropriation

Each Indenture defines **Event of Nonappropriation** to mean an insufficiency of appropriated funds in any Fiscal Year to pay when due all debt service on Bonds and Additional Bonds and payment obligations under Swap Agreements, other than termination payments under Swap Agreements that were not included in the determination for that Fiscal Year of the Annual Appropriation Amount (**Subordinated Swap Payment Obligations**). Upon an Event of Nonappropriation, the Secretary of Administration will promptly provide a written notice to the Trustee.

Each Indenture provides that, if an executive budget bill, as introduced, or a budget bill adopted by either house of the Legislature, fails to include the Annual Appropriation Amount, then the Secretary of Administration will provide a written notice to the Governor and the presiding officer of each house of the Legislature, requesting action to ensure the satisfaction of the State's moral obligation and will promptly provide a written notice to the Trustee and each rating agency rating the Bonds, stating the nature of the deficiency. Similarly, if a budget bill that fails to include the Annual Appropriation Amount is signed into law by the Governor, then the Secretary of Administration will send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing the appropriation that would be needed. The Secretary of Administration has not been required to provide any such notice or letter required under the 2003 Indenture or 2009 Indenture.

RISK FACTORS

Dependence Upon Annual Appropriations

The State's obligation to make payments of the principal of, and interest on, the Bonds is not a general obligation of the State and is not supported by the full faith and credit of the State. The State's obligation to make those payments, and its obligation to make payments on any Swap Agreements, is subject to annual appropriation of the necessary funds by the Legislature. The amounts that are payable in any Fiscal Year from the annual appropriation are subject to change, for example, because of the termination of any Swap Agreements, the State's entering into additional Swap Agreements, the State's issuance of refunding bonds or Additional Bonds, or the State's issuance of other appropriation obligations. No assurance is given that sufficient funds will be appropriated or otherwise available to make those payments in the future.

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

No Collateral

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

Nature of Moral Obligation

In the Enabling Act, the Legislature, recognizing its moral obligation to do so, expressed its expectation and aspiration to make timely appropriations from moneys in the General Fund that are sufficient to pay debt service on the Bonds in any year; however, the recognition of a moral obligation does not create a legally enforceable obligation. The Legislature's recognition of a moral obligation would provide strong but not conclusive evidence in support of a judicial determination that a payment made by the State serves a public purpose and thus should not be enjoined if a lawsuit challenged the payment as not legally required.

Legislative Decision-Making

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

Future occurrences could adversely affect legislative support for appropriating the money needed for payment of the Bonds. For example, the State issued the 2003 Indenture Bonds in 2003 with the expectation that it would thereby save money, as compared to the payments on the liabilities that it would otherwise have had to make, but may fail to realize that expectation.

Moreover, certain events could result in the need for an appropriation that is larger than originally expected. For example, the State could be required to pay a substantial termination payment upon the termination of a Swap Agreement, including a termination outside the State's control. In addition, the Legislature may authorize the State to issue other obligations that are payable from the same annual appropriations, and it may also consider and adopt legislation that changes the amounts of existing appropriations.

The State intends to refund the principal amount of the 2017 Series C Bonds maturing in 2027 ($378 million) so that the principal will be repaid in smaller annual amounts over years on or subsequent to 2027. It cannot be predicted what the State may do with respect to its debt structure in the future based on the circumstances existing at that time. If the State is unable to access the debt market when the 2017 Series C Bonds maturing in 2027 come due, a large payment would be required. The issuance of any additional 2009 Indenture Bonds for this purpose may need to occur between February 1 and May 1, 2027 for interest on such additional 2009 Indenture Bonds to be excludable from gross income for federal income tax purposes. All these factors may affect the legislative decisions at that time regarding making appropriations in the budget.

Investment Loss

In the event a loss were incurred on appropriated funds held in funds or accounts under the respective Indenture, no assurance can be given that additional amounts could be withdrawn from the General Fund pursuant to the appropriation to replenish the loss. See "GLOSSARY" for a description of qualified investments.

State Financial Difficulties

The sole source of repayment of the Bonds is appropriations made by the Legislature. The availability of State funds for such appropriations is a function of the condition of the State economy and such appropriations typically occur during a biennial budget process. The Legislature may base its decisions about appropriations on many factors, including the State's economic performance. Decreases in State revenues may adversely affect the appropriations made by the Legislature. No liability would accrue to the State in the event the Legislature does not make appropriations for repayment of the Bonds, and the State would not be obligated or liable for any future payments or any damages.

Defeasance

A defeasance of any outstanding 2003 Indenture Bonds, 2016 Series B Bonds, 2017 Series A Bonds, and 2017 Series C Bonds may cause the recognition of a gain or loss, for federal tax purposes, at the time of the defeasance. Owners of the outstanding 2003 Indenture Bonds, 2016 Series B Bonds, 2017 Series A Bonds, and 2017 Series C Bonds should consult their tax advisors regarding the tax consequences of any defeasance of such Bonds.

Additional Bonds

Neither Indenture precludes the issuance of Additional Bonds under circumstances in which the resulting debt service might exceed the amount appropriated for the Biennium during which the Additional Bonds are issued. The 2003 Indenture does, however, require the State to provide the Trustee with evidence from each of at least two of the rating agencies then rating the 2003 Indenture Bonds that the issuance of the Additional 2003 Indenture Bonds would not adversely affect the ratings assigned to the 2003 Indenture Bonds by that rating agency.

SUMMARY OF THE 2003 INDENTURE

The following is a summary of certain provisions of the 2003 Indenture, which relates to the 2003 Indenture Bonds. The summary does not purport to be complete, and reference should be made to the full text of the 2003 Indenture for a complete recital of its terms.

The following summary may also use terms that are familiar to, but could slightly vary from similar terms used in the summary for the 2009 Indenture. The term "Bonds" in the following summary refers to 2003 Indenture Bonds.

Funds Established by 2003 Indenture

The 2003 Indenture establishes with the Trustee the following funds:

- Appropriations Fund
- Operating Expense Fund
- Debt Service Fund
- Subordinated Payment Obligations Fund, and
- Stabilization Fund.

On the first business day of each Fiscal Year, the State shall pay to the Trustee from appropriated funds, for deposit in the Appropriations Fund, an amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during that Fiscal Year to pay principal of Bonds (including the scheduled amount, if any, to be redeemed by optional redemption), interest on the Bonds, and any payment obligations (other than Subordinated Swap Payment Obligations) with respect to Swap Agreements, and to pay administrative expenses. The Deposit Amount is expected to be less than the Annual Appropriation Amount.

The 2003 Indenture requires the Trustee, upon receipt of the deposit, to transfer from the Appropriations Fund an amount designated by the State (and consistent with its determination of the amount required to be deposited in that fund) to the Operating Expense Fund and then transfer the balance into the Debt Service Fund.

The 2003 Indenture requires the Trustee to apply money in the Debt Service Fund to pay:

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

On any payment date on which the amount on deposit in the Debt Service Fund is insufficient, the 2003 Indenture requires the Trustee to withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall, and thereafter (if a shortfall still exists) to withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall.

The State may at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund, for further distribution into any of the funds and accounts, appropriated funds in addition to the amounts specifically required by the 2003 Indenture.

Stabilization Fund

A Stabilization Fund was previously created and funded under the 2003 Indenture; however, the Sixth Supplemental Trust Indenture, dated as of January 29, 2019, amended the definition of the Stabilization Fund Amount and pursuant to that amended definition, an Authorized Department Representative, reduced the required Stabilization Fund amount to $0.00. As of the date of this Part VII of the 2022 Annual Report, the amount on deposit in the Stabilization Fund remains at $0.00. While the State does not currently expect to fund the Stabilization Fund under the 2003 Indenture, it may do so in connection with the issuance of Additional 2003 Indenture Bonds.

The 2003 Indenture Bonds

The sum of the aggregate principal amount of Bonds issued to fund the State's unfunded prior service (pension) liability and unfunded liability for sick leave conversion credits may not exceed the limit set forth in the Enabling Act.

Deposit of Bond Proceeds to Funds and Accounts

Initial deposits will be made from proceeds of a Series of Bonds into the funds and accounts created under the 2003 Indenture as provided in a Closing Statement executed by an Authorized Department Representative and furnished to the Trustee. The Closing Statement shall specify the purchase price of the Bonds and shall further specify, with respect to that amount:

- the amount representing accrued interest, if any, on the Bonds and the amount, if any, representing Funded Interest, to be deposited in the Proceeds Account; and
- the amount, if any, to be deposited in any other fund or account as provided in the Closing Statement.

Issuance of Additional Bonds

The State reserves the right to issue one or more Series of Additional Bonds under the 2003 Indenture from time to time, with a charge or lien equal to the charge and lien applicable with respect to the 2003 Bonds, the 2016 Series A Bonds, the 2020 Bonds, and the 2021 Bonds, *provided* that:

- the proceeds of such Additional Bonds may be used only to pay the Payment or Payment Costs or to fund or refund Bonds issued for that purpose; and
- the aggregate amount of Bonds issued may not cause the authorization of the Enabling Act to be exceeded.

For each Series of Additional Bonds, the Department of Administration shall provide a separate Authorizing Certification authorizing a Supplemental Indenture and setting forth the aggregate principal amount of Additional Bonds authorized thereby, the manner of their sale, and the form and other terms thereof.

Prior to the delivery by the State of any of the Additional Bonds there must be filed with the Trustee:

- a Supplemental Indenture executed on behalf of the State by the Department of Administration and the Trustee creating the Additional Bonds, specifying their terms and providing for the disposition of the proceeds of their sale,
- a copy of the Authorizing Certification executed by the Secretary of Administration or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Additional Bonds,
- a request and authorization to the Trustee by the Department of Administration on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Additional Bonds, and
- evidence of a Rating Confirmation.

Redemption of Bonds

If the Bonds are to be called for redemption, and if sufficient monies are on deposit with the Trustee in the Debt Service Fund on the applicable redemption date to redeem the Bonds to be redeemed and to pay any interest and premium due thereon, the Trustee is authorized and directed to apply those funds to the payment of the Bonds to be redeemed. Interest on any Bonds called for redemption stops accruing on the date that the notice of redemption fixes for their redemption if:

- notice of their redemption has been given as provided in the 2003 Indenture, and
- money sufficient for their payment is on deposit with the Trustee as required by the 2003 Indenture.

General Terms and Provisions of Bonds

The Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations, together with any interest thereon, shall be special and limited obligations of the State, payable solely out of the Appropriated Funds. The Appropriated Funds consist principally of amounts that are subject to annual appropriation by the Legislature. The Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations are valid claims of the Registered Owners, Swap Providers, and Credit Issuers, respectively, only against the Trust Estate and other Appropriated Funds. The Trustee agrees to hold the Trust Estate and apply the Appropriated Funds only as provided in the 2003 Indenture, except to the extent otherwise specified by law in an appropriation. The State is not generally liable on the Bonds. Neither the general credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds do not constitute an indebtedness of the

State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

General Covenants

Payment of Principal and Interest, Swap Payment Obligations, and Credit Facility Payment Obligations

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

Performance of Duties Under the 2003 Indenture and the Bonds

The State represents, warrants, and covenants that it will perform its obligations under the 2003 Indenture, and Bonds executed, authenticated, and delivered under the 2003 Indenture and all its proceedings relating to the issuance of the Bonds. The State further represents and warrants that it is duly authorized under the Constitution and laws of the State, including without limitation the Enabling Act, by and through the Department of Administration, to issue the Bonds, to execute the 2003 Indenture, and to pledge and assign the property described in the 2003 Indenture in the manner and to the extent set forth in the 2003 Indenture. The State represents that all action on the part of the State and the Department of Administration for the issuance of the Bonds and the execution and delivery of the 2003 Indenture have been effectively taken and that the Bonds, the Swap Payment Obligations, and the Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department of Administration according to the terms of the 2003 Indenture, the Bonds (where applicable), and the Enabling Act.

Nonimpairment

Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature, the State represents, warrants, and covenants that it will not enter into any contract or take any action impairing the rights of the Trustee, the Bondowners, any Swap Provider, or any Credit Issuer under the 2003 Indenture, the Bonds, a Swap Agreement, or any agreement relating to a Credit Facility. Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature, the State will not limit or alter its powers to fulfill the terms of any agreements made with Bondowners or in any way impair the rights and remedies of Bondowners until the Bonds, together with interest and all costs and expenses in connection with any action or proceeding on behalf of the Bondowners, are fully met and discharged.

Budget Process and Appropriations

The State directs the appropriate officers of the Department of Administration to take all appropriate actions within their power to assure that the Annual Appropriation Amounts with respect to the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations are annually appropriated. The Secretary of Administration or his designee shall:

(a) while any Bonds are Outstanding, or Swap Agreements or Credit Facilities are in effect, ensure that the budget request prepared under Section 16.42, Wisconsin Statutes, for each Fiscal Year includes the Annual Appropriation Amount;

(b) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly provide a written notice to the Governor and the presiding officer of each house of the Legislature, stating the nature of the deficiency and requesting action to ensure the satisfaction of the State's moral obligation;

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

(d) in the event a Budget Bill fails to include the Annual Appropriation Amount, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking an amendment to such Budget Bill or, if such a Budget Bill is signed into law by the Governor, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing the necessary or additional appropriation required;

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

(f) in the event a Swap Termination Payment becomes due, and there are insufficient funds available from Appropriated Funds under the 2003 Indenture or from other legal sources provided by the State to pay the Swap Termination Payment, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing an additional appropriation.

The Secretary of Administration has covenanted that, in the event the Secretary exercises his or her authority under Section 16.53(10)(a), Wisconsin Statutes, to establish a priority schedule for payments, he or she will give payment of the Outstanding Bonds, the Swap Payment Obligations, and the Credit Facility Payment Obligations the highest possible priority permitted by law.

Trustee Notices Regarding Budget Process and Appropriations

The Trustee may at any time request that the Secretary of Administration certify that he or she has performed his or her obligations under the 2003 Indenture described above under clause (a) of "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" and that no event described above in clause (b), (c), or (e) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" has occurred, and the Secretary of Administration shall promptly provide such a certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

- Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*", to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event that the Secretary of Administration fails to include in the budget requests prepared under Section 16.42, Wisconsin Statutes, for any Fiscal Year, the Annual Appropriation Amount;

- Upon receipt of the notice described in clause (c) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" or upon failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event that a Budget Bill at any time fails to include the Annual Appropriation Amount; or

- Upon receipt of the notice described in clause (e) under "SUMMARY OF THE 2003 INDENTURE; General Covenants; *Budget Process and Appropriations*" or upon failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary of Administration, each Purchaser, each Rating Agency, each Swap Provider, and each Credit Issuer, in the event of an Event of Nonappropriation.

