



Steve K. Tryon, Director
Energy Services
Division of Housing
Department of Administration
P.O. Box 8944
Madison, WI 53708-8944

Dear Steve,

In response to your questions and the JFC requirements to ensure equitable distribution of Keep Wisconsin Warm Funds, we have established the following plan for approval:

- A.) The Keep Wisconsin Warm Fund (KWWF) has been established to supplement and complement the existing energy assistance network.
- B.) The KWWF will monitor its distribution of funds in cooperation with the expenditure of LIHEAP funds.
- C.) As required the KWWF will re-distribute previous unexpended county allocated funds annually.
- D.) Funds will be reallocated to other areas where available energy assistance funds are inadequate or a greater client need exists.
- E.)
 - 1.) Including the DOA match, \$400,000 will be available to the area previously served by Energy Services Inc., KWWF pilot counties.
 - 2.) \$400,000 will be available to Milwaukee county.
 - 3.) An additional \$400,000 to non-Energy Services, Inc. and Milwaukee counties.
 - 4.) An additional \$200,000 will be earmarked for counties with targeted or designated funds. A special emphasis will be placed

on serving rural, high need, and tribal areas with the targeted \$200,000 designated funds.

- 5.) The recommended distribution plan assures that those areas that have existing partnerships/programs are maintained or expanded.
 - 6.) Provides for targeting resources in the areas of highest need.
 - 7.) Provides for targeting of resources to areas with the least ability to leverage new energy related assistance resources, or areas in which utility and private fuel funds are limited or do not exist.
- F.) To assure equal access throughout Wisconsin, the KWWF will establish agreements with county LIHEAP providers where possible for the distribution of funds. CAA's, Aging Agencies, Salvation Army's and other agencies currently involved with energy related assistance on a local level will also be considered to administer the KWWF resources.
- G.) A toll free KWWF hotline will be established to promote awareness and participation in the KWWF.
- H.) Throughout the contract period, the KWWF will also hold several KWWF orientations statewide to maximize KWWF agency and low income participation. These dates and locations will be determined upon approval of this distribution plan.
- I.) The KWWF will integrate its KWWF application within the new LIHEAP website when possible. For those counties, which do not have internet, access, a hard copy application will be provided and processed by the KWWF staff.
- J.) Although, an independent fuel fund, the KWWF will share client data and allow for greater access and coordination between KWWF and LIHEAP. In addition, sharing the

LIHEAP database will provide the KWWF with the necessary, ongoing needs data to redistribute KWWF as part of the KWWF distribution annual review.

Hopefully, the proposed KWWF distribution plan will meet with your department's approval. Should you need any further information please don't hesitate to contact me directly.

Sincerely,



Timothy V. Bruer
Executive Director
Energy Services, Inc.

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
ACTING SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

October 5, 1999

The Honorable Brian Burke, Co-Chair
The Honorable John Gard, Co-Chair
Joint Committee on Finance
Madison, WI 53702

Dear Senator Burke, Representative Gard and Members:

This report is required by subsection (7) of 18.16 of the Wisconsin Statutes and specifies the reason for not complying with subsections (2) to (5) of the same section for a specific issue of debt. On September 28, 1999 the Building Commission authorized the issuance of \$75,000,000 State of Wisconsin General Obligation Extendible Commercial Notes of 1999, Series B (the "Notes"). Extendible commercial notes are not sold to underwriters through a public sale, they are placed by a remarketing agent or agents on a best efforts basis. Goldman, Sachs & Co. is the firm selected to initially remarket the Notes. Goldman, Sachs & Co. is not certified by the Department of Commerce as a minority-owned firm.

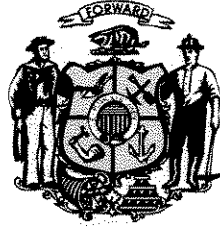
Sincerely,


George Lightbourn
Acting Secretary

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

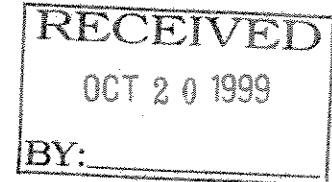
GEORGE LIGHTBOURN
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October 15, 1999

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702



The Honorable John Gard, Co-Chair
Joint Committee on Finance
315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Under the provisions of s. 79.10 (11), each October the Department of Administration must submit to the Joint Committee the department's estimate of the total funds available for distribution under the lottery credit.

Total funds available for distribution equal existing and projected lottery proceeds and interest for FY00 less the amounts estimated to be expended for Department of Justice gaming enforcement and the Farmland Tax Relief and less the required 2% reserve under s. 20.003 (5).

The department's estimate indicates that \$135,559,200 will be available for distribution in December 1999 under current law. The pending budget bill may affect the estimate and the Committee may wish to use its 14 day review process to make any appropriate changes to the estimate. A more detailed calculation of the department's estimate is included for your review.

Following the committee's approval or revision of this estimate, DOA will inform the Department of Revenue of the total amount available for distribution under the lottery credit and DOR will calculate the estimated fair market value necessary to distribute the total amount of revenue available.

Sincerely,

A handwritten signature in cursive script, appearing to read "George Lightbourn".
George Lightbourn
Acting Secretary

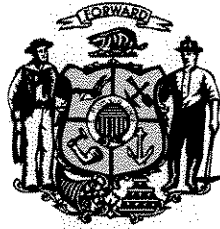
cc: Members, Joint Committee on Finance
Cate Zeuske, Secretary of Revenue

OCTOBER 1999 LOTTERY FUND ESTIMATE

	Estimated FY1999-00
REVENUES	
Ticket Sales	414,316,200
Miscellaneous Revenue	84,000
GROSS REVENUE	<u>414,400,200</u>
PROGRAM EXPENDITURES	
Prizes	236,997,600
General Program Operations	
Retailer Commission	25,592,900
On-line Vendor Fee	12,168,800
Board Operating Expenses	<u>21,212,900</u>
Total Operations Expenditures	295,972,200
DOJ Gaming Enforcement	226,000
DOR Credit Administration	216,900
Compensation, Health Insurance and Other Reserves	162,100
TOTAL EXPENDITURES AND RESERVES	296,577,200
NET PROCEEDS (Gross Revenues minus Expenditures/Reserves)	117,823,000
<hr/>	
TOTAL AVAILABLE FOR PROPERTY TAX RELIEF	
Opening Balance	33,874,400
Net Proceeds	117,823,000
Gaming Revenue	4,955,200
Interest Earnings	<u>3,087,100</u>
	159,739,700
PROPERTY TAX RELIEF	
Farmland Tax Relief Credit	15,000,000
Lottery Credit	135,559,200
Lottery Credit Local Administrative Costs	<u>892,500</u>
	151,451,700
GROSS CLOSING BALANCE	8,288,000
RESERVE (2% of gross revenue)	8,288,000
NET CLOSING BALANCE	0

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
ACTING SECRETARY



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October 22, 1999

The Honorable Brian Burke, Co-Chair
The Honorable John Gard, Co-Chair
Members of the Joint Committee on Finance
113 South, State Capitol
Madison, Wisconsin 53702

Dear Senator Burke, Representative Gard, and Members:

In accordance with sec. 16.531(3), Wis. Stats., we are submitting this report on the completed calendar quarter ended September 30, 1999, with an assessment of the condition of the General Fund for the period October 1, 1999 to March 31, 2000.

The cash position of the General Fund at September 30 was \$1.035 billion, which is lower than the \$1.076 billion projected in our report to you on September 10, 1999. This difference is due to lower than expected General Fund receipts. The cash activity for the quarter was as follows:

General Fund Cash Activity
for the Quarter Ended September 30, 1999
(\$ in millions)

Month	Beginning Balance	Receipts	Disbursements
July	\$ 736.3	\$1,441.0	\$1,837.0
August	340.3	1,308.8	868.1
September	781.0	1,547.2	1,292.9
October	1,035.3		

At no time during the quarter was it necessary to exercise the authority under sec. 16.53(10)(a), Wis. Stats., pertaining to the delay of payments. However, at various times during the quarter it was necessary to exercise the reallocation authority under sec. 20.002(11)(a), Wis. Stats., for the Wisconsin Health Education Loan Repayment Fund, the Wisconsin Petroleum Inspection Fund, the Support Collection Trust Fund, the University Trust-Principal Fund, and the Wisconsin Health Insurance Risk Sharing Plan Fund.

The following cash forecasts are based on the July 12, 1999 tax collection estimates prepared by the Legislative Fiscal Bureau and the 99-01 budget bill as passed by the Joint Committee on Finance.


The Honorable Brian Burke
The Honorable John Gard
Members of the Joint Committee on Finance
October 22, 1999
Page 2 of 2

General Fund Cash Forecast
October 1999 - March 2000
(\$ in Millions)

Month	Beginning Balance	Receipts	Disbursements
October	\$1,035.3	\$1,462.8	\$1,044.1
November	1,454.0	1,397.8	1,769.0
December	1,082.8	1,400.0	2,034.6
January	448.2	2,066.3	1,066.5
February	1,448.0	1,409.7	1,138.2
March	1,719.5	1,504.8	2,144.0
April	1,080.3		

The General Fund will show a positive balance throughout the six month period, with the possible exception of the period between December 6th and December 22nd. During this period, it may become necessary to exercise the authority granted under sec. 20.002(11)(a), Wis. Stats., pertaining to the reallocation of certain eligible surplus moneys. It is not anticipated that the authority to delay payments granted under sec. 16.53(10)(a), Wis. Stats. will be utilized.

Sincerely,


George Lightbourn
Acting Secretary

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
JOHN GARD

315 North, State Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

DATE: October 21, 1999

TO: Members
Joint Committee on Finance

FROM: Senator Brian Burke
Representative John Gard
Co-Chairs, Joint Committee on Finance

RE: Certification of Available Funds for the 1999(00) Lottery and Gaming Property Tax Credit

On October 18, 1999, the Department of Administration (DOA), pursuant to s. 79.10(11)(b) of the statutes, provided the Committee with an estimate of total funds available for distribution under the lottery and gaming credit for property taxes levied in 1999 (paid in 2000). The Department of Revenue must be notified of the total amount available for distribution under the lottery and gaming credit by November 1, 1999. This estimate provides DOR with the basis for calculating the fair market value, termed the credit base, necessary to distribute the lottery credit. Lottery credits are calculated by multiplying the credit base by school tax rates.

The Committee is authorized to revise the DOA estimate and may do so at a meeting that takes place before November 1, 1999. If the Committee chooses to accept the DOA estimate, no Committee action is required.

In its letter dated October 15, 1999 (provided as an attachment to this memorandum), DOA estimated that a total of \$135,559,200 would be available for the 1999(00) lottery tax credit. This estimated amount reflects current law and does not assume passage of the lottery provisions contained in Enrolled Assembly Bill 133, the 1999-01 biennial budget bill.