Event of Default

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

Appropriated Funds and Funds and Accounts

The 2003 Indenture establishes in the Debt Service Fund a Debt Service Account for each Series of Bonds and each Swap Agreement and a Proceeds Account. Sinking fund accounts for any Series of Bonds having sinking fund installments may be established within the Debt Service Account for such Series in any schedule to the 2003 Indenture or in a Supplemental Indenture.

The 2003 Indenture provides that any monies derived from an appropriation of the State Legislature may only be applied in a manner consistent with its appropriation.

On the last Business Day of each Fiscal Year, the Trustee shall transfer all monies remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Bonds), the Debt Service Accounts, and the Subordinated Payment Obligations Fund (1) to the Stabilization Fund or (2) to the State, as directed in writing by an Authorized Department Representative.

Deposits Into and Use of Monies in the Appropriations Fund

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

- On the first Business Day of each Fiscal Year for which a Budget Bill has been enacted, the State shall pay the Deposit Amount to the Trustee for deposit in the Appropriations Fund, from amounts appropriated pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision. On the first Business Day of each Fiscal Year, in the event a Budget Bill for that Fiscal Year has not yet been enacted, the State shall pay to the Trustee the full amount, up to the Deposit Amount, that is available pursuant to the carry-over of existing appropriations from the prior Fiscal Year pursuant to Section 20.002(1), Wisconsin Statutes. On the Business Day following the subsequent enactment of such a Budget Bill creating additional Appropriated Funds, the State shall pay to the Trustee, for deposit in the Appropriations Fund, the amount, if any, by which amounts appropriated thereby exceed amounts previously paid to the Trustee in such Fiscal Year for deposit therein, *provided* that the total paid to the Trustee shall not exceed the Deposit Amount.
- No later than 30 days following the enactment of any separate bill or bills providing for an appropriation available for the payment of the Bonds, Swap Payment Obligations, and/or Credit Facility Obligations, for payment of issuance or administrative expenses or for funding a deposit to the Stabilization Fund in that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund the amounts appropriated thereby.
- No later than 30 days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment which is a Parity Swap Payment Obligation, and which

was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.

- Any amounts appropriated pursuant to Section 20.505(1)(it), Wisconsin Statutes, or any successor provision, not otherwise deposited into the Indenture Funds under the terms of a Swap Agreement shall be transferred, immediately upon receipt by the State, to the Trustee for deposit in the Appropriations Fund.
- At any time during any Fiscal Year that any Appropriated Funds previously transferred to the Trustee are insufficient for the requirements of the Indenture Funds, the Trustee shall notify the State of such insufficiency and the State shall promptly pay such amount to the Trustee, but solely from Appropriated Funds, for deposit in the Appropriations Fund.
- The State may, at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund for further distribution into any of the funds and accounts described below, Appropriated Funds in addition to the Deposit Amount or other amounts required above.
- The State may direct the Trustee to transfer amounts from the Stabilization Fund to the Appropriations Fund as described below under "SUMMARY OF THE 2003 INDENTURE; Appropriated Funds and Funds and Accounts; *Use of Monies in the Stabilization Fund*".

The Trustee shall receive for immediate deposit into the Appropriations Fund the Deposit Amount and any additional Appropriated Funds transferred by the State or by any Swap Provider pursuant to the terms of a Swap Agreement to the Trustee. The Trustee, promptly after receipt of the Deposit Amount in the Appropriations Fund, shall transfer an amount thereof designated in writing by an Authorized Department Representative, consistent with the amount used in the computation of the Deposit Amount, to the Operating Expense Fund and shall transfer the balance into the Debt Service Fund for distribution into the Debt Service Accounts as designated in writing by an Authorized Department Representative. The Trustee, promptly after receipt of any other monies in the Appropriations Fund, and at any time thereafter as needed to fund the following Indenture Funds, shall make payments into the following Indenture Funds, but as to each Indenture Fund only within the limitations set forth below:

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

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

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

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

Any remaining Appropriated Funds shall remain in the Appropriations Fund until June 30th of each Fiscal Year. On May 1st of each year, the State shall determine the extent to which there are available monies on deposit in the Appropriations Fund, the Debt Service Accounts and the Subordinated Payment Obligations Fund which will not be needed for the purposes thereof for the balance of that Fiscal Year as reasonably determined by the State, and the State shall direct the Trustee to apply such monies prior to the end of the Fiscal Year in an amount up to any amount set forth in a schedule or formula, if any, set forth in the 2003 Indenture or Supplemental Indenture pursuant to which Additional Bonds are issued, to the optional redemption of the Additional Bonds. To the extent that any such scheduled amount of optional redemption is not achieved in any Fiscal Year, the shortfall shall be added to the remaining scheduled amounts of optional redemptions on a prorated basis rounded to the nearest authorized denomination of the applicable Series of Bonds, and any schedule or formula for such Series of Bonds set forth in the related Supplemental Indenture shall be modified accordingly.

Use of Monies in the Debt Service Fund

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

- The unpaid interest due on the Bonds on each such Payment Date, and shall cause the same to be applied to the payment of said interest when due.
- The amount of each Parity Swap Payment Obligation due on such Payment Date, and shall cause the same to be paid to the applicable Swap Provider (*provided* that any Swap Termination Payment which is a Parity Swap Payment Obligation will be paid no later than 30 days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).
- The Principal Installment of such Bonds due on such Payment Date, and shall cause the same to be applied to the payment of such Principal Installment when due.
- The principal due upon optional redemption of such Bonds on such Payment Date, and shall cause the same to be applied to the payment of such principal when due, *provided* that, prior to distributing notice of any such optional redemption (other than scheduled optional redemption described under "SUMMARY OF THE 2003 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*"), an Authorized Department Representative has certified that the total of (1) amounts remaining on deposit in the Debt Service Fund (other than amounts on deposit in the Proceeds Account that are expected to be needed in future Fiscal Years) and (2) amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation).

Prior to the Payment Date of a Principal Installment, any amounts then on deposit in a Debt Service Account shall, if so directed in writing by an Authorized Department Representative, be applied by the Trustee to another Debt Service Account to the extent not needed for purposes of the Debt Service Account in which it was originally deposited or to the purchase of Bonds of the Series and maturity for which such Principal Installment was established, in an amount not exceeding that necessary to complete the payment of the unsatisfied balance of such Principal Installment. All purchases of Bonds pursuant to the 2003 Indenture shall be made at prices not exceeding the applicable sinking fund Redemption Price or principal amount of such Bonds plus accrued interest.

If for any reason a Debt Service Account shall contain excess monies after a Payment Date, such excess may be held in that Debt Service Account as a credit against the requirements of that Debt Service Account for the balance of that Fiscal Year, transferred to another Debt Service Account, or returned to the Appropriations Fund, as the State shall direct.

In an amount at least equal to the Annual Appropriation Amount has been appropriated pursuant to Section 20.505(1)(br), Wisconsin Statutes, then the Trustee shall, if the State so directs, transfer monies in the Proceeds Account to the Operating Expense Fund or to the Stabilization Fund to increase or replenish the Stabilization Fund Amount therein, *provided* that any such direction shall be accompanied by a certificate of an Authorized Department Representative to the effect that such monies will not be needed to pay interest on the Bonds and that any increase in the Stabilization Fund Amount is reasonable.

In connection with a defeasance of any Bonds, the Trustee shall, if the State so directs, withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to debt service on Bonds being defeased and deposit such amounts in escrow to be held for the payment of the principal amount or Redemption Price, if applicable, and interest on the Bonds being refunded; *provided* that such withdrawal shall not be made unless immediately thereafter the Bonds being defeased shall be deemed to have been paid pursuant to the 2003 Indenture as described under "SUMMARY OF THE 2003 INDENTURE; Discharge of 2003 Indenture" below.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the Legislature, and except as described under "SUMMARY OF THE 2003 INDENTURE; Defaults and Remedies" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of each Bond and Parity Swap Payment Obligation without preference of one Bond or Parity Swap Payment Obligation over another (and without regard to the deposit of amounts in a particular Debt Service Account). Notwithstanding anything in the 2003 Indenture to the contrary, any monies derived from an appropriation of the State legislature may only be applied in a manner consistent with that appropriation.

Use of Monies in the Subordinated Payment Obligations Fund

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Trustee shall withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. On (a) June 10^{th} (or if June 10^{th} is not a Business Day, the Business Day next succeeding June 10^{th}) of each Fiscal Year (but only if the amounts on deposit in the Debt Service Fund are sufficient to meet the requirements thereof for the balance of the Fiscal Year) or (b) such earlier date on which an Authorized Department Representative, at the State's option, certifies that the total of (1) the monies on deposit in the Debt Service Fund and (2) the amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(br), Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year, assuming, for purposes of said certification, that the interest on any Variable Rate Bonds for the balance of the Fiscal Year shall be calculated at the Maximum Rate and the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum) and that interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation), then the Trustee shall withdraw from the Subordinated Payment Obligations Fund the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations which are due and owing on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer.

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

Use of Monies in the Stabilization Fund

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof and amounts drawn from the Subordinated Payment Obligations Fund are not sufficient to make up the shortfall, the Trustee shall withdraw from the Stabilization Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. Throughout each Fiscal Year until June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th), the State may, but is not required to, direct the Trustee to withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof. On June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th) of each Fiscal Year, the Trustee shall withdraw from the Stabilization Fund and transfer to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof, *provided* that amounts in the Stabilization Fund will not be required to be used to fund the Debt Service Fund to meet the requirements thereof for the balance of the Fiscal Year.

On the first Business Day of each Fiscal Year, the State may direct the Trustee to transfer amounts in the Stabilization Fund in excess of the Stabilization Fund Amount to the Appropriations Fund for further distribution to the Indenture Funds described above as directed by the State.

In connection with a defeasance of any Bonds, the Trustee shall, if the State so directs, withdraw from the Stabilization Fund, and deposit in escrow to be held for the payment of the principal amount or Redemption Price, if applicable, and interest on the Bonds being defeased, all, or any portion of, the amount therein in excess of the Stabilization Fund Amount after giving effect to the defeasance of such Bonds; *provided* that such withdrawal shall not be made unless immediately thereafter the Bonds being defeased shall be deemed to have been paid pursuant to the 2003 Indenture as described under "SUMMARY OF THE 2003 INDENTURE; Discharge of 2003 Indenture" below.

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

The Sixth Supplemental Trust Indenture, dated as of January 29, 2019, amended the definition of Stabilization Fund Amount in the 2003 Indenture, so that it means such amount as may be deemed reasonable and designated in writing by an Authorized Department Representative; provided that the Stabilization Fund Amount shall not be reduced unless the State obtains (i) a Rating Confirmation with respect to such reduction and (ii) the written consent to such reduction from each Swap Provider that is party to a Swap Agreement under which a transaction that was entered into prior to April 1, 2008 remains in effect. Pursuant to that amended definition, an Authorized Department Representative reduced the Stabilization Fund Amount to $0.00 on January 29, 2019.

Use of Monies in the Operating Expense Fund

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

Payments to the State

Any amounts remaining in the Appropriations Fund or any other funds or accounts established under the 2003 Indenture after payment of all Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations shall be paid to the State.

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the 2003 Indenture which permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the 2003 Indenture and are not subject to any lien, attachment, garnishment, or other claims or proceedings by other creditors of the State or any third party (under the 2003 Indenture the money and securities are subject to the lien of the Trustee described under "SUMMARY OF THE 2003 INDENTURE; The Trustee").

Investments

The Trustee agrees to continuously invest and reinvest money on deposit in the Indenture Funds in Qualified Investments as directed in writing by the State, which the State agrees to provide. Investments made with money on deposit in the Indenture Funds may be made by the Trustee through its own bank investment department and:

- will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used,
- will be held by or under the control of the Trustee,
- will at all times be considered a part of the 2003 Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made,
- will have any loss attributable to them charged to the 2003 Indenture Fund (and in the case of the Debt Service Fund, the account therein) for whose benefit the investment was made, and
- in all other cases, will have any interest or profit derived from them retained in the 2003 Indenture Fund (and in the case of the Debt Service Fund, the account therein) from which the investment was made.

The Trustee shall not be responsible or liable for any loss resulting from such investment, except to the extent caused by its negligence or willful default.

Discharge of 2003 Indenture

The 2003 Indenture and the estate and rights granted by it ceases, determines, and is void if:

(a) the State has performed all its obligations under the 2003 Indenture and the applicable Bond Purchase Agreement,

(b) all Trustee's Expenses and the expenses of any other paying agent which have accrued and will accrue through the final payment of the Bonds have been paid or arrangements satisfactory to the Trustee for their payment have been made,

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

  (1) by paying or causing to be paid, when due, the principal of, and premium, if any, and interest on, all Outstanding Bonds,

  (2) by irrevocably depositing with the Trustee, in trust for such purpose, at or before maturity, cash in an amount sufficient to pay or redeem (when redeemable) all Outstanding Bonds including unpaid interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds (assuming that any Variable Rate Bonds bear interest rate at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium,

  (3) by delivering to the Trustee, for cancellation, all Outstanding Bonds, or

  (4) by depositing with the Trustee, in trust, Defeasance Obligations that mature in an amount that will, together with the income or increment to accrue on them but without reinvestment, be sufficient to pay or redeem (when redeemable) all Bonds at or before their respective maturity dates, including interest which has accrued on the Bonds and will accrue through the final payment or redemption of the Bonds (assuming that any Variable Rate Bonds bear interest rate at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium,

(d) a notice of redemption which includes the Redemption Notice Information and which is not contingent upon satisfaction of any condition has been given as required by the 2003 Indenture if any of the Bonds are to be redeemed before their maturity (or if a notice of redemption cannot then be given as provided in the 2003 Indenture, then the State has given the Trustee, in a form satisfactory to the Trustee, irrevocable instructions to provide a notice of redemption which includes the Redemption Notice Information to the Registered Owners of any Bonds to be redeemed when a notice of redemption can be timely given under the 2003 Indenture),

(e) if the payment of the Bonds has been provided for under (c)(2) or (c)(4) above, the Trustee (1) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the 2003 Indenture will not adversely affect the validity of any Bonds and (2) has given notice to the Registered Owners of the Bonds at the Registered Owner's Address of the actions taken under subsection (c) above,

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

(g) any additional requirements set forth in the 2003 Indenture or a Supplemental Indenture with respect to the applicable Series of Bonds have been satisfied.

On the occurrence of the events described in (a) through (g) above, the Trustee is authorized and directed:

- to execute and deliver all appropriate instruments evidencing and acknowledging the satisfaction of the 2003 Indenture, and
- to assign and deliver to the Department of Administration any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, and premium, if any, and interest on, any Bonds).

Notwithstanding any other provision of the 2003 Indenture which may be contrary to the provisions set forth above, all money and Defeasance Obligations which are set aside and held in trust pursuant to the provisions of the 2003 Indenture for the payment of the principal of, and premium, if any, and interest on, Bonds will be applied to and used solely for the payment of the principal of, and premium, if any, and interest on, the particular Bonds with respect to which it was so set aside in trust. The income derived from Defeasance Obligations held by the Trustee under the 2003 Indenture which are not needed for the payment of the principal of, and premium, if any, or interest on, the Bonds is to be disposed of in a manner which, in the Opinion of Bond Counsel, will not adversely affect the validity of any Bonds.

Notwithstanding a discharge of the 2003 Indenture as provided in clause (c)(2) or (c)(4) above, resulting in the Owners of Bonds having a claim for the payment of their Bonds solely from the cash and Defeasance Obligations so set aside, the 2003 Indenture will continue to govern the method of making payments of principal of, and interest on, the Bonds, the registration, transfer, and exchange of Bonds, the circumstances under which the Bonds may be redeemed, and similar matters.

Defaults and Remedies

Events of Default

The occurrence and continuance of any of the following events is an Event of Default under the 2003 Indenture:

- failure to pay when due the principal of (whether at maturity, upon redemption or otherwise), or premium, if any, or interest on, any Bonds or any Parity Swap Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;
- failure to pay as required by the terms of the 2003 Indenture any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations, except to the extent that such failure is due to an Event of Nonappropriation;
- failure to pay when due the tender price on any Bond upon mandatory or optional tender for purchase as provided in the 2003 Indenture, except to the extent that such failure is due to an insufficiency of appropriated funds to make such payment with respect to any Bonds for which there is no liquidity facility; or
- the State defaults in the due and punctual performance of any other of the covenants, conditions, agreements, and provisions contained in the Bonds, the 2003 Indenture, or any Supplemental Indenture on the part of the State to be performed and the default continues for 30 days after written notice specifying the default and requiring that it be remedied has been given to the State by the Trustee, which may give the notice in its discretion and must give the notice upon receipt of a written request of the Owners of at least 25% of the aggregate principal amount of any Series of Bonds then Outstanding that it do so, *provided* that if the default is one which can be remedied but cannot be remedied within that 30-day period, the Trustee may grant an extension of the 30-day period if the State institutes corrective action within that 30-day period and diligently pursues that action until the default is remedied.

Remedies

Upon the occurrence of any Event of Default the Trustee may take whatever action at law or in equity it deems necessary or desirable (1) to collect any amounts then due under the 2003 Indenture, or the Bonds, any Swap Payment Obligations, or any Credit Facility Payment Obligations, (2) to enforce performance of any obligation, agreement, or covenant of the State under the 2003 Indenture or the Bonds, of a Credit Issuer under any Credit Facility issued or entered into with respect to any Bonds, or of the grantor of any other collateral given to secure the payment of any Bonds, or (3) to otherwise enforce any of its rights; *provided,* however, actions against the State shall be limited to those permitted by the Statutes and the Constitution of the State.

None of the remedies under the 2003 Indenture is exclusive of any other remedy or remedies. Each remedy given under the 2003 Indenture is cumulative and is in addition to every other remedy that is given or that now or hereafter exists at law, in equity, or by statute.

No delay or omission in the exercise of any right or power accruing upon an Event of Default impairs the right or power or is a waiver of or acquiescence in any Event of Default. Every right and power given by the 2003 Indenture may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default extends to, or affects, any subsequent or other Event of Default or impairs any rights or remedies consequent thereon.

Nothing in the 2003 Indenture is intended as a waiver by the State of its sovereign immunity, any procedural requirements for any remedy, or any defenses available to it.

Right to Direct Proceedings

Except as the 2003 Indenture or a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to act in the stead of Bondowners, the Owners of the Bonds have the right to direct the exercise of any rights or remedies under the 2003 Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the 2003 Indenture. The 2003 Indenture provides that, so long as the applicable Bond Insurer is not in default under its Bond Insurance Policy, it will be treated as the Owner of the 2003 Series A Bonds, the 2008 Series C Bonds, or certain 2008 Series B Bonds for all purposes of declaring defaults directing remedies, and dealing with the Trustee under the 2003 Indenture. A Supplemental Indenture authorizing the issuance of a Series of Additional Bonds may provide for a Credit Issuer to have such rights with respect to a Series of Bonds entitled to the benefits of its Credit Facility. See "SUMMARY OF THE 2003 INDENTURE; Certain Rights of Credit Issuers".

The directions of the Owners of Bonds are to be: (a) contained in a request which is signed by the Owners of at least a majority of the aggregate principal amount of each series of Bonds then Outstanding and delivered to the Trustee, (b) in accordance with law and the provisions of the 2003 Indenture, and (c) accompanied by indemnification of the Trustee as is provided in the 2003 Indenture.

Application of Funds

Upon an Event of Default or an Event of Nonappropriation, any Appropriated Funds received or held by the Trustee will, subject to the provisions of the 2003 Indenture relating to Credit Facilities, be applied as follows:

FIRST: To the payment of (1) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (2) any Trustee's Expenses.

SECOND: To the payment of interest, principal, and premium, if any, then due on the Bonds (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of Article 9 of the 2003 Indenture) and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal, and premium, if any, and Parity Swap Payment Obligations then due ratably and, if the amount available is not sufficient to pay in full interest, principal, premium, and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.

THIRD: Subject to the provisions of the 2003 Indenture described under "SUMMARY OF THE 2003 INDENTURE; Appropriated Funds and Funds and Accounts; *Use of Monies in the Subordinated Payment Obligations Fund*", to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date, then to their payment ratably, according to the amount due, to the persons entitled to it without discrimination or privilege.

FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of any of the 2003 Indenture.

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

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

Remedies Vested in Trustee

All rights of action (including the right to file proofs of claim) under the 2003 Indenture or under any Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production of them in any trial or other proceeding relating to them. Any suit or proceeding instituted by the Trustee is to be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Bonds, the Swap Providers, and the Credit Issuers in accordance with the terms of the 2003 Indenture.

Rights and Remedies of the Bondowners

No Bondowner, Swap Provider, or Credit Issuer has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the 2003 Indenture, for the execution of any trust created under the 2003 Indenture, for the appointment of a receiver, or for any other remedy, unless

- an Event of Default has occurred of which the Trustee has been notified as provided in the 2003 Indenture or of which the Trustee is deemed to have notice by the terms of the 2003 Indenture,
- the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the 2003 Indenture or to institute an action, suit, or proceeding in its own name,
- the Trustee has been offered indemnity as provided in the 2003 Indenture, and
- the Trustee thereafter fails or refuses to exercise the powers granted in the 2003 Indenture or to institute an action, suit, or proceeding in its own name.

No Bondowner, Swap Provider, or Credit Issuer has any right to affect, disturb, or prejudice the security of the 2003 Indenture by its action or to enforce any right under the 2003 Indenture except in the manner provided in the 2003 Indenture, and all proceedings at law or in equity are to be conducted in the manner provided in the 2003 Indenture for the equal and ratable benefit of all the Bondowners, Swap Providers, or Credit Issuers in accordance with the priority provided in the 2003 Indenture. Nothing in the 2003 Indenture, however, affects or impairs the right of Bondowners, Swap Providers, or Credit Issuers to enforce the payment of the principal of, and premium, if any, and interest on, any Bonds, Swap Payment Obligations, or Credit Facility Payment

Obligations, respectively, at and after their maturity or the obligation of the State to pay the principal of, and premium, if any, and interest on, the Bonds issued under the 2003 Indenture, Swap Payment Obligations, or Credit Facility Payment Obligations, respectively, to Bondowners, Swap Providers, and Credit Issuers, respectively, at the time and place, from the source, and in the manner expressed in the 2003 Indenture and the Bonds (if applicable).

Waivers of Events of Default

Subject to the provisions of the 2003 Indenture relating to Credit Facilities, the Trustee may waive any Event of Default under the 2003 Indenture and its consequences and must do so upon receipt of a request to do so from the Registered Owners of a majority in aggregate principal amount of all Bonds then outstanding in respect of which the failure to pay the principal of, or premium, if any, or interest on, which has resulted in an Event of Default or of the Owners of a majority in principal amount of each Series of Bonds then Outstanding in the case of any other Event of Default. Notwithstanding the preceding sentence, the Trustee may not waive any Event of Default in the payment of the principal of, or premium, if any, or interest on, any Bond unless prior to the waiver all arrears of principal, or premium, if any, and interest on, the Bonds for which appropriations have been made, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for.

The Trustee

The Trustee accepts and agrees to perform the duties of the Trustee under the 2003 Indenture upon the terms and conditions set forth therein.

The Trustee is entitled to payment or reimbursement of its Trustee's Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, but only upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee has a lien with right to payment prior to payment on account of the principal of, and premium, if any, and interest on, any Bond, any Swap Payment Obligation, and any Credit Facility Payment Obligation upon the Trust Estate and any other collateral securing the Bond, any Swap Payment Obligation, and any Credit Facility Payment Obligation for the payment of the Trustee's Expenses. To the extent permitted by the Statutes and Constitution of the State, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence, willful misconduct, or bad faith on its part, arising out of or in connection with the acceptance or administration of the 2003 Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the 2003 Indenture.

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

The Trustee may, and upon receipt of a request to do so from the Owners of a majority of the principal amount of Bonds then Outstanding and upon indemnity being provided as required by the 2003 Indenture must, intervene on behalf of the Owners of Bonds in any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners of Bonds. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

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

Any corporation or association (a) into which the Trustee may be converted or merged, (b) with which the Trustee may be consolidated, (c) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole, or (d) resulting from a conversion, sale, merger, consolidation, or transfer to which the Trustee is a party becomes successor Trustee under the 2003 Indenture and is vested with all the title to the Trust Estate and the Trustee's interest in the 2003 Indenture and all the trusts, powers, discretions, immunities, privileges, and all other matters as its predecessor was without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties to the 2003 Indenture, anything in the 2003 Indenture to the contrary notwithstanding.

The Trustee and any successor Trustee may at any time resign from the trusts the 2003 Indenture created by giving 30 days written notice by registered or certified mail to the State and the Registered Owners. A resignation takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

The Trustee may be removed at any time without cause (a) at the direction of the State (so long as no Default or Event of Default under the 2003 Indenture has occurred, whether or not continuing) or (b) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee and the State. A removal takes effect upon the appointment of a successor or temporary Trustee by the Registered Owners or the State and the successor or temporary Trustee's acceptance of its appointment.

In case the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, is taken under the control of a public officer, has a receiver appointed for it by a court, or otherwise becomes incapable of acting under the 2003 Indenture, a successor may be appointed by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding. In case of a vacancy the State by an instrument executed and signed by an Authorized Department Representative in accordance with applicable law may appoint a temporary Trustee to fill the vacancy until a successor Trustee has been appointed by the Owners of Bonds in the manner described above. Any temporary Trustee appointed by the State immediately and without further act is superseded by the Trustee appointed by the Owners of Bonds. Every Trustee so appointed must be a trust company or a bank in good standing having a reported capital and surplus of not less than $10 million or having assets under administration of not less than $200 million if there is an institution willing, qualified, and able to accept the trust upon reasonable and customary terms and have the qualifications required by the Enabling Act.

Every successor Trustee appointed under the 2003 Indenture will execute, acknowledge, and deliver to its predecessor and to the State an instrument in writing accepting its appointment under the 2003 Indenture, and thereupon the successor, without any further act, deed, or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties, and obligations of its predecessor. Its predecessor agrees, nevertheless, on the written request of the State or of its successor, to execute and deliver an instrument transferring to its successor all the estates, properties, rights, powers, and trusts of the predecessor under the 2003 Indenture. Every predecessor Trustee agrees it will deliver to its successor all securities, money, investments, and other property held by it in any Indenture Fund, a list of all checks or other fund transfers which the Trustee has issued or made but which have not been paid on the date the successor trustee becomes the Trustee under the 2003 Indenture, a copy of the Registration Books certified by the Trustee to be correct, executed originals of all letters of credit, policies of bond insurance, or other Credit Facilities relating to the Bonds, all printed but unissued Bonds, all Bonds in the Trustee's possession which are to be but have not been destroyed, executed originals of all indemnity bonds relating to the Bonds, a list of all stop transfer orders held by the Trustee, and such other documents and information as the successor trustee reasonably requests. If any instrument in writing from the State is required by any successor Trustee for more definitely and certainly vesting in the successor the estate, rights, powers, and duties vested or intended to be vested in the predecessor the State agrees to execute, acknowledge, and deliver any and all requested instruments in writing on request. The instrument appointing a successor under the 2003 Indenture will be filed and/or recorded by the successor Trustee in each filing or recording office where any document providing collateral security for the 2003 Indenture has been filed and/or recorded.

In the event the Trustee is changed, the predecessor Trustee which has resigned or been removed ceases to be trustee of the Indenture Funds and bond registrar and paying agent for principal of, and premium, if any, and interest on, the Bonds, and the successor Trustee becomes the Trustee, the bond registrar, and paying agent.

It is the intent of the State and the Trustee that the 2003 Indenture does not violate the law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in that jurisdiction. It is recognized that in case of litigation under the 2003 Indenture, and in particular in case of the enforcement on an Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it under the 2003 Indenture or hold title to the Trust Estate or take any other action which may be desirable or necessary in connection therewith, it may be necessary for the Trustee to appoint an additional individual or institution as a separate or co-trustee.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Bondowners or Swap Providers

Subject to the provisions of the 2003 Indenture relating to Credit Facilities, the State and the Trustee may, without the consent of or notice to the Bondowners or Swap Providers, enter into Supplemental Indentures which are not inconsistent with the terms and provisions of the 2003 Indenture in order:

- to provide for the issuance of Additional Bonds;
- to cure any ambiguity or formal defect or omission in the 2003 Indenture;
- to grant to, or confer upon, the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee, *provided* that such amendment does not adversely affect the rights or interests of any Swap Provider;
- to subject additional revenues, properties, or collateral to the 2003 Indenture; or
- to supplement the 2003 Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Bondowners, or any Swap Provider.