Under the bill, certain 1999-01 lottery expenses and lottery fund appropriations to the Departments of Justice and Revenue, including the farmland tax relief credit, would be paid by the general fund (totaling \$76.5 million in 1999-00 and \$79.3 million in 2000-01). In addition, the general fund would reimburse the lottery fund for certain prior-year lottery expenses. The reimbursement relates to expenditures for the period October, 1995, through June, 1999, and would include expenditures for retailer compensation, vendor payments, general program operations, appropriations to the Departments of Revenue and Justice for lottery-related work and the farmland tax relief credit. The reimbursement would total \$37.2 million in 1999-00 and \$216.7 million in 2000-01.

As a result of these general fund payments, the lottery and gaming property tax credit under the bill would total \$227.1 million in 1999-00 and \$401.8 million in 2000-01 (as compared to the current law estimate of \$135.6 million in 1999-00 provided by DOA). These provisions may, however, be subject to partial vetoes by the Governor. The estimate is also subject to possible change resulting from a revised opening balance and revised revenue and expenditure projections. As a result, the DOA estimated amount is likely to change following final passage of the 1999-01 biennial budget act. Therefore, no action on this estimate is required at this time. Instead, we have asked the Legislative Fiscal Bureau and DOA to work together to develop a revised estimate for the Committee's consideration following final enactment of the budget bill. This revised estimate will be forwarded to you for your review. If necessary, a meeting of the Committee will be scheduled during the week of October 25, 1999, to certify an available amount for the credit.

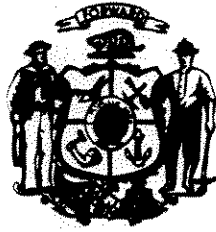
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Attachment

cc: George Lightbourn
Richard Chandler
Bob Lang

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
ACTING SECRETARY



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October 15, 1999

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Under the provisions of s. 79.10 (11), each October the Department of Administration must submit to the Joint Committee the department's estimate of the total funds available for distribution under the lottery credit.

Total funds available for distribution equal existing and projected lottery proceeds and interest for FY00 less the amounts estimated to be expended for Department of Justice gaming enforcement and the Farmland Tax Relief and less the required 2% reserve under s. 20.003 (5).

The department's estimate indicates that \$135,559,200 will be available for distribution in December 1999 under current law. The pending budget bill may affect the estimate and the Committee may wish to use its 14 day review process to make any appropriate changes to the estimate. A more detailed calculation of the department's estimate is included for your review.

Following the committee's approval or revision of this estimate, DOA will inform the Department of Revenue of the total amount available for distribution under the lottery credit and DOR will calculate the estimated fair market value necessary to distribute the total amount of revenue available.

Sincerely,


George Lightbourn
Acting Secretary

cc: Members, Joint Committee on Finance
Cate Zeuske, Secretary of Revenue

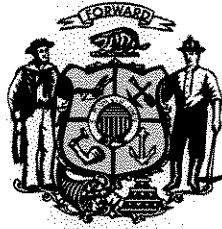
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 RESERVE (2% of gross revenue)	8,288,000
 NET CLOSING BALANCE	0

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
ACTING SECRETARY



Office of the Secretary
Post Office Box 7864
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Voice (608) 266-1741
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October 22, 1999

The Honorable Donald J. Schneider
Senate Chief Clerk
1 East Main Street, Suite 402
Madison, WI 53707

The Honorable Charles Sanders
Assembly Chief Clerk
1 East Main Street, Suite 402
Madison, WI 53708

Dear Chief Clerk Schneider and Chief Clerk Sanders:

This report is transmitted as required by sec. 20.002(11)(f), Wis. Stats. (for distribution to the appropriate standing committees under sec. 13.172(3), Wis. Stats.), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of September 1999.

On September 21, 1999 the **Wisconsin Health Education Loan Repayment Fund** balance was -\$1 thousand. This shortfall increased to -\$2 thousand on September 29, 1999 and continued into the month of October. As of the date of this letter, it is expected to be resolved before the end of November. This shortfall is due to the timing of revenues.

On September 3, 1999 the **Support Collection Trust Fund** balance was -\$39 thousand. This shortfall continued until September 7, 1999 when the balance reached \$246 thousand. On September 17, 1999 the balance was -\$1.15 million. This shortfall continued until September 20, 1999 when the balance reached \$1.67 million. These shortfalls were due to delays in the processing of daily receipts.

The Wisconsin Health Education Loan Repayment Fund and the Support Collection Trust Fund shortfalls were not in excess of the statutory interfund borrowing limitation and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly

The Honorable Donald J. Schneider
The Honorable Charles Sanders
October 22, 1999
Page 2 of 2

calculation by the State Controller's Office will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,



George Lightbourn
Acting Secretary

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

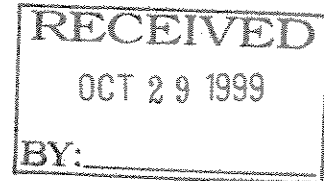
GEORGE LIGHTBOURN
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October 28, 1999

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702



The Honorable John Gard, Co-Chair
Joint Committee on Finance
315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Under the provisions of s. 79.10 (11), each October the Department of Administration must submit to the Joint Committee the department's estimate of the total funds available for distribution under the lottery credit.

The department estimated on October 15 that \$135,559,200 would be available for distribution in December 1999 under current law. The passage of 1999 Act 9 and recent discussions with Legislative Fiscal Bureau staff have produced agreement on the LFB's estimate that \$212,595,300 will be available for distribution through the Lottery Credit in December 1999.

Following the committee's approval of a final Lottery Credit estimate, DOA will inform the Department of Revenue of the total amount available for distribution under the lottery credit and DOR will calculate the estimated fair market value necessary to distribute the total amount of revenue available.

Sincerely,

A handwritten signature in cursive script, appearing to read "George Lightbourn".
George Lightbourn
Acting Secretary

cc: Members, Joint Committee on Finance
Cate Zeuske, Secretary of Revenue



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

October 29, 1999

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Certification of Available Funds for the 1999(00) Lottery and Gaming Property Tax Credit

On October 18, 1999, the Department of Administration (DOA), pursuant to s. 79.10(11)(b) of the statutes, provided the Committee with an estimate of total funds available for distribution under the lottery and gaming credit for property taxes levied in 1999 (paid in 2000). The Department of Revenue must be notified of the total amount available for distribution under the lottery and gaming credit by November 1, 1999. This estimate provides DOR with the basis for calculating the fair market value, termed the credit base, necessary to distribute the lottery and gaming credit. Lottery and gaming credits are calculated by multiplying the credit base by school tax rates.

The Committee is authorized to revise the DOA estimate and may do so at a meeting that takes place before November 1, 1999. If the Committee chooses to accept the DOA estimate, no Committee action is required.

In its letter, dated October 15, 1999, DOA estimated that a total of \$135,559,200 would be available for the 1999(00) lottery and gaming credit. This estimated amount reflected current law prior to passage of 1999 Act 9, the 1999-01 biennial budget act. In a memorandum to members of the Joint Committee on Finance, dated October 21, 1999, the Co-Chairs indicated that the DOA estimate would likely be subject to change resulting from a revised opening balance, revised revenue and expenditure projections and potential partial vetoes by the Governor relating to lottery provisions under Enrolled Assembly Bill 133. As a result, this initial DOA estimate did not require Committee action at that time. The Co-Chairs also asked the Legislative Fiscal Bureau and DOA to work together to develop a revised estimate for the Committee's consideration following final enactment of the budget bill.

Under the enrolled bill, certain 1999-01 lottery expenses and lottery fund appropriations to the Departments of Justice and Revenue, including the farmland tax relief credit, would have been paid by the general fund (totaling \$76.5 million in 1999-00 and \$79.3 million in 2000-01). In addition, the general fund would have reimbursed the lottery fund for certain prior-year lottery expenses. The reimbursement related to expenditures for the period October, 1995, through June, 1999, and would have included expenditures for retailer compensation, vendor payments, general program operations, appropriations to the Departments of Revenue and Justice for lottery-related activities and the farmland tax relief credit. The reimbursement would have totaled \$37.2 million in 1999-00 and \$216.7 million in 2000-01. As a result of these general fund payments, the lottery and gaming credit under the bill was estimated at \$227.1 million in 1999-00 and \$401.8 million in 2000-01.

Under Act 9, the Governor's partial veto eliminated: (a) the general fund reimbursement of the lottery fund for prior-year lottery expenses; and (b) the payment of lottery expenses with general fund appropriations in 2000-01. However, general fund payments of 1999-00 lottery expenses, were not vetoed; this provides approximately \$76.5 million in additional revenue for the lottery and gaming tax relief credit in 1999-00.

On October 28, 1999, DOA provided the Committee with a second letter, which includes a lottery and gaming credit estimate that reflects the Governor's vetoes, an updated opening balance for the fund and minor recalculations of certain revenue and expense categories. With these modifications, the amount available for the lottery and gaming credit would total \$212,595,300. A lottery fund condition statement reflecting this projection is provided as Attachment I to this memorandum. This office's analysis agrees with this revised fund condition statement. Certification of this amount would result in an estimated average lottery tax credit of \$167. The DOA letter of October 28, 1999, is provided as Attachment II to this memorandum.

Under Act 9, lottery sales were estimated at \$419.1 million in 1999-00. The revised 1999-00 sales estimate provided by DOA totals \$421.8 million, which is 0.63% higher than the lottery sales estimate made in Act 9. The following table shows actual sales by game type in 1998-99, and sales estimates made under Act 9 and the revised projection.

<u>Game Type</u>	<u>Actual</u> <u>1998-99</u>	<u>Estimated Sales</u>	
		<u>Act 9</u> <u>1999-00</u>	<u>Revised Projection</u> <u>1999-00</u>
Scratch	\$224,892,500	\$239,700,000	\$244,238,900
Pull-Tab	5,925,100	6,039,600	6,208,900
On-Line	<u>197,378,500</u>	<u>173,400,000</u>	<u>171,328,600</u>
Total	\$428,196,100	\$419,139,600	\$421,776,400

The revised estimate of 1999-00 lottery sales was projected from computer models developed by the Department of Revenue. This estimate is slightly at variance with the estimate made under Act 9, but is reasonable.

In addition to lottery sales, the lottery and gaming credit this year will include unencumbered revenue from racing and bingo proceeds. This reflects the Constitutional amendment adopted by Wisconsin voters on April 6, 1999, which requires that such unencumbered revenue be deposited in the lottery fund for property tax relief. The 1998-99 and 1999-00 gaming revenue available for this purpose in 1999-00 is projected to total \$4.7 million.

In summary, 1999-00 lottery sales of \$421.8 million and gaming revenue of \$4.7 million would result in \$212,595,300 available for lottery and gaming credits. This amount would result in an average credit of \$167. This office has worked with the Department of Administration on these numbers and believes that they are reasonable. Unless the Committee meets to certify another number before November 1, 1999, the \$212,595,300 projection will be used by DOR to set the credit base for determining 1999(00) lottery and gaming credits.