Supplemental Indentures Requiring the Consent of Bondowners and Swap Providers

In addition to Supplemental Indentures described above that may not require consent, the State and the Trustee, with the prior written consent of the Owners of a majority of the aggregate principal amount of each Series of Bonds then Outstanding and each Swap Provider, may enter into Supplemental Indentures as the State and the Trustee deem necessary and desirable for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the 2003 Indenture or in any Supplemental Indenture. No Supplemental Indenture, however, may permit (a) an extension of the stated maturity or a reduction in the principal amount of, reduction in the rate or extension of the time for paying interest on, a reduction of any premium payable on the redemption of or a reduction in the amount or extension of the time for any payment required by any sinking fund or principal fund applicable to any Bonds without the consent of the Owners of all the Bonds that would be affected by the action to be taken, (b) the creation of any lien prior to or, except in connection with the issuance of Additional Bonds, on a parity with the lien of the 2003 Indenture, without the consent of the Owners of all Bonds at the time Outstanding, or (c) a reduction in the aggregate principal amount of Bonds the Owners of which are required to consent to any Supplemental Indenture without the consent of the Owners of all Bonds at the time Outstanding that would be affected by the action to be taken.

If at any time the State requests the Trustee to enter into such a Supplemental Indenture, the Trustee agrees, upon being satisfactorily indemnified with respect to expenses, to send notice of the proposed execution of the Supplemental Indenture by registered or certified mail to the Registered Owner of each of the Bonds at the Registered Owner's Address subject, for so long as the Bonds are in Book Entry System, to the applicable Letter of Representations. The notice will briefly set forth the nature of the proposed Supplemental Indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Bond. If, within 60 days or any longer period prescribed by the State following the mailing of the notice, consent of the Owners of a majority of the aggregate principal amount of each Series of Bonds then Outstanding has been obtained, no Registered Owner of any Bond has any right to object to any of the terms and provisions of the 2003 Indenture or their operation, in any manner to question the propriety of the execution of the Supplemental Indenture or to enjoin or restrain the Trustee or the State from executing the Supplemental Indenture or from taking any action pursuant to the provisions of the Supplemental Indenture. Upon the execution of any Supplemental Indenture as provided in the 2003 Indenture, the 2003 Indenture is modified and amended in accordance with it.

The Supplemental Indentures executed in connection with the issuance of the 2012 Bonds, the 2016 Series A Bonds, the 2020 Bonds, and the 2021 Bonds provide that, by their acceptance of the 2012 Bonds, 2016 Series A Bonds and 2020 Bonds, respectively, the Owners of the 2012 Bonds, 2016 Series A Bonds, 2020 Bonds, and 2021 Bonds shall be deemed to have consented to any future Supplemental Indenture that provides that the consent of Owners of a Series of Bonds is not needed to authorize a Supplemental Indenture that does not affect the Owners of such Series.

Certain Rights of Credit Issuers

The 2003 Indenture provides that, so long as the Credit Issuer with respect to a Series of Bonds is not in default under its Credit Facility, the Credit Issuer may have certain rights, including but not limited to the rights: (1) to be subrogated to the rights of the Owners of Bonds of such Series that are paid by its Credit Facility and to have those Bonds continue to be treated as Outstanding under the 2003 Indenture; (2) to be treated as the Owner of the Bonds of such Series for such purposes as the Supplemental Indenture may provide (including for purposes of directing the exercise of remedies under the 2003 Indenture); (3) to limit the future issuance of Additional Bonds; and (4) to prohibit Supplemental Indentures without its consent. The 2003 Series A Bonds are insured under a Bond Insurance Policy issued by Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.), which has been granted certain of the rights described above with respect to the 2003 Series A Bonds.

No information is provided in this Part VII of the 2022 Annual Report about any credit rating currently assigned to the obligations of any Credit Issuer for any Outstanding Bonds.

Miscellaneous

Any consent, request, direction, approval, objection, or other instrument required by the 2003 Indenture to be signed by Bondowners may be in any number of concurrent writings of similar tenor. Proof of the execution of any consent, request, direction, approval, objection, or other instrument is sufficient for any of the purposes of the 2003 Indenture and is conclusive in favor of the Trustee with regard to any action taken by it, if it contains or is accompanied by (1) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction to the effect that the person signing the writing acknowledged before him the execution thereof or (2) an affidavit of any witness to the execution. The ownership of Bonds and the amount, series, numbers, and other identification of them and the date on which they were held are conclusively proved by the Registration Books.

Unless provided to the contrary in the 2003 Indenture, all notices, certificates, or other communications under the 2003 Indenture are deemed given when delivered or mailed by first-class mail, postage prepaid, addressed to the parties at the addresses set forth in the 2003 Indenture.

If any date on which an obligation of the Trustee or the State is to be performed falls on a day that is not a Business Day, then the payment or fulfillment of the obligation may be made on the next succeeding Business Day with the same effect as if made on the date due except that (1) a Supplemental Indenture authorizing a Series of Additional Bonds may provide that interest on such Additional Bonds continues to accrue to the date of actual payment, and (2) in the case of the end of a Fiscal Year, such payment or fulfillment shall be made on the preceding Business Day.

SUMMARY OF THE 2009 INDENTURE

The following is a summary of certain provisions of the 2009 Indenture, which relates to the 2009 Indenture Bonds. The summary does not purport to be complete, and reference is made to the full text of the 2009 Indenture for a complete recital of its terms, including the defined terms used therein.

The following summary may also use terms that are similar to, but could slightly vary from, terms used in the summary for the 2003 Indenture. The term "Bonds" in the following summary refers to 2009 Indenture Bonds.

The Appropriation Obligations

Issuance of Appropriation Obligations

The State may issue one or more Series of Appropriation Obligations under the 2009 Indenture from time to time, without limit as to aggregate principal amount except as provided in the Act. Prior to or contemporaneously with the issuance of any Appropriation Obligations, there must be filed with the Trustee: (1) a Supplemental Indenture executed by the Department on behalf of the State and by the Trustee authorizing the Appropriation Obligations, designating them as either Bonds or Notes, specifying their terms, and providing for the disposition of the proceeds of their sale, (2) a copy of the Authorizing Certification executed by the Secretary or his or her designee authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Appropriation Obligations, (3) an Opinion of Bond Counsel to the effect that the execution and delivery of such Supplemental Indenture and the issuance and sale of the Appropriation Obligations have been duly authorized in accordance with the Act and the 2009 Indenture, and (4) a request and authorization to the Trustee by the Department on behalf of the State and signed by an Authorized Department Representative requesting the Trustee to authenticate and deliver the Appropriation Obligations.

Deposit of Proceeds to Funds and Accounts

Proceeds of a Series of Appropriation Obligations are deposited into the funds and accounts created under the 2009 Indenture or otherwise applied, as provided in a Closing Statement executed by an Authorized Department Representative and furnished to the Trustee. The Closing Statement specifies the purchase price of the Appropriation Obligations and:

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

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

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

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

The Closing Statement further specifies the application of such monies.

General Terms and Provisions of Appropriation Obligations

Liability of the State Subject to Annual Appropriation

The Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations, together with any interest thereon, shall be special and limited obligations of the State, payable solely out of the Appropriated Funds. The Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations are valid claims of the Registered Owners, Swap Providers, and Credit Issuers, respectively, only against the Trust Estate and other Appropriated Funds. The Trustee agrees to hold the Trust Estate and apply the Appropriated Funds only as provided in the 2009 Indenture, except to the extent otherwise specified by law in an appropriation. The State is not generally liable on the Appropriation Obligations or any other Indenture Obligations. Neither the general credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the Indenture Obligations. The Indenture Obligations do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Registered Owners Treated as Owners

Except as a Supplemental Indenture may otherwise provide (including with respect to a Credit Issuer as described under "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers"), the State and the Trustee may treat the Registered Owner of any Appropriation Obligation as its absolute owner (whether or not the Appropriation Obligation is overdue) for all purposes. Neither the State nor the Trustee shall be affected by any notice to the contrary.

Other Indenture Obligations

The 2009 Indenture provides that the State may enter into one or more Swap Agreements from time to time, without limit as to aggregate notional amount, and may enter into such Credit Facility Agreements as the Department shall determine are necessary or appropriate to obtain Credit Facilities with respect to the Indenture Obligations. The Swap Provider under any Swap Agreement must (a) have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement or (b) provide a guaranty as a credit support document under the Swap Agreement from a credit support provider that shall have a rating of at least "AA" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement and the guaranty, except that the State's counterparty or counterparties (or its or their credit support provider or providers) under a Swap Agreement or Swap Agreements having an aggregate notional amount equal to no greater than 33% of the principal amount of the Bonds then Outstanding may have a rating of "A" (without regard to any qualifier), or its equivalent, from any Rating Agency at the time of execution of the Swap Agreement (and, if applicable, the guaranty).

For any Swap Agreement, Credit Facility Agreement, Swap Payment Obligations, or Credit Facility Payment Obligations to be recognized as such for purposes of the 2009 Indenture, there must be filed with the Trustee (1) a copy of an Authorizing Certification executed by the Secretary of the Department or his or her designee authorizing the execution and delivery of the Swap Agreement or Credit Facility Agreement or the procurement of the Credit Facility, (2) a certificate of an Authorized Department Representative, which shall (a) in substance identify the Swap Agreement, Credit Facility Agreement, or Credit Facility as being a Swap Agreement, Credit Facility Agreement, or Credit Facility, as the case may be, within the meaning of the 2009 Indenture and (b) certify that any applicable requirements of the Act have been satisfied with respect to the Swap Agreement, the Credit Facility, and/or the Credit Facility Agreement, and (3) a copy of the Swap Agreement, the Credit Facility, and/or the Credit Facility Agreement, as the case may be.

General Covenants

Payment of Indenture Obligations

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

Performance of Duties under the 2009 Indenture and the Appropriation Obligations

The State represents, warrants, and covenants that it will perform its obligations under the 2009 Indenture, any Appropriation Obligations executed, authenticated, and delivered under the 2009 Indenture and all its proceedings relating to the issuance of the Appropriation Obligations. The State further represents, warrants, and covenants that it is duly authorized under the Constitution and laws of the State, including the Act, by and through the Department, to issue the Appropriation Obligations, to execute the 2009 Indenture, and to pledge and assign the property described in the 2009 Indenture in the manner and to the extent set forth in the 2009 Indenture. The State represents that all action on the part of the State and the Department for the issuance of the Appropriation Obligations and the execution and delivery of the 2009 Indenture have been effectively taken and the Appropriation Obligations in the hands of the Registered Owners, the Swap Payment Obligations, and the Credit Facility Payment Obligations are and will be valid and enforceable obligations of the State contracted by the Department according to the terms of the 2009 Indenture and the Act.

Nonimpairment

Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature, the State represents, warrants, and covenants that it will not enter into any contract or take any action impairing the rights of the Trustee, the Registered Owners of the Appropriation Obligations, any Swap Provider, or any Credit Issuer under the 2009 Indenture, the Appropriation Obligations, a Swap Agreement, or any Credit Facility Agreement. Subject to the right of nonappropriation and the right to rescind, repeal, or amend an appropriation by the Legislature, the State will not limit or alter its powers to fulfill the terms of any agreements made with Registered Owners or in any way impair the rights and remedies of Registered Owners until the Appropriation Obligations, together with interest and all costs and expenses in connection with any action or proceeding on behalf of the Registered Owners, are fully met and discharged.

Budget Process and Appropriations

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

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

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

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

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

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

(f) in the event a Swap Termination Payment becomes due and there are insufficient funds available from Appropriated Funds under the 2009 Indenture or from other legal sources provided by the State to pay the Swap Termination Payment, promptly send a letter to the Governor and the presiding officer of each house of the Legislature seeking the introduction of a separate bill authorizing an additional appropriation; and

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

The Secretary of Administration has covenanted that, in the event the Secretary exercises his or her authority under Section 16.53(10)(a), Wisconsin Statutes, to establish a priority schedule for payments, he or she will give payments of appropriation obligations of the State (including the Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations) the highest possible priority permitted by law.

Trustee Notices Regarding Budget Process and Appropriations

The Trustee may at any time request that the Secretary certify that he or she has performed his or her obligations under the 2009 Indenture described above under clause (a) of "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" and that no event described above in clause (b), (c), or (e) under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" has occurred, and the Secretary shall promptly provide such certification. The Trustee shall promptly provide written notice to the following parties of the occurrence of certain events, as follows:

(a) Upon failure to receive the certification requested by the Trustee with regard to compliance with clause (a) above under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*", to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer;

(b) Upon receipt of the notice described in clause (c) above under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer; or

(c) Upon receipt of the notice described in clause (e) above under "SUMMARY OF THE 2009 INDENTURE; General Covenants; *Budget Process and Appropriations*" or failure to receive a certification requested by the Trustee that no event described in that clause has occurred, to the Governor and the presiding officer of each house of the Legislature, with a copy to the Secretary, each Rating Agency, each Swap Provider, and each Credit Issuer.

Event of Default

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

Appropriated Funds and Funds and Accounts

Establishment of Funds and Certain Accounts

The 2009 Indenture creates and establishes with the Trustee the following funds:

- Appropriations Fund,
- Operating Expense Fund,
- Debt Service Fund,
- Subordinated Payment Obligations Fund,
- Stabilization Fund, and
- Rebate Fund.

The 2009 Indenture also establishes in the Debt Service Fund a Debt Service Account for each Series of Appropriation Obligations and each Swap Agreement, a Proceeds Funding Account for each Series of Notes to be funded or refunded through the issuance of Funding Obligations, and a Proceeds Interest Account. Sinking fund accounts for any Series of Appropriation Obligations having sinking fund installments may be established within the Debt Service Account for such as provided in a Supplemental Indenture. (However, the Stabilization Fund will not be activated unless and until the State adopts a Supplemental Indenture establishing a Stabilization Fund Amount, the Subordinated Payment Obligations Fund will not be activated unless and until the Secretary or his or her designee executes and delivers an Authorizing Certification providing for Swap Payment Obligations – which could give rise to Subordinated Swap Payment Obligations – or Credit Facility Payment Obligations, and no Proceeds Funding Account will be created unless and until a Series of Notes is issued.)

The 2009 Indenture provides that any monies derived from an appropriation of the Legislature may only be applied in a manner consistent with its appropriation.

On the last Business Day of each Fiscal Year, the Trustee shall transfer all monies remaining in the Appropriations Fund, the Operating Expense Fund (except for amounts therein funded from proceeds of Appropriation Obligations or other obligations of the State issued for such purpose), the Debt Service Accounts, and the Subordinated Payment Obligations Fund (1) to the Stabilization Fund, (2) to the State, or (3) upon a determination by the Department that such monies are subject to an appropriation for the next Fiscal Year, to the Appropriations Fund, as directed in writing by an Authorized Department Representative.

No Stabilization Fund Amount has been established for the 2009 Indenture.

Deposits into and Use of Monies in the Appropriations Fund

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

- On the first Business Day of each Fiscal Year for which a Budget Bill has been enacted, the State shall pay the Deposit Amount to the Trustee for deposit in the Appropriations Fund, from amounts appropriated pursuant to Section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision thereto. On the first Business Day of each Fiscal Year, in the event a Budget Bill for that Fiscal Year has not yet been enacted, the State shall pay to the Trustee the full amount up to the Deposit Amount that is available pursuant to the carry-over of existing appropriations from the prior Fiscal Year pursuant to Section 20.002(1) of the Wisconsin Statutes, and on the Business Day following the subsequent enactment of such a Budget Bill creating additional Appropriated Funds, the State shall pay to the Trustee, for deposit in the Appropriations Fund, the amount, if any, by which amounts appropriated thereby exceed amounts previously paid to the Trustee in such Fiscal Year for deposit therein, *provided* that the total paid to the Trustee shall not exceed the Deposit Amount.
- No later than 30 days following the enactment of any separate bill providing for an appropriation available for the payment of Appropriation Obligations, Swap Payment Obligations, and/or Credit Facility Payment Obligations (including any appropriation of funds to pay Notes for the payment of which Funding Obligations are not issued), for payment of issuance or administrative expenses, or for funding a deposit to the Stabilization Fund in that Fiscal Year, the State shall pay to the Trustee for deposit in the Appropriations Fund amounts appropriated thereby.
- No later than 30 days following the enactment of a Budget Bill, the State shall pay to the Trustee the amount of any Swap Termination Payment that is a Parity Swap Payment Obligation, and which was included in the calculation of Annual Appropriation Amount for that Fiscal Year, to the extent that Appropriated Funds are available.
- Immediately upon receipt, the State shall transfer to the Trustee, for deposit in the Appropriations Fund, any amounts appropriated pursuant to Section 20.505(1)(it) of the Wisconsin Statutes, or any successor provision, not otherwise deposited into the Indenture Funds under the terms of a Swap Agreement.
- At any time during each Fiscal Year that any Appropriated Funds previously transferred to the Trustee are insufficient for the requirements of the Indenture Funds, the Trustee shall notify the State of such insufficiency and the State shall promptly pay such amount to the Trustee, but solely from Appropriated Funds, for deposit in the Appropriations Fund.

- The State may, at any time, at its option, transfer to the Trustee for deposit in the Appropriations Fund for further distribution into any of the Indenture Funds and accounts described below, Appropriated Funds in addition to the Deposit Amount or other amounts required above.
- The State may direct the Trustee to transfer amounts from the Stabilization Fund to the Appropriations Fund as described below under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Stabilization Fund*".

The Trustee, promptly after receipt of the Deposit Amount in the Appropriations Fund, shall transfer an amount thereof designated in writing by an Authorized Department Representative, consistent with the amount used in the computation of the Deposit Amount, to the Operating Expense Fund and shall transfer the balance into the Debt Service Fund for distribution into the Debt Service Accounts as designated in writing by an Authorized Department Representative. The Trustee, promptly after receipt of any other monies in the Appropriations Fund, and at any time thereafter as needed to fund the following Indenture Funds, shall make payments into the following Indenture Funds, but only to the extent consistent with the appropriation thereof by the legislature, and as to each Indenture Fund only within the limitations in the 2009 Indenture described below with respect thereto:

FIRST:	Into the Operating Expense Fund, the amounts designated in writing by an Authorized Department Representative to be deposited in the Operating Expense Fund;
SECOND:	Into each Debt Service Account, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the interest and principal (whether at maturity or upon mandatory redemption) for the related Series of Bonds due on each Payment Date, the interest for the related Series of Notes due on such Payment Date, or the amount of any Parity Swap Payment Obligations, if any, due on each Payment Date, after taking into account amounts available for that purpose in the Proceeds Interest Account;
THIRD:	Into each Debt Service Account for Notes, to the extent, if any, needed to increase the amount in such Debt Service Account so that it equals the principal (whether at maturity or upon mandatory redemption) for the related Series of Notes due on each Payment Date, after taking into account amounts available for that purpose, and amounts expected to be deposited and available for that purpose, in the Proceeds Funding Account;
FOURTH:	Into the Subordinated Payment Obligations Fund, the amount of any Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on each Payment Date; and
FIFTH:	Into the Stabilization Fund, the amount designated in writing by an Authorized Department Representative to be deposited for such Fiscal Year into the Stabilization Fund.

Any remaining Appropriated Funds shall remain in the Appropriations Fund until June 30th of each Fiscal Year. On May 1st of each year the State shall determine the extent to which there are available monies on deposit in the Appropriations Fund, the Debt Service Accounts, and the Subordinated Payment Obligations Fund that will not be needed for the purposes thereof for the balance of that Fiscal Year (taking into consideration funds available in, and funds expected to be deposited and available in, the Proceeds Interest Account or a Proceeds Funding Account for such purpose), and the State shall direct the Trustee to apply such monies prior to the end of the Fiscal Year in an amount up to the Scheduled Optional Redemption amount set forth in any Supplemental Indenture pursuant to which Appropriation Obligations have been issued, to the optional redemption of such Appropriation Obligations. To the extent that Scheduled Optional Redemption is not achieved in any Fiscal Year, the shortfall shall be added to the remaining amounts of Scheduled Optional Redemptions on a prorated basis, rounded to the nearest authorized denomination of the applicable Series of Appropriation Obligations, and the Scheduled Optional Redemptions shall be modified accordingly.

Deposits into and Use of Monies in the Debt Service Fund

The Trustee shall deposit into the Proceeds Interest Account, from time to time, (1) proceeds of Appropriation Obligations required to be deposited therein and (2) any other amounts that are subject to continuing appropriations and are provided by the State with instructions to deposit such amounts into the Proceeds Interest Account. The Trustee shall deposit into the appropriate Proceeds Funding Account, from time to time, proceeds of Funding Obligations required to be deposited. The Trustee shall deposit into the appropriate Debt Service Accounts in the Debt Service Fund the amounts required to be transferred thereto from the Appropriations Fund, the Subordinated Payment Obligations Fund, and the Stabilization Fund.

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

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

(b) The amount of each Parity Swap Payment Obligation due on each Payment Date and shall cause the same to be paid to the applicable Swap Provider (*provided* that any Swap Termination Payment that is a Parity Swap Payment Obligation will be paid no later than 30 days after enactment of the Budget Bill or other bill providing an appropriation available for its payment).

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

(d) The principal due upon optional redemption of the Appropriation Obligations on each Payment Date and shall cause the same to be applied to the payment of such principal when due, *provided* that, prior to distributing notice of any such optional redemption (other than (1) Scheduled Optional Redemptions described in "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*", (2) an optional redemption of Notes for which sufficient funds are available in the applicable Proceeds Funding Account, or (3) an optional redemption with respect to which the redemption notice states that such redemption is contingent upon the availability of sufficient Appropriated Funds both to pay the Redemption Price and to satisfy the requirements of (A) and (B) below), an Authorized Department Representative has certified that the total of (A) amounts remaining on deposit in the Debt Service Fund (other than amounts on deposit in the Proceeds Interest Account which are expected to be needed in future Fiscal Years and amounts on deposit in any Proceeds Funding Account), and (B) amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year (without taking into account any principal payments required to be made with respect to Notes). For all purposes of determining the sufficiency of amounts in or payable into the Debt Service Fund or any account therein, interest on any Variable Rate Appropriation Obligations for any portion of the balance of the Fiscal Year for which the interest rate has not been determined shall be calculated at the Maximum Rate, the amount of any Parity Swap Payment Obligations that would be payable under Swap Agreements that provide for a variable rate to be paid by the State shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, shall be determined at a rate equal to the rate that would result if the index provided in such Swap Agreement were at 15% per annum), interest accruing on any overdue Parity Swap Payment Obligation at a variable rate shall be calculated at an annual rate equal to the maximum rate provided for therein (or if no maximum is provided for, a rate of 15% per annum on the amount of the overdue Parity Swap Payment Obligation), and interest on any Funding Obligations that would be assumed to be issued under clause (e) of the respective definition of "Annual Appropriation Amount" under "GLOSSARY" shall be calculated based on the assumptions set forth in such clause (e).

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

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

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

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

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

In connection with a defeasance of any Appropriation Obligations, the Trustee shall, if an Authorized Department Representative so directs, withdraw from the applicable Debt Service Account, from the Proceeds Interest Account (other than amounts therein expected to be needed in for the payment of other Appropriation

Obligations or Swap Payment Obligations), or (in the case of Notes) from the applicable Proceeds Funding Account all or any portion of the amounts accumulated therein with respect to debt service on the Appropriation Obligations being defeased and deposit such amounts in escrow to be held for the payment of the principal amount or Redemption Price and interest on the Appropriation Obligations being defeased. No such withdrawal shall be made unless immediately thereafter the Appropriation Obligations being defeased shall be deemed to have been paid pursuant to the 2009 Indenture as described under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture" below.

Except to the extent that such application would be inconsistent with the appropriation of said amounts by the Legislature, and except as described under "SUMMARY OF THE 2009 INDENTURE; Defaults and Remedies; *Application of Funds*" below, payments from the Debt Service Fund shall be made ratably by the Trustee according to amounts due in respect of interest on each Appropriation Obligation, each Principal Installment for Bonds, and each Parity Swap Payment Obligation without preference of one Appropriation Obligation or Parity Swap Payment Obligation over another, and without regard to the deposit of amounts in a particular Debt Service Account (except with respect to payment of principal on Notes, which shall be paid only from the applicable Proceeds Funding Account or other Appropriated Funds appropriated for that purpose).

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

The Trustee shall deposit into the appropriate Subordinated Payment Obligations Fund the amounts required to be transferred thereto from the Appropriations Fund and the Stabilization Fund as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*" and "*Deposits into and Use of Monies in the Stabilization Fund*".

Throughout each Fiscal Year on any Payment Date on which the amount on deposit in the Debt Service Fund is insufficient for the purposes thereof, the Trustee shall withdraw from the Subordinated Payment Obligations Fund and transfer to the Debt Service Fund the amount needed to make up the shortfall. On (a) June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th) of each Fiscal Year, but only if the amounts on deposit in the Debt Service Fund are sufficient to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Debt Service Fund*"), or (b) such earlier date on which an Authorized Department Representative, at the State's option, certifies that the total of (1) the monies on deposit in the Debt Service Fund and available for such purpose and (2) the amounts remaining under the appropriation made for that Fiscal Year pursuant to Section 20.505(1)(bq) of the Wisconsin Statutes, or any successor provision, are sufficient to meet the requirements of the Debt Service Fund for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Debt Service Fund*", but without taking into account any principal payments required to be made with respect to Notes), then the Trustee shall withdraw from the Subordinated Payment Obligations Fund the amount of any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations which are due and owing on such date and shall cause the same to be paid to the applicable Swap Provider or Credit Issuer.

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

Deposits into and Use of Monies in the Stabilization Fund

The Trustee shall deposit into the Stabilization Fund, from time to time, (1) proceeds of Appropriation Obligations directed to be deposited therein pursuant to a Closing Statement as described above under "SUMMARY OF THE 2009 INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*", (2) other amounts provided by the State with instructions to deposit such amounts into the Stabilization Fund, and (3) the amounts required to be transferred thereto from the Appropriations Fund, the Proceeds Interest Account, or any other Indenture Funds as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*", "*Deposits into and Use of Monies in the Debt Service Fund*", and "*Establishment of Funds and Certain Accounts*".

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

Throughout each Fiscal Year until June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th) of the Fiscal Year, the State may, at its option, but is not required to, direct the Trustee to withdraw from the Stabilization Fund and transfer to (1) the Debt Service Account for a Series of Notes the amount needed to make up any shortfall in such Debt Service Account for the payment of principal of such Notes or (2) the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof. On June 10th (or if June 10th is not a Business Day, the Business Day next succeeding June 10th) of each Fiscal Year, the Trustee shall withdraw from the Stabilization Fund and transfer (1) to the Debt Service Account for a Series of Notes the amount needed to make up any shortfall in such Debt Service Account for the payment of principal of such Notes, but only to the extent that amounts in the Stabilization Fund will not be required to be used to fund the remaining Debt Service Accounts to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Debt Service Fund*"), and (2) to the Subordinated Payment Obligations Fund the amount needed to make up any shortfall in such Indenture Fund for the purposes thereof, but only to the extent that amounts in the Stabilization Fund will not be required to be used to fund the Debt Service Fund to meet the requirements thereof for the balance of the Fiscal Year (determined in the manner described above under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Debt Service Fund*").

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

In connection with a defeasance of any Appropriation Obligations, the Trustee shall, if an Authorized Department Representative so directs, withdraw from the Stabilization Fund, and deposit in escrow to be held for the payment of the principal amount or Redemption Price and interest on the Appropriation Obligations being defeased, all or any portion of the amount therein in excess of the Stabilization Fund Amount after giving effect to the defeasance of such Appropriation Obligations. No such withdrawal shall be made unless immediately thereafter the Appropriation Obligations being defeased shall be deemed to have been paid pursuant to the 2009 Indenture as described under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture" below.

Amounts in the Stabilization Fund may be used for the final payment at maturity or upon earlier redemption of all remaining Outstanding Appropriation Obligations. While the State has not funded and does not currently expect to fund the Stabilization Fund under the 2009 Indenture, it may do so in connection with the issuance of Additional 2009 Indenture Bonds.

Deposits into and Use of Monies in the Operating Expense Fund

The Trustee shall deposit into the Operating Expense Fund (1) proceeds of Appropriation Obligations directed to be deposited therein pursuant to a Closing Statement as described above under "SUMMARY OF THE 2009 INDENTURE; The Appropriation Obligations; *Deposit of Proceeds to Funds and Accounts*" and (2) the amounts required to be transferred thereto from the Appropriations Fund or the Proceeds Interest Account, or any other Indenture Funds as described under "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposits into and Use of Monies in the Appropriations Fund*" and "*Deposits into and Use of Monies in the Debt Service Fund*".

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

Deposits into and Use of Monies in the Rebate Fund

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

Payments to the State

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

Funds Held in Trust

All money held in any of the Indenture Funds are held in trust in the custody of the Trustee subject to the provisions of the 2009 Indenture that permit their disbursements for specified purposes. All money and securities held in Indenture Funds are subject to the first lien of the 2009 Indenture and are not subject to any lien, attachment, garnishment, or other claims or proceedings by other creditors of the State or any third party.