BL/sas

Attachments

ATTACHMENT I

1999-00 Lottery Fund Condition Statement
October, 1999

Fiscal Year Opening Balance	\$33,467,000
Operating Revenues	
Ticket Sales	\$421,776,400
Retailer Fees and Miscellaneous	<u>84,000</u>
Gross Revenues	\$421,860,400
Expenditures	
Prizes	\$241,690,100
Retailer Compensation	0
Vendor Payments	0
General Program Operations	0
Appropriation to DOJ	0
Appropriation to DOR	<u>130,600</u>
Total Expenditures	\$241,820,700
Net Lottery Proceeds	\$180,039,700
Interest Earnings	\$3,730,000
Gaming-Related Revenue	\$4,688,300
Total Available for Tax Relief & Reserve	\$221,925,000
Appropriations for Tax Relief	
Lottery and Gaming Credit	\$212,595,300
Lottery and Gaming Credit Local Administration	892,500
Farmland Tax Relief Credit	<u>0</u>
Total Appropriations for Tax Relief	\$213,487,800
Gross Closing Balance	\$8,437,200
Reserve (2% of Gross Revenues)	\$8,437,200
Net Closing Balance	\$0

** Opening balance, net proceeds, interest earnings and gaming revenues.

ATTACHMENT 2

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
ACTING SECRETARY



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October 28, 1999

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
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Dear Senator Burke and Representative Gard:

Under the provisions of s. 79.10 (11), each October the Department of Administration must submit to the Joint Committee the department's estimate of the total funds available for distribution under the lottery credit.

The department estimated on October 15 that \$135,559,200 would be available for distribution in December 1999 under current law. The passage of 1999 Act 9 and recent discussions with Legislative Fiscal Bureau staff have produced agreement on the LFB's estimate that \$212,595,300 will be available for distribution through the Lottery Credit in December 1999.

Following the committee's approval of a final Lottery Credit estimate, DOA will inform the Department of Revenue of the total amount available for distribution under the lottery credit and DOR will calculate the estimated fair market value necessary to distribute the total amount of revenue available.

Sincerely,


George Lightbourn
Acting Secretary

cc: Members, Joint Committee on Finance
Cate Zeuske, Secretary of Revenue



State of Wisconsin

November 1, 1999

The Honorable Brian Burke
Co-Chairperson Joint Committee on Finance
Room 316 South
State Capitol

SUBJECT: Environmental Improvement Fund Biennial Finance Plan for 1999-2001
Environmental Improvement Fund Biennial Report for 1997-1999

Dear Senator Burke:

Enclosed is the Environmental Improvement Fund Biennial Finance Plan for the 1999-2001 biennium.

The Environmental Improvement Fund program legislation (s. 281.59(3), Wis. Stats.) requires the Department of Natural Resources and the Department of Administration to submit a final version of the Biennial Finance Plan to the Legislature and to the State Building Commission following enactment of the biennial budget. The purpose of the plan is to provide information on loan, loan subsidy, and bonding levels for program operations in the 1999-2001 biennium.

Also included is a copy of the Environmental Improvement Fund Biennial Report for the 1997-1999 biennium. The report provides information on the activities and operations of the program during the previous biennium. This report is also submitted in accordance with s. 281.59(3), Wis. Stats.

If you have any questions regarding the Biennial Finance Plan or the Biennial Report, please contact Kathryn A. Curtner at 266-0860 or Frank Hoadley at 266-2305.

Sincerely,

Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: George E. Meyer - AD/5
George Lightbourn - DOA

**BIENNIAL FINANCE PLAN
ENVIRONMENTAL IMPROVEMENT FUND
FINAL VERSION FOR '99-'01 BIENNIUM
NOVEMBER 1999**

Prepared by:

Department of Natural Resources
Bureau of Community Financial Assistance

Department of Administration
Capital Finance Office

**ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
FINAL VERSION OF NOVEMBER, 1999**

EXECUTIVE SUMMARY

PROPOSED FUNDING LEVELS FOR THE ENVIRONMENTAL IMPROVEMENT FUND

**BONDING AUTHORITY AND PRESENT VALUE SUBSIDY LIMIT
(in millions of \$s)**

	CHANGE IN AMOUNT	CUMULATIVE
A. CLEAN WATER FUND PROGRAM		
General Obligation Bonding	0.0	552.7
Revenue Bonding	0.0	1,297.0
Present Value Subsidy	85.2	-
<p>Bonding and present value subsidy levels are expected to be sufficient to meet all of the estimated non-hardship requests.</p>		
B. SAFE DRINKING WATER LOAN PROGRAM		
General Obligation Bonding	14.1	26.2
Present Value Subsidy	12.6	12.6
C. LAND RECYCLING LOAN PROGRAM		
Present Value Subsidy*	9.4	9.4

*NOTE: \$4.5 million was authorized in 1997-99 but was unused. This represents that authority carried forward to the 1999-01 biennium and increased by \$4.9 million to reflect an increase in interest rate subsidies.

PROGRAM CHANGES IN '99-'01 BUDGET ACT

- The budget act provides for \$1.5 million in loans to counties for the purpose of making grants to individuals for the replacement or rehabilitation of private sewage systems. Funding for this initiative comes from existing funds or bonding authority in the Environmental Improvement Fund. Eligible participants would issue 20-year bonds to secure their loans. The loans would be administered jointly by the Department of Commerce and the Department of Administration.
- The Land Recycling Loan Program interest rate is set at 0% rather than the present level of 55% of market rate. The PV subsidy limit is set at \$9.4 million. Housing and redevelopment authorities are added as eligible borrowers; municipalities may also borrow to remediate land owned by municipal authorities.
- A technical correction is made to delete the language concerning \$120 million of capital cost (FLOW) loans. The 20-year municipal promissory note authority is expanded to include drinking water and contaminated lands loans.
- In a message accompanying the veto of a leveraged drinking water program, DOA, in consultation with DNR, is instructed to analyze and ascertain a reasonable amount of funds to be transferred from the Clean Water Fund Program to the Safe Drinking Water Loan Program.
- Special funding is designated for certain communities for their drinking water, wastewater, and land recycling projects. The communities and projects receiving specially designated assistance are: a no-interest loan for Kenosha for a land recycling project; a \$1.1 million no-interest loan for the Village of Marathon for a drinking water treatment project; and a \$770,000 no-interest loan to the Village of Hatley for a wastewater project.

**ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
NOVEMBER 1999**

INTRODUCTION:

Section 281.59(3), Wis. Stats., requires the submission of a Biennial Finance Plan to the Building Commission, the Joint Finance Committee and to the Chief Clerk of each house of the legislature. The law requires that the Department of Natural Resources and the Department of Administration provide information on the following topics:

1. An estimate of the wastewater treatment, safe drinking water, and land recycling project needs and total amount of financial assistance planned to be provided or committed for projects during the 4 fiscal years of the next 2 biennia.
2. The extent to which the environmental improvement fund will be maintained in perpetuity.
3. Financial statements, charts, and other financial information regarding the environmental improvement fund.
4. The estimated present value of subsidies for program loans and grants listed in the biennial needs list with a discussion of the assumptions made in these subsidy calculations.
5. The amount of service fee proposed.
6. The impact of the biennial finance plan on the guideline stated in s. 281.59(3)(b), Wis. Stats.

A summary of program authority levels and financial assumptions is presented as Attachment A. A chart showing projected sources and uses of funds for the next biennium is presented as Attachment D.

INFORMATION REQUESTED:

1. NEEDS AND EXPENDITURES

A. Clean Water Fund Program

Table 1 shows the maximum amount of all new wastewater facility projects needed over the next 4 years. The needs projections are not reduced to reflect historical differences between needs and actual commitments. These projections represent DNR's best estimates as of July 1, 1998. The estimates take into account best available cost information and anticipated project construction status. The amount of assistance that DNR estimates will actually be provided will differ from these estimates based on the number of projects that actually proceed to construction during the biennium (see Table 2). They also will differ based upon the eligible as-bid costs for actual projects.

TABLE 1
PROJECTED WASTEWATER NEEDS
(in millions of \$s)

% of Market Interest Rate	FY00	FY01	FY02	FY03
@ 55%	76.7	195.7	120.0	120.0
@ 65%	5.0	5.0	5.0	5.0
@ 70%	52.7	69.0	50.6	50.6
Market Rate	6.7	13.5	8.8	8.8
TOTAL	141.1	283.2	184.4	184.4

In order to accurately predict the actual amount of financial assistance to be provided for wastewater projects, needs for unsewered projects were reduced by 50%. In addition, a 10% contingency was added to the projected needs. Over the history of the program it has become apparent that fewer projects than identified in the needs estimates actually proceed to construction during the biennium. This is due to project timing changes and municipal financial decisions that delay construction. Table 2 is DNR's best estimate of the cost of needed projects that will actually proceed to construction during FY'00-'03. Most of the projects included in the needs estimate in Table 1 which don't proceed to construction during FY'00-'03 will proceed at a later date.

TABLE 2
PROJECTED WASTEWATER EXPENDITURES
(in millions of \$s)

% of Market Interest Rate	FY00	FY01	FY02	FY03
@ 55%	84.4	215.3	132.0	132.0
@ 65%	5.5	5.5	5.5	5.5
@ 70%	29.0	38.0	27.8	27.8
Market Rate	5.9	12.9	8.3	8.3
TOTAL	124.8	271.7	173.4	173.4

B. Safe Drinking Water Loan Program

Data from preliminary needs surveys indicate that drinking water needs will far exceed the amount of capitalization grant available in the next two biennia. For the purposes of calculating expenditures, it is assumed that the state receives \$9,548,400 in capitalization grants in each year and that \$10,770,595 would be available to fund projects. Additional funding may be made available during the biennium.

TABLE 3
PROJECTED DRINKING WATER EXPENDITURES
(in millions of \$s)

	FY00	FY01	FY02	FY03
TOTAL	11.4	10.9	10.9	10.9

C. Land Recycling Loan Program

Data are not currently available to accurately project the Land Recycling Loan Program needs. The budget act increases the present value subsidy authority from \$4.5 million to \$9.4 million to allow for the reduction in interest rates from the present level of 55% of market to 0% for up to \$20 million of loans during the biennium. There is at this point no plan for additional expenditures in the '01-'03 biennium beyond the \$20 million already authorized.

TABLE 4
PROJECTED LAND RECYLING EXPENDITURES
(in millions of \$s)

	FY99	FY00	FY01	FY02
TOTAL	10	10	0	0

2. FUND MAINTAINED IN PERPETUITY:

The Clean Water Fund Program consists of three loan portfolios: the leveraged portfolio which uses the proceeds from state revenue bonds to make loans, the direct portfolio which uses capitalization grants from the US Environmental Protection Agency (EPA) and state matching funds (it is from this portfolio

that the Land Recycling Loan Program will be funded), and a "proprietary" portfolio for loans that do not fit under the leveraged or direct programs. Some loans can only be funded in the proprietary portfolio because of questionable credit quality, non-conformity with EPA regulations, or federal tax requirements. The number and amount of loans maintained in the proprietary portfolio is kept to a minimum. The revenue bond based loan portfolio is designed so that loan repayments plus state subsidies are used to retire revenue bonds issued. The EPA funded programs for the Clean Water Fund Program, the Safe Drinking Water Loan Program, and the Land Recycling Loan Program are self-perpetuating portfolios which will continue to grow as principal and interest payments are recycled into new loans. EPA regulations require that the EPA funded programs be maintained in a way that guarantees that they will continue in perpetuity. The only way that the EPA funded programs could diminish in size would be for a substantial number of loan defaults to occur.

3. FINANCIAL REPORTS:

Section 281.59(3)(a)5, Wis. Stats., requires the presentation of audited financial statements for the Clean Water Fund Program, the Safe Drinking Water Program, and the Land Recycling Loan Program. As of the date of this Biennial Finance Plan there has been no financial activity in the Land Recycling Loan Program; therefore, no financial statements are provided for this program. Financial statements of the Clean Water Fund Program and the Safe Drinking Water Loan Program, including the balance sheet and statement of revenues and expenses, are part of the overall program financial statements audited by Arthur Andersen LLP. These statements must be considered in their entirety and may not be presented without accompanying statements and notes. Copies of the audited financial statements, together with the report of the accountants, are available from the Department of Administration Capital Finance Office (608-267-6925) or the Department of Natural Resources Bureau of Community Financial Assistance (608-266-3915.) Attachment B is a chart showing the estimated sources and uses of funds for the '99-'01 biennium. Attachment C is a table showing the estimated fund capital available for commitments in each of the next 4 fiscal years based on projected repayment of financial assistance. Attachment D contains 20-year projections of loans and bond levels. Attachments B, and C were prepared in conjunction with earlier versions of this Plan in October of 1998. Attachment D was prepared in conjunction with the second version in March of 1999. Changes resulting from the '99-'01 budget act are not material to the presentation of these reports.

4. PRESENT VALUE OF SUBSIDIES:

Table 5 provides estimates of the present value of long term subsidy amounts that will be provided assuming the levels of assistance proposed in previous sections of this report. Present value subsidy is the control mechanism that is employed under the Environmental Improvement Fund and the loan and grant programs operating within the Fund to measure the fiscal impact on the state. The stream of payments over the life (20 years) of all loans to municipalities that the state would have to make to finance the difference between the actual subsidized loan and a market rate loan is the total subsidy. The total subsidy over time is discounted to produce a present value equivalent figure. Projects are identified in priority order for a year's funding list and if there is insufficient present value subsidy to provide subsidized loans to all municipalities on the list, only those projects with the highest priority would be funded with subsidized loans.

TABLE 5
PRESENT VALUE SUBSIDY LEVEL
ENVIRONMENTAL IMPROVEMENT FUND
(in millions of 1999 \$s)

CLEAN WATER FUND PROGRAM	
Loans @ 55% of market rate	62.9
Loans @ 65% of market rate	1.8
Loans @ 70% of market rate	9.6
Loans @ market rate	0.0
Hardship loans & grants	13.1
Adjustment in budget act	(2.2)
TOTAL	85.2

SAFE DRINKING WATER LOAN PROGRAM	
Loans @ 33% of market rate	.72
Loans @ 55% of market rate	4.48
Additional subsidy provided in budget act	<u>7.40</u>
TOTAL	12.60
LAND RECYCLING LOAN PROGRAM	
Loans @ 0%	9.4

5. SERVICE FEE:

Section 281.60 (11m) specifies that the Department of Natural Resources and the Department of Administration shall jointly charge and collect an annual service fee for reviewing and acting upon Land Recycling Loan Program applications and servicing financial assistance agreements. The statute also specifies the fee for biennium shall be established in the biennial finance plan. The service fee for the 99-01 biennium is 0.5% of the outstanding loan balance.

6. IMPACT ON S. 281.59(3)(b), WIS. STATS., GUIDELINES:

The Clean Water Fund Program authorizing legislation requires that, in preparation of the Biennial Finance Plan, DNR and DOA shall consider as a guideline that all state water pollution general obligation debt service should not exceed 50% of all general obligation debt service costs of the state. The debt service costs for all state water pollution abatement programs were approximately 32.0% of all state debt service in fiscal 1998 and are expected to total 27.9% of all state debt service in fiscal 1999. As a percentage of total GPR debt service, these figures would be 42.9% and 39.1% respectively. Accordingly, the pollution abatement debt service costs are well within the 50% guideline. The composition of the debt service costs will change over time as the debt service expense of the Clean Water Fund Loan Program replaces debt service for the expenses incurred under the Wisconsin Fund grant program. Although there will be additional general obligation bonds issued in order to fund program lending levels for the 1999-01 biennium, there are sufficient levels of previously authorized but not yet issued bonds to meet these requirements. It is important to note that, although the program will continue to require additional general obligation bond authorizations in the future, the level of these authorizations will steadily decrease as the program matures. The state cost of assisting municipalities in the construction of pollution control facilities will continue to be significantly less than that which was previously incurred to offer state grants for similar facilities.

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
SUMMARY OF PROGRAM AUTHORITY AND FINANCIAL ASSUMPTIONS
ATTACHMENT A to FINAL VERSION 1999-2001 BIENNIAL FINANCE PLAN**

Clean Water Fund Program Authority

GENERAL OBLIGATION BONDS

Subsidy Reserve Requirements	\$ 64,400,000
Capitalization Grant Match	14,000,000
Credit Reserve	29,900,000
Direct Loans (2% of non-SRF)	5,300,000
Hardship Grants	13,100,000
Subtotal:	\$ 126,700,000
Less: Carryover General Obligation Bond Authority (from '89 to '99)	(125,400,000)
Needed '99-'01 (a shortfall of this magnitude would not occur until FY01-03 biennium)	1,300,000
Existing General Obligation Bond Authority	552,743,200
Cumulative General Obligation Bond Authority	\$ 552,743,200

REVENUE BONDS

Projects to be Funded	\$ 229,600,000
Allowance for Project Cost Increases	36,200,000
Total:	265,800,000
Less: Carryover Projected from 1989-1999	292,400,000
New Revenue Bonding Needed	-0-
Existing Revenue Bond Authority	\$ 1,297,755,000

PRESENT VALUE SUBSIDY

Adopted Present Value Subsidy Biennial Limit (reduced \$2.2 million)	\$ 85,200,000
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Financial Assumptions

PROJECTS TO BE FUNDED (from May 1, 1998 summary of needs, as adjusted)

Compliance Maintenance + New and Changed Limits	299,700,000
Nonpoint + Urban Stormwater Pollution Abatement	11,000,000
Unsewered	67,000,000
Market Rate Projects	18,800,000
Total Project Costs	\$ 396,500,000

CAPITALIZATION GRANT FROM THE US EPA	\$ 70,000,000
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INTEREST RATES (at 7.0% estimated market rate)

Compliance Maint. and New/Changed Limits (55% of market)	3.850%
Urban Stormwater and Nonpoint Source (65% of market)	4.550%
Unsewered (70% of market)	4.900%

STATE OF WISCONSIN
 ENVIRONMENTAL IMPROVEMENT FUND
 SUMMARY OF PROGRAM AUTHORITY AND FINANCIAL ASSUMPTIONS
 PAGE 2 of ATTACHMENT A to FINAL VERSION 1999-2001 BIENNIAL FINANCE PLAN

Safe Drinking Water Loan Program Authority

GENERAL OBLIGATION BONDS

Capitalization Grant Match (plus \$10.21 million additional authority from budget bill)	14,080,000
Previously authorized	12,130,000
Cumulative total authority	26,210,000

PRESENT VALUE SUBSIDY

Adopted Present Value Subsidy Biennial Limit (increased to provide for any transfers of CWFP funds to SDWLP)	\$ 12,600,000
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Financial Assumptions

PROJECTS TO BE FUNDED (estimated without giving effect to any transferred funds)

Projects for communities receiving 55% or market rate	19,061,233
Projects for communities receiving 33% or market rate	2,117,915
Project costs financed at market rate	1,114,692
Total Project Costs	\$ 22,293,840

EPA CAP. GRANT + MATCH AVAILABLE FOR LOANS \$ 22,293,840

INTEREST RATES (at 7.0% estimated market rate)

55% of market	3.850%
33% of market	2.310%

Land Recycling Loan Program Authority

GENERAL OBLIGATION BONDS

None authorized nor requested

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$ 9,400,000
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Financial Assumptions

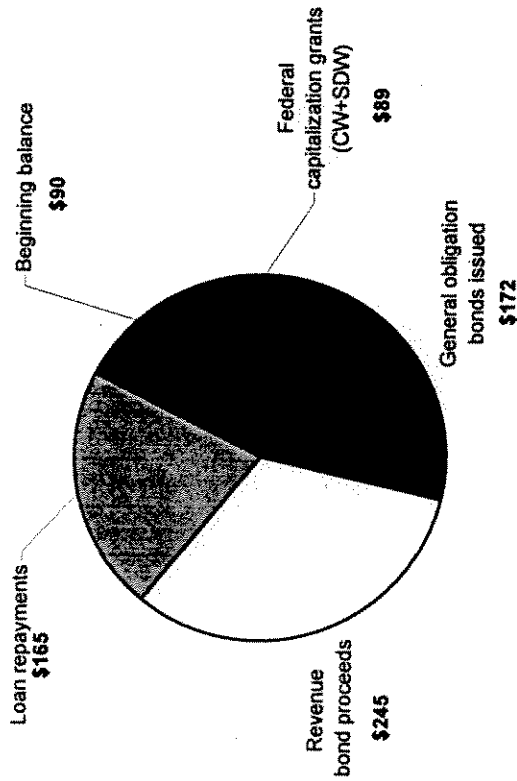
PROJECTS TO BE FUNDED

Total Project Costs	20,000,000
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INTEREST RATE (reduced from 55% of market) 0%

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
ESTIMATED SOURCES AND USES FOR '99-01 BIENNIUM
ATTACHMENT B TO THE BIENNIAL FINANCE PLAN**

Sources of Funds



SOURCES OF FUNDS

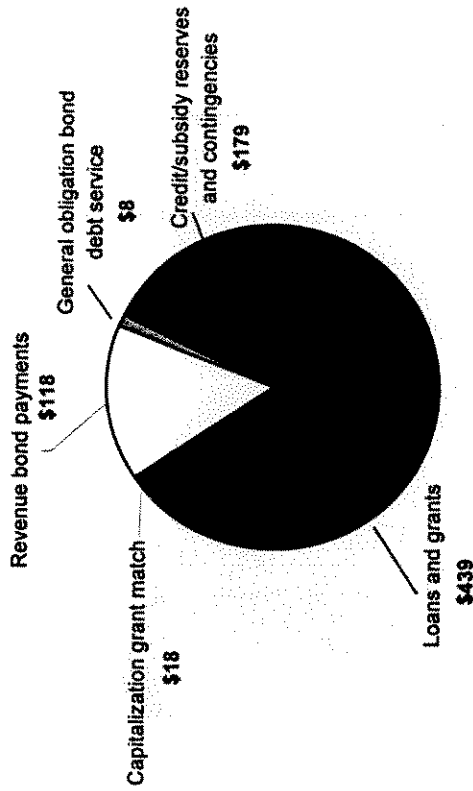
Federal capitalization grants (CW+SDW)	\$89
General obligation bonds issued	\$172
Revenue bond proceeds	\$245
Loan repayments	\$165
Beginning balance	\$90
TOTAL SOURCES	\$761