Investments

The Trustee agrees to continuously invest and reinvest money on deposit in the Indenture Funds in Qualified Investments as directed in writing by the State, which the State agrees to provide. Money in a Proceeds Funding Account shall be invested only in securities issued by the United States or one of its agencies, securities fully guaranteed by the United States, or other Qualified Investments permitted for such funds under the Act. Investments made with money on deposit in the Indenture Funds will be held by or under the control of the Trustee and may be made by the Trustee through its own bank investment department. Investments will have maturities or be readily marketable prior to maturity in the amounts and not later than the dates as may be necessary to provide funds for the purpose for which the money in any account is to be used. Any interest or profit or any loss attributable to investments will be credited to or charged against the 2009 Indenture Fund (and in the case of the Debt Service Fund or the Rebate Fund, the account therein) in which the invested monies were deposited. The Trustee shall not be responsible for any loss resulting from any such investment, except to the extent caused by its negligence or willful default.

Discharge of 2009 Indenture

The 2009 Indenture shall be discharged if:

(a) the State has performed all its obligations under the 2009 Indenture,

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

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

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

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

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

(4) by depositing in trust with the Trustee, or an escrow agent that meets the requirement of the 2009 Indenture, Defeasance Obligations that mature in an amount that will, together with investment income but without reinvestment, be sufficient to pay or redeem (when redeemable) all Outstanding Appropriation Obligations at or before their respective maturity dates, including interest on the Appropriation Obligations to the final payment or redemption of the Appropriation Obligations (assuming that any Variable Rate Appropriation Obligations bear interest at the Maximum Rate for any period for which the interest rate is not then known) and any redemption premium, and by complying with any other conditions set forth in the Supplemental Indenture that authorized such Appropriation Obligations, or

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

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

(e) if the payment of the Appropriation Obligations has been provided for as described under (c)(2) or (c)(4) above, the Trustee (1) has been furnished with an Opinion of Bond Counsel to the effect that the actions taken under the 2009 Indenture will not adversely affect the validity of any Appropriation

Obligations and (2) has given notice to each Registered Owner of the Appropriation Obligations at the Registered Owner's Address of the actions taken as described under clause (c) above,

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

(g) any Swap Payment Obligations and any Credit Facility Payment Obligations have been paid, or provision satisfactory for their payment has been made (1) as provided in the applicable Swap Agreement or Credit Facility Agreement or (2) otherwise to the satisfaction of the applicable Swap Provider or Credit Issuer, and

(h) any additional requirements set forth in a Supplemental Indenture with respect to the applicable Series of Appropriation Obligations have been satisfied. The First Supplemental Indenture and Third Supplemental Indenture require that, as condition to any deposit described under clause (c)(4) above being treated as providing for the payment of any 2009 Series A Bond, 2017 Series B Bond, or 2019 Bond, the Trustee shall have been furnished with an opinion of Bond Counsel to the effect that the payment of the 2009 Series A Bond, 2017 Series B Bond, or 2019 Bond from such deposit, in accordance with the terms of such deposit, will not adversely affect the exclusion of interest on any 2009 Series A Bond, 2017 Series B Bond, or 2019 Bond from gross income of the owner thereof.

On the occurrence of the events described in clauses (a) through (h) above, the Trustee is authorized and directed to execute and deliver instruments evidencing and acknowledging the satisfaction of the 2009 Indenture, and assign and deliver to the Department any money and investments in any Indenture Fund (except money or investments held by the Trustee for the payment of the principal of, and premium, if any, and interest on, any Appropriation Obligations or for the payment of arbitrage rebate obligations with respect to Appropriation Obligations).

All money and Defeasance Obligations which are set aside and held in trust pursuant to the provisions of the 2009 Indenture for the payment of the principal of, and premium, if any, and interest on, the Appropriation Obligations will be applied to and used solely for the payment of the principal of, and premium, if any, and interest on, the particular Appropriation Obligations with respect to which it was so set aside in trust. The income derived from Defeasance Obligations held by the Trustee under the 2009 Indenture that is not needed for the payment of the principal of, or premium, if any, or interest on, the Appropriation Obligations is to be disposed of in a manner which, in the Opinion of Bond Counsel, will not adversely affect the validity of any Appropriation Obligations.

Notwithstanding a discharge of the 2009 Indenture as described in (c)(2) or (c)(4) above, resulting in the Registered Owners of Appropriation Obligations having a claim for the payment of their Appropriation Obligations solely from the cash and securities so set aside, the 2009 Indenture will continue to govern the method of making payments of principal and interest on the Appropriation Obligations, the registration, transfer, and exchange of Appropriation Obligations, the circumstances under which the Appropriation Obligations may or must be redeemed or tendered, and similar matters.

Defaults and Remedies

Events of Default

The occurrence and continuance of any of the following events is an Event of Default under the 2009 Indenture:

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

(b) failure to pay as required by the terms of the 2009 Indenture any Subordinated Swap Payment Obligations or Credit Facility Payment Obligations, except to the extent that such failure is due to an insufficiency of Appropriated Funds to make such payment;

(c) failure to pay when due the tender price on any Appropriation Obligation upon mandatory or optional tender for purchase as provided in the 2009 Indenture, except to the extent that such failure is due to (1) an insufficiency of appropriated funds to make such payment with respect to any Appropriation Obligations for which there is no liquidity facility or (2) the Credit Issuer under a liquidity facility being relieved of its obligation to pay the Tender Price due to an Event of Nonappropriation or to a failure to pay that is due to an Event of Nonappropriation or to any other insufficiency of Appropriated Funds to make such payment; or

(d) the State defaults in the due and punctual performance of any of the other covenants, conditions, agreements, and provisions on the part of the State to be performed pursuant to the Appropriation Obligations or the 2009 Indenture (including any Supplemental Indenture) and the default continues for 30 days after written notice specifying the default and requiring that it be remedied has been given to the State by the Trustee, which may give the notice in its discretion and must give the notice upon receipt of a written request of the Registered Owners of at least 25% of the aggregate principal amount of any Series of Appropriation Obligations then Outstanding that it do so, or as otherwise provided in a Supplemental Indenture. However, if the default is one which can be remedied but cannot be remedied within that 30-day period, the Trustee may (except as limited by a Supplemental Indenture) grant an extension of the 30-day period if the State institutes corrective action within that 30-day period and diligently pursues that action until the default is remedied.

Remedies

Upon the occurrence of any Event of Default the Trustee may take whatever action at law or in equity it deems necessary or desirable (1) to collect any amounts then due under the 2009 Indenture or the Appropriation Obligations, any Swap Payment Obligations, or any Credit Facility Payment Obligations, (2) to enforce performance of any obligation, agreement, or covenant of the State under the 2009 Indenture or the Appropriation Obligations, of a Credit Issuer under any Credit Facility issued or entered into with respect to any Appropriation Obligations, or of the grantor of any other collateral given to secure the payment of any Appropriation Obligations, or (3) to otherwise enforce any of its rights. However, actions against the State shall be limited to those permitted by the Statutes and the Constitution of the State.

Nothing in the 2009 Indenture is intended as a waiver by the State of its sovereign immunity, any procedural requirements for any remedy, or any defenses available to it.

Right to Direct Proceedings

Except as a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to act in the stead of Registered Owners, as described under "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers" below, the Registered Owners of the Appropriation Obligations have the right to direct the exercise of any rights or remedies under the 2009 Indenture, and the method and place of conducting all proceedings to be taken in connection with the enforcement of the 2009 Indenture. The directions of the Registered Owners of Appropriation Obligations are to be contained in a request which is signed by the Registered Owners of at least a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding and delivered to the Trustee, and accompanied with indemnification of the Trustee as is provided in the 2009 Indenture.

Application of Funds

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

FIRST: To the payment of (1) the costs and expenses associated with the Trustee's carrying out its obligations with respect to the Event of Nonappropriation or the exercise of any remedy related to an Event of Default, including reasonable compensation to the Trustee and its attorneys and agents, and (2) any Trustee's Expenses.

SECOND: To the payment of interest, principal, and premium, if any, then due on the Appropriation Obligations (other than Appropriation Obligations called for redemption for the payment of which money is held pursuant to the provisions of the 2009 Indenture described above under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture") and Parity Swap Payment Obligations, in the order of the maturity of the payments of interest, principal and premium, if any and Parity Swap Payment Obligations then due ratably, and, if the amount available is not sufficient to pay in full interest, principal, premium, and Parity Swap Payment Obligations due on any particular date, then first to the payment of interest and Parity Swap Payment Obligations ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege and second, to the amount of principal and premium, ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege. However, (1) funds in a Proceeds Funding Account shall be used first for the payment of principal of the related Series of Notes, and (2) principal of Notes shall be payable from any funds other than funds in the related Proceeds Funding Account only after all other obligations described in this clause Second have been paid.

THIRD: Subject to the provisions of the 2009 Indenture described in "SUMMARY OF THE 2009 INDENTURE; Appropriated Funds and Funds and Accounts; *Deposit Into and Use of Monies in the Subordinated Payment Obligations Fund*", to the payment of Subordinated Swap Payment Obligations and Credit Facility Payment Obligations then due in the order of the maturity of such payments and, if the amount available is not sufficient to pay in full the Subordinated Swap Payment Obligations and Credit Facility Payment Obligations due on any particular date, then to their payment ratably, according to the amounts due, to the persons entitled to it without discrimination or privilege.

FOURTH: To the payment of any other sums required to be paid by the State pursuant to any provisions of the 2009 Indenture.

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

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

Remedies Vested in Trustee

Any suit or proceeding instituted by the Trustee is to be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants the Registered Owners. Any resulting recovery or judgment is for the benefit of the Registered Owners of the Outstanding Appropriation Obligations, the Swap Providers, and the Credit Issuers in accordance with the terms of the 2009 Indenture.

Limitation on Rights and Remedies of the Registered Owners

No Registered Owner of Appropriation Obligations, Swap Provider, or Credit Issuer has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the 2009 Indenture, for the execution of any trust created under the 2009 Indenture, for the appointment of a receiver, or for any other remedy, unless

(a) an Event of Default has occurred of which the Trustee has been notified as provided in the 2009 Indenture or of which the Trustee is deemed to have notice by the terms of the 2009 Indenture,

(b) the Trustee has received a request to do so and has been offered a reasonable opportunity either to proceed to exercise the powers granted in the 2009 Indenture or to institute an action, suit, or proceeding in its own name,

(c) the Trustee has been offered indemnity as provided in the 2009 Indenture, and

(d) the Trustee thereafter fails or refuses to exercise the powers granted in the 2009 Indenture or to institute an action, suit, or proceeding in its own name.

No Registered Owner of Appropriation Obligations, Swap Provider, or Credit Issuer has any right to affect, disturb, or prejudice the security of the 2009 Indenture by its action or to enforce any right under the 2009 Indenture except in the manner provided in the 2009 Indenture and all proceedings at law or in equity are to be conducted in the manner provided in the 2009 Indenture for the equal and ratable benefit of all the Registered Owners, Swap Providers, or Credit Issuers in accordance with the priority provided in the 2009 Indenture. Nothing in the 2009 Indenture, however, affects or impairs the right of Registered Owners, Swap Providers, or Credit Issuers to enforce the payment of the principal of, and premium, if any, and interest on, any Appropriation Obligations, any Swap Payment Obligations, or any Credit Facility Payment Obligations, respectively, at and after their maturity or the obligation of the State to pay the principal of, and premium, if any, and interest on, the Appropriation Obligations issued under the 2009 Indenture, the Swap Payment Obligations, or the Credit Facility Payment Obligations, respectively, to the Registered Owners, the Swap Providers, and the Credit Issuers, respectively, at the times and places, from the sources, and in the manner expressed in the 2009 Indenture and the Appropriation Obligations, the Swap Agreements, and the Credit Facility Agreements.

Waivers of Events of Default

The Trustee may waive any Event of Default under the 2009 Indenture and its consequences and must do so upon receipt of a request to do so from the Registered Owners of a majority in aggregate principal amount of each Series of Appropriation Obligations then Outstanding, except as a Supplemental Indenture may otherwise provide with respect to rights of Credit Issuers to restrict such waivers (see "SUMMARY OF THE 2009 INDENTURE; Certain Rights of Credit Issuers"). However, the Trustee may not waive any Event of Default in the payment of the principal of, or premium, if any, or interest on, any Appropriation Obligations unless prior to the waiver all arrears of principal, premium, if any, and interest on the Appropriation Obligations for which appropriations have been made, and all expenses of the Trustee in connection with the Event of Default, have been paid or provided for.

The Trustee

Acceptance of the Trusts

The Trustee accepts and agrees to perform the duties of the Trustee under the 2009 Indenture upon the terms and conditions set forth therein.

Trustee's Expenses and Indemnification

The Trustee is entitled to payment or reimbursement of its Trustee's Expenses. Upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee has a lien upon the Trust Estate for the payment of the Trustee's Expenses, with right to payment prior to payment on account of any Appropriation Obligation, any Swap Payment Obligation, and any Credit Facility Payment Obligations. To the extent permitted by the Statutes and Constitution of the State, the Trustee shall be entitled to payment or reimbursement from the State to indemnify the Trustee for any loss, liability, or expense incurred without negligence, willful misconduct, or bad faith on its part, arising out of or in connection with the acceptance or administration of the 2009 Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the 2009 Indenture.

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

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

Intervention by Trustee

The Trustee may, and upon receipt of a request to do so from the Registered Owners of a majority of the principal amount of Appropriation Obligations then Outstanding and upon indemnity being provided as required by the 2009 Indenture the Trustee must, intervene on behalf of the Registered Owners of Appropriation Obligations in any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Registered Owners of Appropriation Obligations. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

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

Any corporation or association (1) into which the Trustee may be converted or merged, (2) with which the Trustee may be consolidated, (3) to which the Trustee may sell or transfer its trust business and assets as a whole or substantially as a whole, or (4) resulting from a conversion, sale, merger, consolidation, or transfer to which the Trustee is a party shall become successor Trustee under the 2009 Indenture without the execution or filing of any instrument or any further act.

The Trustee may at any time resign by giving 30 days' written notice by registered or certified mail to the State and the Registered Owners. The Trustee may be removed at any time without cause (1) at the direction of the State (so long as no Default or Event of Default under the 2009 Indenture has occurred, whether or not continuing) or (2) by an instrument or concurrent instruments in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding and delivered to the Trustee and the State. A resignation or removal takes effect upon the appointment of a successor Trustee by the Registered Owners or a temporary Trustee by the State and the successor or temporary Trustee's acceptance of its appointment.