Notes:

Chart was prepared in March, 1999 for second version of '99-'01 Biennial Finance Plan
All numbers rounded to millions of dollars
Loans and grants include projects originated during period indicated to end of funding cycle
Assumptions regarding future interest rates for tax exempt bonds affect projections
Starting balances derived primarily from repayments

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Uses of Funds



USES OF FUNDS

Loans and grants	\$439
Capitalization grant match	\$18
Revenue bond payments	\$118
General obligation bond debt service	\$8
Credit/subsidy reserves and contingencies	\$179
TOTAL USES	\$761

STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
 FUND CAPITAL REPORT FOR FISCAL YEARS 2000-2003
 ATTACHMENT C

FUNDS RECEIVED

	FY '00	FY '01	FY '02	FY '03
BEGINNING BALANCE (NET)	\$75,000,000	\$67,700,000	\$60,235,000	\$50,824,567
CWFP Revenue Bonds (see notes)	\$59,589,528	\$201,870,285	\$132,985,885	\$139,616,424
Net Operating Investment Income	\$33,209,125	\$37,829,406	\$40,551,612	\$40,250,478
Fed Cap Grant Proceeds	\$70,896,090	\$43,249,818	\$8,860,915	\$8,860,915
G.O. Bond Proceeds	\$32,216,794	\$69,755,510	\$40,254,439	\$44,033,667
TOTALS	\$270,911,536	\$420,405,018	\$282,887,851	\$283,586,051

FUNDS APPLIED

Administrative Expenses	\$3,300,000	\$3,465,000	\$3,638,250	\$3,820,163
Loan Credit Reserve Fund	\$6,119,671	\$20,731,489	\$13,657,262	\$14,338,199
EIF Loans and Grants	\$177,873,960	\$291,599,472	\$184,170,595	\$190,500,000
EIF Subsidy Reserve Fund	\$11,917,906	\$40,374,057	\$26,597,177	\$27,923,285
GO Bonds Debt Service	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
TOTAL FUNDS APPLIED	\$203,211,536	\$360,170,018	\$232,063,284	\$240,581,647
EST. END OF YEAR BALANCE	\$67,700,000	\$60,235,000	\$50,824,567	\$43,004,405

Notes: Chart was prepared in November, 1998 for first version of the '99-'01 Biennial Finance Plan
 Beginning balances will vary significantly depending on timing of general obligation and revenue bond issuance
 Report shows estimated sources and uses of capital for loans and operations; not assets and equity
 Revenue bond cash flows are not included and assumed to be self supporting, i.e., income offsets debt service
 Operating Investment Income represents estimated loan repayments and interest earned
 Administrative expenses assume a 5% annual inflation factor
 For additional information refer to audited financial statements

**STATE OF WISCONSIN
CLEAN WATER FUND
ENVIRONMENTAL IMPROVEMENT FUND 20 YEAR PROJECTIONS
ATTACHMENT D**

	Period	'89-'99	'99-'01	'01-'03	'03-'05	'05-'07	'07-'09	'09-'11	'11-'13	'13-'15	'15-'17	17-'19
Financial Assistance Provided		\$1,274	\$411	\$365	\$280	\$280	\$280	\$280	\$280	\$280	\$280	\$280
Cumulative Financial Assistance		1274	1685	2050	2330	2610	2890	3170	3250	3330	3410	3490
CWFP + DWSRF Cap Grants Received		425	90	18	0	0	0	0	0	0	0	0
Cap Grant Match (20%)		85	18	4	0	0	0	0	0	0	0	0
Net Rev Bonds Issued		639	243	283	205	202	202	202	202	202	202	202
Cum. Rev Bonds Issued		639	882	1164	1369	1571	1774	1976	2178	2380	2582	2784
Rev Bonds Retired		70	48	69	89	112	139	169	205	245	292	220
Net Rev Bonds Out		568	764	1048	1164	1254	1317	1350	1347	1304	1214	1197
Rev Bond Debt Service		242	144	198	220	237	249	255	254	246	229	226
Loan Pmts Rec'd (net of SRF)		165	104	145	192	230	268	306	344	355	366	376
Rev Bond Subsidy or Excess		77	40	53	28	7	-19	-51	-89	-108	-136	-151
Loan Pmts Received (SRF)		125	61	75	78	78	78	78	78	78	78	78
GO Bonds (subsidy, reserves, loans and grants)		375	154	76	30	27	0	0	0	0	0	0
Cum GO Bonds Issued		375	529	605	635	662	662	662	662	662	662	662
GO Bond Debt Service Total		142	67	94	108	113	118	118	118	118	118	118
GO Bond Debt Service Seg Supported		20	8	8	8	8	8	8	8	8	8	8
Go Bond Debt Service GPR Supported		122	59	86	97	102	108	108	108	106	106	106
Annual D/S Percent Increase		n/a	n/a	21%	7%	2%	2%	0%	0%	0%	0%	0%

NOTES and ASSUMPTIONS:
Table was prepared in November, 1998 for first version of '99-'01 Biennial Finance Plan
Figures use certain assumptions regarding FY'99 activity levels
\$4 million annual GO debt service paid from SRF loan payments after FY '95
All numbers except percentages in millions of dollars
CWFP cap grants continue through 2001 at \$35 million per year
DWSRF net cap grants are \$36M in 1997 and \$8.9M until 2002
Revenue bonds bear average interest rate of 7%
GO bonds bear average rate of 6.25%
Figures do not include allowances for \$120 million FLOW loans

**BIENNIAL REPORT
ENVIRONMENTAL IMPROVEMENT FUND
NOVEMBER 1999**

Prepared by:

Department of Natural Resources
Bureau of Community Financial Assistance

Department of Administration
Capital Finance Office

**BIENNIAL REPORT
ENVIRONMENTAL IMPROVEMENT FUND
NOVEMBER 1999**

INTRODUCTION

Section 281.59(3)(j), Wis. Stats., requires the Department of Natural Resources and the Department of Administration to submit a Biennial Report to the Legislature and to the State Building Commission by November 1 of each odd-numbered year. The report is to provide information on the present value subsidy and the operations and activities of the Environmental Improvement Fund Program for the previous biennium.

CLEAN WATER FUND PROGRAM (CWFP)

A. FINANCIAL LIMITS AND PRESENT VALUE SUBSIDY

As a financial control mechanism for the program, the Legislature created the "present value subsidy" (PV) limit, which applies to both the federal and state accounts. The present value subsidy is the cost, in current dollars, of subsidizing the below market interest rate loans and hardship grants over their 20 year amortization period and is a means of determining the maximum size of the program over a given period of time.

- The adopted 1997-1999 biennial budget provided the Clean Water Fund Program with a limit of \$90,200,000 in PV subsidy. The authorization is split into 2 funding amounts:
 - 1) \$ 70,040,000 - Project commitments: to subsidize the interest rate for project costs funded below the market interest rate;
 - 2) \$ 20,160,000 - Hardship: to further reduce the interest rate below the normal subsidy rate or for grants.
- At November 1, 1999, \$68,376,312 of PV subsidy had been committed and/or allocated to 1997-1999 biennium projects. The present value subsidy provided includes:
 - 1) \$ 48,479,517 Project commitments
 - 2) \$ 19,896,795 Hardship

Sufficient present value subsidy was available in the 1997-1999 biennium for all projects qualifying for regular as well as hardship assistance.

B. PROGRAM ACTIVITIES/OPERATIONS DURING THE 1997-1999 BIENNIUM

- 100 loans and grants to 81 communities totaling \$239,312,076 were made during the 1997-1999 biennium. See attached table for an itemized list of financial commitment amounts to municipalities. Following is a summary of the amount of assistance by project type:

<u>Project types</u>	<u>No. Of Projects</u>	<u>Financial Assistance Amount</u>
Compliance Maintenance New/Changed Limits	93	\$200,502,929
Unsewereds	7	\$38,809,147

- The CWFP interest rate subsidy has proven to be an effective incentive for municipalities to initiate compliance maintenance programs and to protect and preserve Wisconsin's water quality resource. The CWFP has met its major goal to avoid discharge permit violations and water quality degradation by Wisconsin municipalities.

- The total amount of financial assistance given to eligible hardship municipalities was \$ 39,578,485. Those municipalities receiving hardship during the 1997-1999 biennium are marked with an "H" in Table 1.
- The Clean Water Fund Program completed two revenue bond issues during the biennium. In January 1998, Clean Water revenue bonds in the amount of \$90,000,000 were sold. The market rate resulting from this sale was 4.8%, resulting in loans of 2.640% at 55% of market rate and 3.360% at 70% of market rate. In September, 1998, \$104,360,000 of refunding bonds were sold, the proceeds of which were used to refinance \$104,105,000 of previously issued bonds. In August 1999, after the '97-'99 biennium, additional Clean Water revenue bonds were sold in the amount of \$80,000,000 which adjusted the market interest rate to 5.4%, resulting in loan rates of 2.970% and 3.780%.
- A small loan program, operating in cooperation with the Board of Commissioners of Public Lands, streamlines the loan process for projects costing \$750,000 or less. The first commitment was entered into in Spring 1995. The total number of commitments to small loan applicants during the 1997-1999 biennium was 10. The program was modified in 1999 Act 9 to limit the amount of the subsidies offered to participating municipalities.
- Cumulative Program Activities. Since program inception in 1991, the CWFP has completed 357 financial assistance awards for more than \$1.3 billion.

SAFE DRINKING WATER LOAN PROGRAM (SDWLP)

A. FINANCIAL LIMITS AND PRESENT VALUE SUBSIDY

- The adopted 1997-1999 biennial budget created the Environmental Improvement Fund that includes the Safe Drinking Water Loan Program, and created a PV subsidy limit of \$21,000,000 for the biennium.
- At November 1, 1999, \$12,713,325 of PV subsidy had been committed and/or allocated to 1997-1999 biennium projects. The present value subsidy provided includes:
 - 1) \$ 11,157,818 - Projects receiving loans at 55% of market rate;
 - 2) \$ 1,555,507 - Disadvantaged community projects receiving loans at 33% of market rate.

Following is a summary of the amount of assistance by project type:

<u>Municipal project type</u>	<u>Interest rate</u>	<u>Financial Assistance Amount</u>
Regular municipal project	55% of market	\$48,302,241
Disadvantaged community	33% of market	\$4,671,191

B. PROGRAM ACTIVITIES/OPERATIONS DURING THE 1997-1999 BIENNIUM

- The first Safe Drinking Water Loan Program loans were made in December 1998.
- Nine loans were completed during the biennium for a total financial assistance amount of \$52,973,432. A list of municipalities receiving loans is attached.
- Three municipalities qualified as disadvantaged communities and received financial assistance at 33% of market rate. They are marked with an asterisk in the attached list.

LAND RECYCLING LOAN PROGRAM (LRLP)

The 1997-1999 budget created the Land Recycling Loan Program as part of the Environmental Improvement Fund. The LRLP can provide up to \$20 million in loans to fund the clean-up of contaminated properties. The program has not issued any loans to date, but has compiled information on needs and specific municipalities that may apply for funding. Rules to administer the program are still under development and the first loans should be made during FY00.

**ENVIRONMENTAL IMPROVEMENT FUND
1997 - 1999 FINANCIAL ASSISTANCE AGREEMENTS**

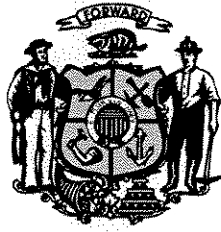
County	Municipality	Amount	County	Municipality	Amount
ADAMS	Adams, City of	\$456,651	MILWAUKEE	Milwaukee Water Works	DW \$19,358,172
ASHLAND	Ashland, City of	\$2,672,158		Shorewood, Village of	\$2,511,820
BARRON	Chetek, City of	\$527,883	MONROE	Tomah, City of	\$12,424,489
	Cumberland, City of	\$927,675		Tomah, City of	\$873,454
BROWN	De Pere, City of	\$1,056,904	OCONTO	Brazeau SD #1	\$793,405
	Green Bay MSD	\$3,065,343		Little Suamico SD #1	\$621,956
	Wrightstown, Village of	\$1,426,725	ONEIDA	Lake Tomahawk SD #1	\$1,316,600
CALUMET	Chilton, City of	\$3,418,071	PEPIN	Pepin, Village of	\$363,096
	Sherwood, Village of	\$1,500,000	POLK	Milltown, Village of	\$336,697
CLARK	Thorp, City of	\$131,450	PORTAGE	Plover, Village of	\$3,403,560
COLUMBIA	Portage, City of	\$4,341,108		Rosholt, Village of	\$662,272
	Wyocena, Village of	\$389,253	RACINE	Racine, City of	\$854,147
CRAWFORD	Gays Mills, Village of	\$180,195		Racine, City of	DW \$9,268,318
DANE	Cottage Grove, Vill. of	\$506,330		Racine, City of	DW \$3,326,337
	Cross Plains, Vill. of	\$895,635	RICHLAND	Richland Center, City of	\$238,823
	Dane, Village of	\$1,227,831		Hub-Rock SD #1	H \$1,902,950
	Marshall, Village of	\$6,559,375	ROCK	Beloit, City of	\$2,927,350
	Marshall, Village of	\$1,184,886		Edgerton, City of	\$1,828,720
	Morrisonville SD #1	H \$824,608		Edgerton, City of	\$1,864,770
DODGE	Brownsville, Village of	\$587,866	SAUK	Janesville, City of	\$1,187,437
	Horicon, City of	\$602,900		Baraboo, City of	\$979,824
	Juneau, City of	\$271,000		Prairie du Sac, Vill. of	\$205,400
	Randolph, Village of	\$183,691		Rock Springs, Village of	\$218,605
DOOR	Egg Harbor, Village of	\$508,048	SHAWANO	Mattoon, Village of	\$398,340
DUNN	Knapp, Village of	\$668,732		Mattoon, Village of	DW* \$229,742
	Menomonie, City of	\$1,844,829	ST. CROIX	Hudson, City of	\$4,482,500
	Menomonie, City of	\$1,289,240		New Richmond, City of	\$2,823,953
FOND DU LAC	N. Fond du Lac, Vill. of	\$1,740,904	VERNON	Hillsboro, City of	\$160,000
GRANT	Potosi, Village of	\$220,176		Westby, City of	\$416,803
	Bagley, Village of	\$229,081	WALWORTH	Fontana, Village of	\$1,060,036
	Boscobel, City of	\$697,528		Fontana, Village of	DW \$1,664,500
	Muscoda, Village of	\$897,991		Lake Como Beach SD #1	H \$15,502,380
	Platteville, City of	\$378,150		Pell Lake SD #1	H \$17,463,787
	Potosi, Village of	\$71,309		Walworth, Village of	\$331,950
GREEN	Brodhead, City of	\$6,021,484		Williams Bay Water Utility	DW \$884,800
GREEN LAKE	Green Lake, City of	\$470,500	WASHINGTON	Newburg, Village of	\$1,549,070
IOWA	Dodgeville, City of	\$4,995,080		Hartford, City of	\$11,414,700
JEFFERSON	Watertown, City of	\$1,141,211		Jackson, Village of	\$6,130,258
JUNEAU	New Lisbon, City of	\$187,127		Jackson, Village of	\$750,000
KENOSHA	Salem UD #2	\$259,774	WAUKESHA	Mukwonago, Village of	DW \$1,886,442
KEWAUNEE	Luxemburg, Village of	\$2,053,135	WAUPACA	Waupaca, City of	\$837,912
LA CROSSE	West Salem, Village of	\$4,990,006		Waupaca, City of	DW* \$827,807
LAFAYETTE	Shullsburg, City of	\$362,600	WAUSHARA	Wautoma, City of	DW* \$3,613,642
	Shullsburg, City of	\$686,556	WINNEBAGO	Edgewood-Shangri La SD	\$1,011,312
LANGLADE	Elcho SD #1	H \$2,747,407		Menasha SD #4	\$535,000
MANITOWOC	Kiel, City of	\$2,469,987		Oshkosh, City of	DW \$11,913,672
	Manitowoc, City of	\$20,215,592		Winneconne SD #3	\$2,078,897
MARQUETTE	Packwaukee SD #1	H \$1,137,353		Winneconne, Village of	\$1,643,718
MILWAUKEE	Milwaukee MSD	\$14,005,321	WOOD	Marshfield, City of	\$3,483,825
	Milwaukee MSD	\$2,659,465		Marshfield, City of	\$20,685,998
	Milwaukee MSD	\$4,859,464			

Notes: "H" indicates Clean Water Fund Program hardship assistance
 "DW" indicates Safe Drinking Water Loan Program assistance
 "DW*" indicates SDWLP disadvantaged community assistance

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
ACTING SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

November 11, 1999

The Honorable Brian Burke, Co-Chair
The Honorable John Gard, Co-Chair
Joint Committee on Finance
Madison, WI 53702

Dear Senator Burke, Representative Gard and Members:


This report is required by subsection (7) of 18.16 of the Wisconsin Statutes and specifies the reason for not complying with subsections (2) to (5) of the same section for a specific issue of debt.

On September 28, 1999, the Building Commission authorized the sale of \$100,000,000 State of Wisconsin General Obligation Bonds of 1999, Series C (the "Bonds"). Pursuant to this authorization, on October 27, 1999, the Capital Finance Director conducted a public sale for and awarded the Bonds. This was a public sale conducted pursuant to Subchapter I of Chapter 18. The Official Notice of Sale, dated October 14, 1999, attached, set the terms and conditions of the sale and was available to all potential bidders. The State received six bids for the Bonds.

The award was based on the lowest true interest cost rate to the State. The successful underwriters were a syndicate managed by Morgan Stanley & Co., Incorporated. A list of the syndicate members is attached. The syndicate includes one firm that has been certified by the Department of Commerce as minority owned. The participation of this minority-owned firm is 1.00% of the total Bond issue.

Underwriting participation by minority owned firms is encouraged. There is a section "Minority Participation" in the Official Notice of Sale and a list of the certified firms including address, phone number and contact person was included in the bidding materials sent to each prospective bidder.

Sincerely,


George Lightbourn
Acting Secretary

Enc.

\$100,000,000
State of Wisconsin General Obligation Bonds of 1999, Series C

Underwriting Syndicate

Underwriters:

Book Running Manager:

Morgan Stanley & Co., Incorporated

Members:

J.P. Morgan Securities Inc.

Bear, Stearns & Co. Inc.

Banc One Capital Markets, Inc.

ABN Amro Incorporated

Dain Rauscher Inc.

Raymond James & Associates

BB&T Capital Markets, Inc.

(a division of Scott & Stringfellow)

M.R. Beal & Company

Crews & Associates, Inc.

Fidelity Capital Markets

Kirlin Securities, Inc.

Mesirow Financial Inc.

Seattle-Northwest Securities Corporation

Prudential Securities Incorporated

Corby North Bridge Securities

OFFICIAL NOTICE OF SALE

\$100,000,000

STATE OF WISCONSIN

GENERAL OBLIGATION BONDS OF 1999, SERIES C

SEALED AND ELECTRONIC PROPOSALS will be received by the Capital Finance Director, acting on behalf of the State of Wisconsin Building Commission (**Commission**), at the Reception Area, Administration Building, 101 East Wilson Street – 10th Floor, Madison, Wisconsin, until 10:00 a.m. (CDT) on October 27, 1999, when they will be publicly opened and read, for the purchase of \$100,000,000 State of Wisconsin General Obligation Bonds of 1999, Series C (**Bonds**) on the terms and conditions stated below. Sealed proposals must be delivered to the Reception Area – 10th Floor, Administration Building, 101 East Wilson Street, Madison, Wisconsin. Electronic proposals must be submitted through Bloomberg Services, Dalcomp/Parity, or MuniAuction (**Approved Providers**). Sealed proposals will be opened, electronic proposals retrieved, and all proposals publicly announced in the Reception Area shortly after the deadline for proposals.

Terms of Bonds. The Bonds will be dated October 15, 1999, and will be payable as to principal either through serial maturities or redemption from mandatory sinking fund payments (as specified by the successful bidder) on May 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2001	\$3,620,000	2011	\$4,360,000
2002	3,760,000	2012	4,590,000
2003	3,925,000	2013	4,835,000
2004	4,100,000	2014	5,100,000
2005	4,290,000	2015	5,380,000
2006	4,390,000	2016	5,685,000
2007	4,600,000	2017	6,005,000
2008	4,820,000	2018	6,345,000
2009	5,065,000	2019	6,710,000
2010	5,320,000	2020	7,100,000

Each bid must specify whether the principal amount of the Bonds payable on a particular date will be a payment at maturity of a serial bond or a mandatory sinking fund payment of a term bond. The mandatory sinking fund payments of each term bond shall be on one or more consecutive annual payment dates immediately preceding the maturity date of such term bond, provided that no term bond designated to mature on and after May 1, 2011 may contain any sinking fund payments prior to May 1, 2010. The mandatory sinking fund payment (if any) so specified for any year must be equal to the full principal amount of Bonds listed in the table above as payable in that year. The same interest rate specified for the nominal maturity of a term bond must also be specified for all mandatory sinking fund payments of such term bond.