In case the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, is taken under the control of a public officer, has a receiver appointed for it by a court, or otherwise becomes incapable of acting under the 2009 Indenture, a successor may be appointed by an instrument in writing signed by the Registered Owners of a majority of the aggregate principal amount of the Appropriation Obligations then Outstanding. In case of a vacancy the State may appoint a temporary Trustee to fill the vacancy until a successor Trustee has been appointed by the Registered Owners of Appropriation Obligations in the manner described above. Any temporary Trustee appointed by the State shall be superseded by the Trustee appointed by the Registered Owners of Appropriation Obligations. Every Trustee so appointed must be a trust company or a bank in good standing that is a member of the Federal Deposit Insurance Corporation, having a reported capital and surplus of not less than $10 million or having assets under administration of not less than $200 million (if there is an institution willing, qualified, and able to accept the trust upon reasonable and customary terms), and having the qualifications required by the Act.

Separate Trustee or Co-Trustee

The 2009 Indenture provides for the appointment of a separate trustee or co-trustee if desirable or necessary in connection with litigation under the 2009 Indenture, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it under the 2009 Indenture or hold title to the Trust Estate.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Registered Owners

The State and the Trustee may, without the consent of or notice to the Registered Owner of Appropriation Obligations, Swap Providers, or Credit Issuers, enter into Supplemental Indentures which are not inconsistent with the terms and provisions of the 2009 Indenture:

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

(b) to cure any ambiguity or formal defect or omission in the 2009 Indenture;

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

(d) to subject additional revenues, properties, or collateral to the 2009 Indenture;

(e) to surrender or condition the exercise of any right or power granted to the State in the 2009 Indenture; or

(f) to supplement the 2009 Indenture in any other way which, in the judgment of the Trustee, is not to the material prejudice of the Trustee, the Registered Owners of Appropriation Obligations, any Swap Provider, or any Credit Issuer that has not consented to such supplement.

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

In addition to Supplemental Indentures described above that may not require consent, the State and the Trustee, with the prior written consent of the Registered Owners of a majority of the aggregate principal amount of each

Series of Appropriation Obligations then Outstanding and each Swap Provider, may enter into Supplemental Indentures as the State and the Trustee deem necessary and desirable for the purpose of amending any of the terms or provisions contained in the 2009 Indenture (including any Supplemental Indenture). No Supplemental Indenture, however, may permit (1) an extension of the stated maturity or reduction in the principal amount or Redemption Price of, a reduction in the rate or an extension of the time for paying interest on, or a reduction in the amount or an extension of the time for any payment required by any sinking fund applicable to any Appropriation Obligations without the consent of the Registered Owners of all the Appropriation Obligations that would be affected by the action to be taken, (2) the creation of any lien prior to or (except in connection with the issuance of Appropriation Obligations or the incurrence of Credit Facility Payment Obligations or Swap Payment Obligations) on a parity with the lien of the 2009 Indenture, without the consent of the Registered Owners of all Appropriation Obligations at the time Outstanding, or (3) a reduction in the aggregate principal amount of Appropriation Obligations the Registered Owners of which are required to consent to any Supplemental Indenture, without the consent of the Registered Owners of all Appropriation Obligations at the time Outstanding that would be affected by the action to be taken.

If at any time the State requests the Trustee to enter into such a Supplemental Indenture, the Trustee shall send notice of the proposed execution of the Supplemental Indenture by registered or certified mail to the Registered Owner of each of the Appropriation Obligations at the Registered Owner's Address. The notice will briefly set forth the nature of the proposed Supplemental Indenture and state that copies of it are on file at the Designated Trust Office of the Trustee for inspection by the Registered Owner of any Appropriation Obligation. If, within 60 days or any longer period as is prescribed by the State following the mailing of the notice, consent of the requisite Registered Owners has been obtained, no Registered Owner of any Appropriation Obligation shall have any right to object to any of the terms and provisions of the 2009 Indenture or their operation, in any manner to question the propriety of the execution of the Supplemental Indenture or to enjoin or restrain the Trustee or the State from executing the Supplemental Indenture or from taking any action pursuant to the provisions of the Supplemental Indenture. Upon the execution of any Supplemental Indenture as provided in the 2009 Indenture, the 2009 Indenture shall be modified and amended in accordance with it.

Certain Rights of Credit Issuers

The 2009 Indenture provides that a Credit Issuer with respect to a Series of Appropriation Obligations may have certain rights, including the rights: (1) to be subrogated to the rights of the Owners of Appropriation Obligations of such Series that are paid by its Credit Facility, and to have those Appropriation Obligations continue to be treated as Outstanding under the 2009 Indenture; (2) to be treated as the Registered Owner of the Appropriation Obligations of such Series for such purposes as the Supplemental Indenture may provide; (3) to limit the future issuance of Appropriation Obligations (other than Funding Obligations, which a Credit Issuer may not limit); (4) to prohibit Supplemental Indentures affecting such Series of Appropriation Obligations without its consent; and (5) to limit waivers of Events of Default without its consent.

Miscellaneous

Consent of Registered Owners

Any instrument required by the 2009 Indenture to be signed by Registered Owners may be in any number of concurrent writings of similar tenor. Proof of the execution of any such instrument is sufficient for any of the purposes of the 2009 Indenture if it contains or is accompanied by (1) a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within that jurisdiction to the effect that the person signing the writing acknowledged before him the execution thereof or (2) an affidavit of any witness to the execution. The ownership of Appropriation Obligations and the amount, series, numbers, and other identification of them and the date on which they were held are conclusively proved by the Registration Books.

Notices

Unless provided to the contrary in the 2009 Indenture, all notices or other communications under the 2009 Indenture are deemed given when delivered, received by facsimile or e-mail, or mailed by first-class mail, postage prepaid, addressed to the parties at the addresses set forth in the 2009 Indenture.

Obligations Due on Saturdays, Sundays, or Holidays

If any date on which an obligation of the Trustee or the State is to be performed falls on a day that is not a Business Day, then the payment or fulfillment of the obligation may be made on the next succeeding Business Day with the same effect as if made on the date due except that (1) a Supplemental Indenture authorizing a Series of Appropriation Obligations may provide that interest on such Appropriation Obligations continues to accrue to the date of actual payment and (2) in the case of the end of a Fiscal Year, such payment or fulfillment shall be made on the preceding Business Day.

GLOSSARY

The following definitions apply to capitalized terms used in this Part VII of the 2022 Annual Report.

2003 Bonds means the 2003 Series A Bonds and the 2003 Series B Bonds.

2003 Indenture means the Trust Indenture, dated as of December 1, 2003, between the State, acting by and through the Department of Administration, under the authority of the Act, and the Trustee, as trustee, as supplemented and amended from time to time.

2003 Indenture Bonds means the 2003 Series A Bonds, the 2012 Bonds, the 2016 Series A Bonds, the 2020 Bonds, the 2021 Bonds, and any Additional Bonds issued pursuant to the 2003 Indenture.

2003 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series A (Taxable Fixed Rate).

2003 Series B Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2003, Series B (Taxable Auction Rate Certificates), which were refunded in full with proceeds of the 2008 Bonds.

2008 Bonds means the 2008 Series A Bonds, 2008 Series B Bonds, and 2008 Series C Bonds.

2008 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series A (Taxable Fixed Rate), which were refunded in full with proceeds of the 2016 Series A Bonds.

2008 Series B Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series B (Taxable Floating Rate Notes), which were refunded in full with proceeds of the 2020 Bonds.

2008 Series C Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2008, Series C (Taxable Floating Rate Notes), which were refunded in full with proceeds of the 2020 Bonds.

2009 Bonds means the State of Wisconsin General Fund Annual Appropriation Bonds of 2009, Series A.

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

2009 Indenture Bonds means the 2009 Bonds, the 2016 Series B Bonds, the 2017 Series A Bonds, the 2017 Series B Bonds, the 2017 Series C Bonds, the 2019 Bonds, and any Additional Bonds issued pursuant to the 2009 Indenture.

2012 Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2012, Series A (Taxable).

2016 Bonds means the 2016 Series A Bonds and the 2016 Series B Bonds.

2016 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2016, Series A (Taxable).

2016 Series B Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2016, Series B (Taxable).

2017 Bonds means the 2017 Series A Bonds, the 2017 Series B Bonds and the 2017 Series C Bonds.

2017 Series A Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2017, Series A (Federally Taxable).

2017 Series B Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2017, Series B (Federally Tax-Exempt).

2017 Series C Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2017, Series C (Taxable).

2019 Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2019, Series A (Forward Delivery).

2020 Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2020, Series A (Taxable).

2021 Bonds means the State of Wisconsin General Fund Annual Appropriation Refunding Bonds of 2021, Series A (Taxable).

Accumulated Unused Sick Leave Liability means the State's unfunded liability under Sections 40.05(4)(b), (bc), and (bw) and subchapter IX of Chapter 40, Wisconsin Statutes, as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

Act or **Enabling Act** means Section 16.527 of the Wisconsin Statutes, as from time to time amended.

Annual Appropriation Amount means, with respect to the 2003 Indenture, for any Fiscal Year which is the first Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year, plus the amount in the following clause (h), and for any Fiscal Year which is the second Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (g) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (h):

(a) the amount of principal of 2003 Indenture Bonds Outstanding coming due during the Fiscal Year;

(b) the amount of principal of 2003 Indenture Bonds Outstanding to be redeemed (whether pursuant to mandatory or optional redemption provisions) during the Fiscal Year, with the amount to be redeemed pursuant to optional redemption determined based on the schedule or formula, if any, set forth in the Supplemental Indenture pursuant to which the Additional 2003 Indenture Bonds are issued, for the Fiscal Year;

(c) interest to be paid during the Fiscal Year with respect to Fixed Rate 2003 Indenture Bonds Outstanding;

(d) interest that would be payable during the Fiscal Year with respect to Variable Rate 2003 Indenture Bonds Outstanding, determined at the maximum rate specified with respect thereto;

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

(f) the maximum amount of Credit Facility Payment Obligations due during the Fiscal Year except to the extent included in (a) through (e) above;

(g) estimated administrative expenses, if they will be payable from the Operating Expense Fund during the Fiscal Year; and

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

and means, with respect to the 2009 Indenture, for any Fiscal Year that is the first Fiscal Year of a Biennium, an amount equal to the sum of the amounts in the following clauses (a) through (i) for such Fiscal Year, plus the amount in the following clause (j), and for any Fiscal Year that is the second Fiscal Year of a Biennium (beginning with the 2012-13 fiscal year), an amount equal to the sum of the amounts in the following clauses (a) through (i) for such Fiscal Year or for the immediately succeeding Fiscal Year, whichever is greater, plus the amount in the following clause (j):

(a) the amount of principal of Outstanding 2009 Indenture Bonds maturing during the Fiscal Year;

(b) the amount of principal of Outstanding 2009 Indenture Bonds scheduled to be redeemed pursuant to mandatory or Scheduled Optional Redemptions during the Fiscal Year;

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

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

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

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

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

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

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

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

Appropriated Funds means (a) with respect to the 2003 Indenture, all amounts appropriated by law pursuant to Sections 20.505(1)(br), 20.505(1)(iq), and 20.505(1)(it) of the Wisconsin Statutes, or any successor provisions, from year to year with respect to the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations; (b) with respect to the 2009 Indenture, all amounts appropriated by law pursuant to Sections 20.505(1)(bq), 20.505(1)(iw), and 20.505(1)(it) of the Wisconsin Statutes, or any successor provisions, from year to year with respect to the Indenture Obligations, any other amounts appropriated by law for payment of the Indenture Obligations, and (c) any other amounts appropriated by law for payment of the Bonds, Swap Payment Obligations, and Credit Facility Payment Obligations.

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

Appropriation Obligations means, with respect to the 2009 Indenture, bonds or notes of the State issued, authenticated, and delivered pursuant to the 2009 Indenture.

Authorized Department Representative means the person identified in a written certificate which is signed by the Secretary of Administration, which contains a specimen of the Authorized Department Representative's signature, and which has been delivered to the Trustee. Authorized Department Representative includes any alternate or alternates designated in the certificate in the same manner. An Authorized Department Representative or alternate may be an employee of the Department.

Authorizing Certification means a written certification of the Department of Administration pursuant to section (5)(a) of the Act, as it may be amended in accordance with the terms of the respective Indenture, executed by the Secretary of Administration or his or her designee and delivered to the Governor, authorizing the execution and delivery of the 2003 Indenture or 2009 Indenture and the Bonds, or authorizing the execution and delivery of a Supplemental Indenture and one or more Series of Bonds.

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

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

Bondowner means the Registered Owner of a Bond.

Bond Insurance Policies means, collectively, all policies of municipal bond insurance issued by the Bond Insurers insuring the Bonds.

Bond Insurers means (a) with respect to the 2003 Series A Bonds, Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.), and (b) with respect to any Series of Additional Bonds, any Person that issues a Bond Insurance Policy insuring such Series of Bonds, as identified in the applicable Supplemental Indenture.

Bonds means the bonds of the State issued pursuant to the 2003 Indenture, including the 2003 Series A Bonds, the 2012 Bonds, the 2016 Series A Bonds, the 2020 Bonds, the 2021 Bonds, and any Additional Bonds issued pursuant to the 2003 Indenture, and obligations designated by the Department as "Bonds" in a Supplemental Indenture to the 2009 Indenture.

Book Entry Form or **Book Entry System** means, with respect to the Bonds, a form or system, as applicable, under which (1) the ownership of beneficial interests in the Bonds may be transferred only through a book entry system and (2) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Registered Owner, with the physical bond certificates immobilized in the custody of the Depository.

Budget Bill means, for any Biennium, (1) the executive budget bill or bills described under Section 16.47 of the Wisconsin Statutes, or any successor provision thereto, introduced into either house of the legislature of the State, as introduced, (2) the budget bill as adopted by either house of the legislature of the State, and (3) the budget bill as approved in whole or in part by the Governor and enacted into law.

Business Day means a day which is not (1) a Saturday, Sunday, or legal holiday, (2) a day on which commercial banks are required or authorized by law to be closed in the State or in the city of the Designated Trust Office, or (3) a day on which The New York Stock Exchange is closed for the entire day or federal reserve banks are closed. A Supplemental Indenture authorizing a Series of Additional Bonds may provide for a different definition when used with respect to such Additional Bonds.

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

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

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

Credit Issuer means the issuer of a Credit Facility, including a Bond Insurer.

DTC means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York.

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

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

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

Defeasance Obligations means, with respect to the 2003 Indenture, noncallable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America, not redeemable at the option of the State or anyone acting on its behalf prior to maturity. The 2003 Indenture provides further restrictions on Defeasance Obligations in connection with the defeasance of the 2003 Series A Bonds, and provides that a Supplemental Indenture authorizing a Series of Additional Bonds may include further restrictions on Defeasance Obligations in connection with the defeasance of such Series of Additional Bonds. **Defeasance Obligations** means, with respect to the 2009 Indenture, the investments identified as such in a Supplemental Indenture authorizing a particular series of Appropriation Obligations, and with respect to the 2009 Bonds, 2016 Series B Bonds, 2017 Bonds, and 2019 Bonds means noncallable U.S. Government Obligations or obligations issued by one of the agencies of the United States of America not redeemable at the option of the State or anyone acting on its behalf prior to maturity.

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

Deposit Amount means the amount certified by the Secretary of Administration as the net amount reasonably expected to be needed during the applicable Fiscal Year to pay principal of Bonds (whether at maturity or by redemption prior to maturity and including any amount set forth in a schedule or formula, if any, set forth in a Supplemental Indenture pursuant to which Additional Bonds are issued), interest on Bonds or, with respect to the 2009 Indenture, Notes, and any Swap Payment Obligations (other than Swap Termination Payments), and to pay administrative expenses. The amount certified shall take into account amounts held by the Trustee in the Proceeds Account, but shall not take into account amounts held by the Trustee in the Stabilization Fund, that may be applied to such payments. The amount certified shall also take into account the effect of any reasonably expected refunding of Bonds or, with respect to the 2009 Indenture, Notes.

Depository means any securities depository that is a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its Participants or otherwise, a Book Entry System to record ownership of beneficial interests in the Bonds and to effect transfers of the beneficial ownership in the Bonds in Book Entry Form.

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

Event of Default has the respective meaning attributed to it under "SUMMARY OF THE 2003 INDENTURE; Defaults and Remedies" and "SUMMARY OF THE 2009 INDENTURE; Defaults and Remedies".

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

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

Fitch shall mean Fitch Ratings and its successors and assigns.

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

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

Funding Obligations means, with respect to the 2009 Indenture, Bonds or Notes issued under the 2009 Indenture for the purpose of funding or refunding Notes at or prior to their maturity (and, to the extent provided in the related Authorizing Certification, to pay any issuance or administrative expenses or Funded Interest with respect thereto as authorized by the Act).

Governor means the governor of the State.

Indenture Funds means the funds created under of the respective Indenture.

Indenture Obligations means with respect to the 2009 Indenture, Appropriation Obligations, Swap Payment Obligations, and Credit Facility Payment Obligations.

Interest Payment Date means any date specified in the respective Indenture or a Supplemental Indenture for the payment of interest on Bonds.

Issuance Expenses means fees and expenses incurred or to be incurred by or on behalf of the State, the Trustee, or Bond Counsel for the Bonds in connection with the issuance and sale of the Bonds including, but not limited to, underwriting costs (whether in the form of discount in the purchase of the Bonds or otherwise), fees and expenses of legal counsel (including Bond Counsel, counsel to the Trustee, and counsel to the Purchaser), fees and expenses of financial advisors, feasibility consultants, and accountants, rating agency fees, fees of the Trustee, printing costs, recording expenses, fees and expenses related to any Credit Facility or Swap Agreement in connection with the Bonds, fees and costs related to exchange listings, and costs associated with the acquisition of securities for any defeasance escrow and for verifying the sufficiency of any defeasance escrow and any other fees, costs, or expenses in connection with the respective Indenture or the Bonds as determined by an Authorized Department Representative.

Maximum Rate means, with respect to the 2003 Indenture, the lesser of (a) 15% per annum or such higher rate as the State may establish with a Rating Confirmation or (b) the maximum rate of interest permitted by the laws of the State. The State previously established a higher maximum rate with respect to some 2003 Indenture Bonds that are no longer outstanding. **Maximum Rate** means, with respect to a Series of Variable Rate Appropriation Obligations under the 2009 Indenture, the rate per annum established in or pursuant to the Supplemental Indenture authorizing such Appropriation Obligations as the maximum interest rate that may be borne by such Appropriation Obligations at any time.

Moody's means Moody's Investors Service, Inc. and its successors and assigns.

Notes means, with respect to the 2009 Indenture, Appropriation Obligations designated by the Department as "Notes" in the Supplemental Indenture pursuant to which they are issued.

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

Opinion of Bond Counsel means an opinion in writing signed by legal counsel who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers.

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

Outstanding, when used with reference to 2003 Indenture Bonds, means all 2003 Indenture Bonds which have been authenticated and delivered by the Trustee under the 2003 Indenture except:

- Bonds or portions of Bonds after (1) payment at maturity or redemption prior to maturity (unless the 2003 Indenture or a Supplemental Indenture otherwise provides in the case of Bonds that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed) or (2) delivery to the Trustee by the State for cancellation pursuant to the 2003 Indenture,

- Bonds for the payment or redemption of which there has been irrevocably deposited with the Secretary of Administration or Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the 2003 Indenture and the Act.
- Bonds in lieu of which other Bonds have been authenticated upon transfer, exchange, or replacement as provided in the 2003 Indenture, and
- for purposes of any agreement, acceptance, approval, waiver, consent, request, or other action to be taken under the 2003 Indenture by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the State.

and means, when used with reference to the 2009 Indenture, all 2009 Indenture Bonds or Appropriation Obligations which have been delivered by the Trustee under the 2009 Indenture except:

- Appropriation Obligations after (1) payment at maturity or redemption prior to maturity (unless a Supplemental Indenture otherwise provides in the case of Appropriation Obligations that have been paid with Credit Facility proceeds for which the Credit Issuer has not been reimbursed) or (2) delivery to the Trustee by the State for cancellation pursuant to the 2009 Indenture,
- Appropriation Obligations for the payment or redemption of which there has been irrevocably deposited with the Trustee, in trust, cash or Defeasance Obligations in accordance with the requirements of the 2009 Indenture and the Act, as described under "SUMMARY OF THE 2009 INDENTURE; Discharge of 2009 Indenture",
- Appropriation Obligations in lieu of which other Appropriation Obligations have been authenticated upon transfer, exchange, or replacement as provided in the 2009 Indenture,
- Appropriation Obligations not presented or tendered on the maturity, redemption, or tender date, and for the payment, redemption, or purchase of which sufficient funds have been deposited with the Trustee,
- Appropriation Obligations not treated as Outstanding pursuant to the Supplemental Indenture that authorized such Appropriation Obligations (and in this regard, the First Supplemental Indenture provides that 2009 Series A Bonds in lieu of which other Appropriation Obligations have been issued upon surrender of the 2009 Series A Bonds for partial redemption are no longer treated as Outstanding); and
- for purposes of any action to be taken under the 2009 Indenture by the Registered Owners of a specified percentage of principal amount of Appropriation Obligations, Bonds, or Notes, any Appropriation Obligations held by or for the account of the State (unless all Appropriation Obligations, Bonds, or Notes, as the case may be, are so owned).

Owner or **Registered Owner**, when used with reference to a Bond, means the person who is the registered owner of a Bond, except that the respective Indenture or a Supplemental Indenture may provide that, for certain purposes, a Credit Issuer is treated as the Owner of Bonds secured by its Credit Facility, as described under "SUMMARY OF THE 2003 INDENTURE; Certain Rights of Credit Issuers" and "SUMMARY OF THE 20039INDENTURE; Certain Rights of Credit Issuers".

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

Participant means a broker-dealer, bank, or other financial institution for which DTC or a successor Depository holds Bonds from time to time as a securities depository.

Payment means the payment of all, or part of, the Unfunded Prior Service Liability and Accumulated Unused Sick Leave Liability.

Payment Cost means any cost of the Payment and the issuance of the Bonds, including but not limited to paying accrued or Funded Interest, Issuance Expenses, making deposits to reserve funds, paying administrative expenses, paying the costs of credit enhancement, or making payments under any Swap Agreement or Credit Facility.

Payment Date means a date on which payment of a Principal Installment or Redemption Price or interest with respect to any Bonds or payment of any Swap Payment Obligations or Credit Facility Payment Obligations shall be due and payable.

Person means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (1) the principal amount of Bonds of such Series due on a certain future date for which no sinking fund installments have been established, or (2) the unsatisfied balance of any sinking fund installments due on a certain future date for Bonds of such Series, or (3) if such future dates coincide as to different Series of Bonds, the sum of such principal amount of Bonds and of such unsatisfied balance of sinking fund installments due on such future date.

Proceeds Account means the Proceeds Account of the Debt Service Fund established pursuant to the 2003 Indenture, and the Proceeds Funding Account and Proceeds Interest Account of the Debt Service Fund established pursuant to the 2009 Indenture.

Purchaser means the initial purchaser of a Series of Bonds, whether one or more.

Qualified Investments means, with respect to the 2003 Indenture, any of the following obligations to the extent the same are at the time legal for investment of funds of the State under the Act or under other applicable law (provided that as long as any 2003 Indenture Bonds are insured by a Credit Issuer, Qualified Investments may be further limited as required by the Credit Issuer):

- direct obligations maturing within ten years or less from the date of settlement, of the United States or its agencies, corporations wholly owned by the United States, the international bank for reconstruction and development, the international finance corporation, the inter-American development bank, the African development bank, the Asian development bank, the federal national mortgage association, or any corporation chartered by an act of Congress,
- securities maturing within ten years or less from the date of settlement, guaranteed by the United States or, where the full faith and credit of the United States is pledged or, where securities are collateralized by government-insured investments or, where the securities are issued by a corporation created by act of Congress and related by such act,
- unsecured notes of financial and industrial issuers maturing within five years or less from the date of settlement and having one of the two highest ratings given by a nationally recognized rating service, but if the corporation issuing such notes has any long-term senior debt issues outstanding which also have been rated, the rating must be one of the three highest ratings so given,

- certificates of deposit issued by banks located in the United States and by savings and loan associations, savings banks, and credit unions located in the State,
- banker's acceptances accepted by banks located in the United States,
- commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the three highest ratings issued by Moody's or S&P, and
- any other obligation or security which constitutes a permitted investment for money of the State under the Act or other applicable law;

and means with respect to the 2009 Indenture, any investments that are at the time legal for investment of funds of the State under the Act or under other applicable law, subject to any limitations that may be set forth in a Supplemental Indenture.

Rating means one of the rating categories of a Rating Agency maintaining a rating of the Bonds.

Rating Agencies or **Rating Agency** means Moody's, Fitch, S&P, or any other rating agency requested by the State to maintain a Rating on any of the Bonds.

Rating Confirmation means, with respect to the 2003 Indenture, a letter from each of at least two Rating Agencies then providing a Rating for the Bonds confirming that the action proposed to be taken by the State will not, in and of itself, have the effect of reducing the underlying Rating then applicable to the Bonds or of causing any such Rating Agency to suspend or withdraw the underlying Rating then applicable to the Bonds.

Redemption Notice Information means information in a written and dated notice from the Trustee which:

- identifies the Bonds to be redeemed by the name of the issue (including the name of the State and any Series designation), CUSIP number, if any, date of issue, interest rate (for Fixed Rate Bonds), maturity date, and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of some Bonds will be redeemed, the certificate numbers and the principal amount of those Bonds to be redeemed,
- identifies the date on which the notice is published and the date on which the Bonds will be redeemed,
- states the price at which the Bonds will be redeemed,
- states that interest on the Bonds or the portions of them called for redemption will stop accruing from the redemption date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the redemption date,
- states that payment for the Bonds will be made on the redemption date at the Designated Trust Office of the Trustee during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part,
- identifies by name and phone number a representative of the Trustee who may be contacted for more information, and
- in the case of redemption of a Series of Bonds for which such a notice is authorized, states that such call for redemption is contingent upon the availability of Appropriated Funds to pay the Redemption Price thereof in full or upon the satisfaction of other conditions.

For so long as a Series of Bonds is in a Book Entry System, Redemption Notice Information also includes the information and procedures described in the applicable Letter of Representations.

Redemption Price means, with respect to any Bond issued pursuant to the 2003 Indenture, 100% of the principal amount thereof plus the applicable redemption premium, if any, payable upon redemption thereof and, with respect to any Appropriation Obligation issued pursuant to the 2009 Indenture, the amount required to be paid upon the redemption of such Appropriation Obligation pursuant to the Supplemental Indenture authorizing such Appropriation Obligation.

Registered Owner's Address means the address, which a Registered Owner may change upon written request to the Trustee, of the Registered Owner of any Bond as it appears in the Registration Books.

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

S&P means S&P Global Ratings, a division of S&P Global, and its successors and assigns.

Secretary or **Secretary of Administration** means the Secretary of the Department.

Series means all Bonds or Notes designated as a Series in an Authorizing Certification, and any Bonds or Notes authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds or Notes thereafter authenticated and delivered in lieu of or in substitution of such Bonds or Notes.

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

Stabilization Fund Amount means, for the 2003 Indenture, such amount as may be deemed reasonable and designated in writing by an Authorized Department Representative; provided that the Stabilization Fund Amount shall not be reduced unless the State obtains (i) a Rating Confirmation with respect to such reduction and (ii) the written consent to such reduction from each Swap Provider that is party to a Swap Agreement under which a transaction that was entered into prior to April 1, 2008 remains in effect. This definition reflects provisions of the amendment to the 2003 Indenture completed pursuant to the Sixth Supplemental Trust Indenture, dated as of January 29, 2019 and, for the 2009 Indenture, the amount, if any, established by a Supplemental Indenture. There are currently no Swap Agreements under which a transaction was entered into prior to April 1, 2008 in effect.

State means the State of Wisconsin.

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

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

Supplemental Indenture means any trust indenture which has been duly executed and delivered by the State and the Trustee amendatory of the respective Indenture or supplemental to the respective Indenture, but only if and to the extent that such trust indenture is authorized under that Indenture.

Swap Agreement means any agreement or ancillary arrangement between the State and a Swap Provider relating to the Bonds and identified by the Department pursuant to the respective Indenture, including indexing agreements, interest exchange agreements, or any other similar transaction.

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

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

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

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

Trustee means The Bank of New York Mellon Trust Company, N.A., as successor to Deutsche Bank Trust Company Americas and U.S. Bank National Association, and its successors as trustee under each Indenture.

Trustee's Consent means the prior written consent of the Trustee.

Trustee's Expenses means the reasonable and necessary fees and expenses of the Trustee with respect to the respective Indenture or the Bonds and those for any legal, accounting, financial, or other experts reasonably retained by the Trustee. **Trustee's Expenses** also include the fees, charges, and expenses of any additional paying agent for the Bonds.

Unfunded Prior Service Liability means the State's unfunded prior service liability under Section 40.05(2)(b), Wisconsin Statutes, as certified by the Secretary of the Wisconsin Department of Employee Trust Funds.

U.S. Government Obligations means obligations which are direct, full faith and credit obligations of the United States of America or are obligations with respect to which the United States of America has unconditionally guaranteed the timely payment of all principal or interest or both, but only to the extent of the principal or interest so guaranteed.

Variable Rate Bonds means any Bonds which bear a variable interest rate or rates that are not established at the time of calculation at a single numerical rate for the remaining term of such Bonds.


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