The Bonds will bear interest, payable on May 1, 2000 and semiannually thereafter on the first day of May and November, at such rate or rates per annum as are designated by the successful bidder in its bid. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Optional Redemption. The Bonds maturing in the years 2001 to 2010, inclusive, shall not be subject to redemption prior to their stated dates of maturity. The Bonds maturing on or after May 1, 2011 are subject to redemption at the option of the Commission on May 1, 2010 or any date thereafter, in whole or in part, in integral multiples of \$5,000. In the event of partial redemption, the Commission shall direct the maturity or maturities and the amount thereof so to be redeemed. The redemption price for Bonds redeemed prior to their stated dates of maturity shall be equal to 100% of the principal amount of the Bonds so redeemed, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds of certain maturities will be subject to mandatory redemption prior to their respective stated maturity dates, in part, from mandatory sinking fund payments, to the extent the successful bidder so specifies in its bid. In such event, the redemption price shall be equal to 100% of the principal amount of the Bonds so redeemed, plus accrued interest to the date of redemption.

Book-Entry. The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (DTC). DTC will act as securities depository of the Bonds. A single Bond certificate for each separate maturity will be issued to DTC and immobilized in its custody. Individual purchases will be made in book-entry-only form pursuant to the rules and procedures established between DTC and its participants, in the principal amount of \$5,000 and integral multiples thereof. Individual purchasers will not receive certificates evidencing their ownership of the Bonds purchased. The Bond certificates will be deposited with DTC as a condition of the closing. The State of Wisconsin (**State**) will make payments of principal and interest on the Bonds on the dates set forth above, to DTC or its nominee as registered owner of the Bonds in same-day funds. Transfer of said payments to participants of DTC will be the responsibility of DTC; transfer of said payments to beneficial owners by DTC participants will be the responsibility of such participants and other nominees of beneficial owners all as required by rules and procedures of DTC and the participants. No assurance can be given by the State that DTC, its participants and other nominees of beneficial owners will make prompt transfer of said payments. The State assumes no liability for failures of DTC, its participants or other nominees to promptly transfer said payments to beneficial owners of the Bonds.

Notice to Securities Depository. Notices, if any, given by the State to the securities depository are redistributed in the same manner as are payments. The State assumes no liability for the failure of the securities depository, its participants or other nominees of beneficial owners to promptly transfer said notices to the beneficial owners of the Bonds. The State is not responsible for supervising the activities or reviewing the records of the securities depository or its direct and indirect participants.

Successor to Securities Depository. In the event that the relationship with the current securities depository is terminated and the Commission does not appoint a successor securities depository, the Commission will prepare, authenticate and deliver, at its expense, fully registered certificated Bonds in the denominations of \$5,000 or any integral multiple thereof, in the aggregate principal amount of Bonds of the same maturities and interest rates then outstanding, to the beneficial owners of the Bonds as identified to the Commission by the securities depository and its participants.

Purpose and Pledge. The Bonds will be issued to finance the cost of various public improvements and grants to local units of government, pursuant to Chapter 18 of the Wisconsin Statutes, and a resolution adopted by the Commission on September 28, 1999 (**Resolution**). The Bonds will be direct and general obligations of the State. The full faith, credit and taxing power of the State will be irrevocably pledged to the payment of the principal of and interest on the Bonds, and there will be irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for the payment of the principal of and interest on the Bonds.

Minority Participation. It is the policy of the Commission to endeavor to ensure that 6% of the Bonds are underwritten by firms that are certified by the State as being minority owned. The Commission urges prospective bidders to obtain from the Commission a list of firms so certified and to include such firms in their bidding group. The Commission further encourages certified minority-owned firms to submit bids directly and to assemble bidding groups for the submission of bids. Minority-owned firms that are not yet certified by the State and wish to be, may contact the Wisconsin Department of Commerce, Bureau of Minority Business Development at 608.267.9550.

Offering of Securities. The State offers to sell these securities by competitive bid. In the jurisdictions of Georgia, Illinois, Louisiana, Nebraska, New York, North Dakota and Vermont, the State's offer is limited to the following: brokers, dealers, banks, savings institutions, trust companies, insurance companies, investment companies, pension or profit sharing trusts, and other financial institutions.

No Bond Insurance. The award of the Bonds will be made with the understanding that no bond insurance will be used in connection with the primary offering of the Bonds. The successful bidder must certify, prior to the delivery of the Bonds, that no bond insurance policy has been obtained by or on behalf of it or any other member of its underwriting group (whether or not a member of the bidding group) during the "primary offering" of the Bonds (as such term is defined in paragraph (f)(7) of Rule 15c2-12 under the Securities Exchange Act of 1934). This requirement does not prohibit insuring the Bonds in secondary market transactions or with portfolio insurance.

Electronic Bidding. Bidders who intend to submit electronic proposals must submit the completed Agreement About Use of Electronic Bidding Service Provider prior to the bid opening. The Commission assumes no responsibility or liability for bids submitted through an Approved Provider. If any provisions in this Official Notice of Sale conflict with information provided by an Approved Provider, this Official Notice of Sale shall control. Further information about the electronic bidding service providers, including any fee charged and applicable requirements, may be obtained from:

- Bloomberg Services
499 Park Ave
New York, NY 10022
Margaret Trapp, 212.318.2303
- Dalcomp/Parity
395 Hudson Street, FLR 3
New York, NY 10014
Cheryl Horowitz, 212.806.3898
- MuniAuction
Allegheny Building, Suite 1212
429 Forbes Ave.
Pittsburgh, PA 15219
Myles Harrington, 412.391.5555

Official Bid Form and Award. Sealed proposals must be made using the Official Bid Form, and all electronic proposals shall be deemed to incorporate the provisions of the Official Bid Form. The Bonds will be awarded at the lowest true interest cost rate to the State. The true interest cost rate for each bid will be determined on the basis of present value by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments to October 15, 1999 and to the price bid. In the event two or more bids specify the same lowest true interest cost rate, then the award will be made to the bidder with the lowest true interest cost rate and the largest minority-owned firm participation, or if such bidders have an equal amount of minority-owned participation, then selection for award will be made among such bidders by the Capital Finance Director by lot.

Each bid shall indicate an interest rate for each maturity and a purchase price for the Bonds. Each interest rate bid must be a multiple of 0.05%. A bid must be for all the Bonds and may be for any purchase price not less than 99% of the par amount of the Bonds (\$99,000,000) nor greater than 101% of the par amount of the Bonds (\$101,000,000). There shall be only one interest rate per maturity. Bonds maturing on or after May 1, 2011 may not have an initial offering price less than 98% of par. The Capital Finance Director, acting on behalf of the Commission, may waive any informality or irregularity in any bid or condition of this Official Notice of Sale and reject any or all bids.

No later than one-half hour after verbal notification of being the apparent high bidder, the "when, as and if issued" offering prices of all Bonds must be communicated to the Capital Finance Office. In the interest of price transparency in the market, the State encourages the successful bidder to publicly disseminate the initial offering prices for all Bonds.

Bid Deposit. A certified, official or cashier's check must be provided, or a financial surety bond submitted, for each bid, payable to the order of the State of Wisconsin, in the amount of \$2,000,000.00. If a check is provided, it must accompany the bid. If a financial surety bond is submitted, it must be from an insurance company licensed to issue such a bond in the State of Wisconsin and acceptable to the Capital Finance Director, and such bond must be submitted to the Capital Finance Office prior to the opening of the bids. The financial surety bond must identify each bidder whose deposit is assured by such bond. Each bidder submitting a financial surety bond should determine for itself that the financial surety bond is submitted prior to the bidding deadline. If the bid is awarded to a bidder that has submitted a financial surety bond, the bidder is required to provide the good-faith deposit in immediately available funds not later than 1:30 p.m. CDT on October 28, 1999. A claim may be made under the financial surety bond in the event that the good-faith deposit is not timely. Bids shall be enclosed in a sealed envelope marked on the outside, in substance, *Bid for State of Wisconsin General Obligation Bonds of 1999, Series C.*

Good-Faith Deposit. The good-faith deposit of the successful bidder will be cashed. All checks of unsuccessful bidders will be returned immediately upon award of the Bonds. No interest will be allowed on the amount of the good-faith deposit. The proceeds of the good-faith deposit of the successful bidder will be applied to the purchase price of the Bonds. In the event that the successful bidder should fail to take up and pay for the Bonds in compliance with the terms of its bid, the Commission, at its option, may retain the good-faith deposit as liquidated damages or, at its further option, may retain the good-faith deposit as partial payment of actual damages or as security for any other remedy available to the Commission. The amount of the good-faith deposit is to be returned to the successful bidder on the failure of the Commission to perform in accordance with the terms of this Official

Notice of Sale and the bid. All bids shall remain firm for five hours after the time specified for the opening of bids, and an award of the Bonds, or rejection of all bids, will be made by the Capital Finance Director within said period of time.

Certification of Price. The successful bidder shall certify, prior to delivery of the Bonds, the "issue price" of the Bonds awarded to such bidder as defined in Section 1274 of the Internal Revenue Code of 1986, as amended.

Closing and Delivery. The closing will be at a mutually agreeable location in New York, New York, at or about 9:30 a.m. EST, on or about November 18, 1999. The Bonds will be delivered to DTC no later than the day prior to the closing. Payment for the Bonds must be made by wire in immediately available funds for credit at Firststar Bank Milwaukee, National Association at said date and time. Should delivery be delayed beyond 45 days from the date of sale for any reason beyond the control of the State except failure of performance by the successful bidder, the State may cancel the award or the successful bidder may demand return of its good-faith deposit and thereafter its interest in and liability for the Bonds will cease.

Bond Opinion. The legality of the Bonds will be approved by Foley & Lardner, bond counsel, whose unqualified approving opinion will be furnished to the successful bidder without cost upon the delivery of the Bonds. There will also be furnished upon the delivery of the Bonds the usual closing papers, including a certificate stating that there is no litigation pending or threatened affecting the validity of or security for the Bonds and a certificate to the effect that the Official Statement prepared in connection with the sale of the Bonds, as of the date of the Official Statement and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Tax Exemption. Under existing law interest on the Bonds is excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

Continuing Disclosure. In order to assist bidders in complying with Section (b)(5) of Rule 15c2-12 under the Securities Exchange Act of 1934, the State has executed a Master Agreement on Continuing Disclosure and Addendum Describing Annual Report for General Obligations and will execute a Supplemental Agreement specifically for the Bonds (**Continuing Disclosure Documents**). The Continuing Disclosure Documents are available to prospective bidders and will be included in the closing papers.

CUSIP Numbers. The Bonds will contain CUSIP identification numbers, but such numbers shall not constitute a part of the contract for the purchase of the Bonds, and any error or omission with respect thereto shall not constitute cause for refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the purchaser's bid.

Bidding Documents. The Preliminary Official Statement is available electronically at the web site shown below and is in a form which the Commission "deems final" as of October 14, 1999 for purposes of Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 but is subject to revision, amendment and completion in a final official statement as defined in Section (e)(3) of such rule. The Preliminary Official Statement, Official Bid Form, Agreement About Use of Electronic Bidding Service Provider, and Continuing Disclosure Documents may be obtained from the world wide web at:

www.doa.state.wi.us/debf/capfin/pos.htm

Paper copies of these documents may be obtained from the Capital Finance Office, Department of Administration, Administration Building, 101 East Wilson Street - 10th Floor, Madison, Wisconsin 53702, 608.266.2305, 608.267.7399 or 608.267.0374.

Final Official Statements. The Commission will furnish to the successful bidder, without cost, up to 1,000 copies of the final Official Statement within seven business days after the award of the Bonds.

Dated: October 14, 1999

Frank R. Hoadley
Capital Finance Director

**MINORITY-OWNED UNDERWRITING FIRMS
CERTIFIED BY THE
WISCONSIN DEPARTMENT OF COMMERCE**

August 27, 1999

Note: The following list of minority-owned underwriting firms is provided for the information of potential bidders on the Bonds and does not constitute a part of the Official Notice of Sale. Minority participation in bids is strongly encouraged by the State but is not a requirement for submitting a bid.

Ms Sherlin Lee
1st Honolulu Securities Inc
900 Fort St #950
Honolulu HI 96813
(808) 523-9422

Mr Hugh Albritton III
A & M Securities LLC
2475 Northwinds Pkwy Ste 200
Alpharetta GA 30004
(770) 753-6166

Mr Michael Yap
Americal Securities Inc
290 7th Ave
San Francisco CA 94118
(415) 666-0633

Mr Elton Johnson Jr
Amerivet Securities Inc
9800 S Sepulveda Blvd Ste 820
Los Angeles CA 90045
(310) 641-6284

Ms Benita Pierce
B Pierce & Co Inc
12 Greene St #3
New York NY 10013
(212) 219-1114

Mr Sano Shimoda
Bio Science Securities, Inc.
2 Theatre Square #210
Orinda CA 94563
(925) 253-9520

Mr John Rezai
Blaylock & Partners, LP
111 S Calvert St Ste 1560
Baltimore MD 21202
(800) 747-5335

Mr Bufus Outlaw
Boe Securities
225 S 15th St Ste 928
Philadelphia PA 19102
(215) 546-2300

Mr Stephen R Goodwin
Cartwright & Goodwin Inc
425 E 86th St Fl 8
New York NY 10028-6449
(212) 427-1602

Ms Baunita Greer
Cromwell Miller & Greer Inc
301 Cathedral Pkwy #6S
New York NY 10026
(212) 323-8273

Mr Samuel D Ewing Jr
Ewing Capital Inc
727 15th St NW Ste 700
Washington DC 20005
(202) 737-1500

Ms Gail M Pankey
Gail M Pankey
8 Broad St
New York NY 10005
(212) 425-0382

Mr Christopher Gardner
Gardner Rich & Company
311 S Wacker Dr Ste 6060
Chicago IL 60606
(312) 922-3333

Ms Lenda P Washington
Grw Capital Corporation
1015 15th St NW Ste 810
Washington DC 20005
(202) 628-7090

Ms Laura J Janus
Hcm Investments Inc
35 W Wacker Dr #3260
Chicago IL 60601-1614
(312) 553-1000

Mr Louis A Holland
Holland Capital Mgmt, LP
35 W Wacker Dr Ste 3260
Chicago IL 60601
(312) 553-1000

Mr Eric H Pookrum
Innova Securities Inc
3703 Woodsman Court
Suitland MD 20746-1376
(301) 967-7368

Mr Ronald Jackson
Jackson Partners & Assoc
381 Park Ave S #621
New York NY 10016
(800) 932-9863

Mr Samuel W Bacote
Jackson Securities Inc
100 Peachtree St NW Ste 2250
Atlanta GA 30303-1912
(404) 522-5766

Mr John Hsu
John Hsu Capital Group Inc
767 3rd Ave Fl 18
New York NY 10017-2023
(212) 223-7515

Mr Albert Grace Jr
Loop Capital Markets LLC
175 W Jackson Ste A635
Chicago IL 60604
(312) 913-4905

Mr Neil Lieberman
M R Beal & Company
67 Wall Street
New York NY 10005
(212) 983-3930

Ms Patricia Winans
Magna Securities Corp
60 E 42nd St Ste 2530
New York NY 10065
(212) 547-3740

Ms Patricia Senese
May Davis Group
1 World Trade Center Ste 8735
New York NY 10005
(212) 775-7400

**MINORITY-OWNED UNDERWRITING FIRMS
CERTIFIED BY THE
WISCONSIN DEPARTMENT OF COMMERCE
August 27, 1999 Continued**

Mr Philip Y Leung
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223 Gibbsboro Rd
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Ms Maria Markham Thompson
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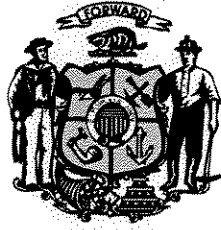
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STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
ACTING SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
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November 11, 1999

The Honorable Brian Burke, Co-Chair
The Honorable John Gard, Co-Chair
Joint Committee on Finance
Madison, WI 53702

Dear Senator Burke, Representative Gard and Members:

This report is required by subsection (7) of 18.16 of the Wisconsin Statutes and specifies the reason for not complying with subsections (2) to (5) of the same section for a specific issue of debt.

On September 28, 1999, the Building Commission authorized the sale of \$65,000,000 State of Wisconsin General Obligation Bonds of 1999, Series D (Taxable) (the "Bonds"). Pursuant to this authorization, on November 4, 1999, the Capital Finance Director conducted a public sale for and awarded the Bonds. This was a public sale conducted pursuant to Subchapter I of Chapter 18. The Official Notice of Sale, dated October 26, 1999, attached, set the terms and conditions of the sale and was available to all potential bidders. The State received five bids for the Bonds.

The award was based on the lowest true interest cost rate to the State. The successful underwriters were a syndicate managed by Goldman, Sachs & Co. A list of the syndicate members is attached. The syndicate includes two firms that have been certified by the Department of Commerce as minority owned. The participation of these minority-owned firms is 3.17% of the total Bond issue.

Underwriting participation by minority owned firms is encouraged. There is a section "Minority Participation" in the Official Notice of Sale and a list of the certified firms including address, phone number and contact person was included in the bidding materials sent to each prospective bidder.

Sincerely,


George Lightbourn
Acting Secretary

Enc.

\$65,000,000
State of Wisconsin General Obligation Bonds of 1999, Series D (Taxable)

Underwriting Syndicate

Underwriters:

Book Running Manager:
Goldman, Sachs & Co.

Members:
S.B.K. Brooks Investment Corp.
Siebert, Brandford, Shank & Co.

OFFICIAL NOTICE OF SALE

\$65,000,000

STATE OF WISCONSIN

GENERAL OBLIGATION BONDS OF 1999, SERIES D (TAXABLE)

SEALED AND ELECTRONIC PROPOSALS will be received by the Capital Finance Director, acting on behalf of the State of Wisconsin Building Commission (**Commission**), at the Reception Area, Administration Building, 101 East Wilson Street – 10th Floor, Madison, Wisconsin, until 10:00 a.m. (CST) on November 4, 1999, when they will be publicly opened and read, for the purchase of \$65,000,000 State of Wisconsin General Obligation Bonds of 1999, Series D (Taxable) (**Bonds**) on the terms and conditions stated below. Sealed proposals must be delivered to the Reception Area – 10th Floor, Administration Building, 101 East Wilson Street, Madison, Wisconsin. Electronic proposals must be submitted through Bloomberg Services, Dalcomp/Parity, or MuniAuction (**Approved Providers**). Sealed proposals will be opened, electronic proposals retrieved, and all proposals publicly announced in the Reception Area shortly after the deadline for proposals.

Terms of the Bonds. The Bonds will be dated November 1, 1999, and will be payable as to principal either through serial maturities or redemption from mandatory sinking fund payments (as specified by the successful bidder) on November 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>
2001	\$ 675,000	2016	\$ 1,775,000
2002	735,000	2017	1,915,000
2003	775,000	2018	2,070,000
2004	840,000	2019	2,230,000
2005	895,000	2020	2,400,000
2006	960,000	2021	2,590,000
2007	1,025,000	2022	2,785,000
2008	1,105,000	2023	3,005,000
2009	1,195,000	2024	3,235,000
2010	1,280,000	2025	3,490,000
2011	1,375,000	2026	3,760,000
2012	1,485,000	2027	4,050,000
2013	1,605,000	2028	4,365,000
2014	1,730,000	2029	4,710,000
2015	1,865,000	2030	5,075,000

Each bid must specify whether the principal amount of the Bonds payable on a particular date will be a payment at maturity of a serial bond or a mandatory sinking fund payment of a term bond. The mandatory sinking fund payments of each term bond shall be on one or more consecutive annual payment dates immediately preceding the maturity date of such term bond, provided that no term bond designated to mature on and after November 1, 2011 may contain any sinking fund payment prior to November 1, 2010. The mandatory sinking fund payment (if any) so specified for any year must be equal to the full principal amount of Bonds listed in the table above as payable in that year. The same interest rate specified for the nominal maturity of a term bond must also be specified for all mandatory sinking fund payments of such term bond.

The Bonds will bear interest, payable on May 1, 2000 and semiannually thereafter on the first day of May and November, at such rate or rates per annum as designated by the successful bidder in its official bid. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Optional Redemption. The Bonds maturing in the years 2001 to 2010, inclusive, are not subject to optional redemption but are subject to special redemption as described later in this notice. The Bonds maturing on or after November 1, 2011 are subject to optional redemption at the option of the Commission on November 1, 2010 or any date thereafter, in whole or in part, in integral multiples of \$5,000. In the event of partial redemption, the Commission shall direct the maturity or maturities and the amount thereof so to be redeemed. Bonds redeemed prior to their stated dates of maturity shall be redeemable at 100% of principal amount plus accrued interest to the date of redemption.

* Preliminary; subject to change. The final principal amount for each maturity or mandatory sinking fund payment of the Bonds will be determined by the Capital Finance Director after verification of the bids. See "ADJUSTMENT OF PRINCIPAL AMOUNT AND PURCHASE PRICE" in this Official Notice of Sale.

Mandatory Sinking Fund Redemption. The Bonds of certain maturities will be subject to mandatory redemption prior to their respective stated maturity dates, in part, from mandatory sinking fund payments, to the extent the successful bidder specifies, in its bid, that the principal amount of the Bonds payable on certain dates shall constitute mandatory sinking fund payments of term bonds.

Special Redemption. All Bonds are subject to special redemption prior to maturity, at the option of the Commission, on May 1, 2001 and any date thereafter, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from unexpended proceeds of the Bonds. In addition, all Bonds are subject to special redemption prior to maturity, at the option of the Commission, in whole or in part, on any date, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from prepayments of veterans housing or home improvement loans, or interest or income on investments in certain accounts, funded from or attributed to the Bonds. In the event of partial redemption, the Commission shall direct the maturities of the Bonds to be redeemed. All special redemptions are intended to be pro rata on all applicable outstanding maturities, subject to rounding, reflecting approximately their original intended or actual use for either veterans housing or home improvement loans.

Book-Entry. The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (DTC). DTC will act as securities depository of the Bonds. A single bond certificate for each separate maturity will be issued to DTC and immobilized in its custody. Individual purchases will be made in book-entry-only form pursuant to the rules and procedures established between DTC and its participants, in the principal amount of \$5,000 and integral multiples thereof. Individual purchasers will not receive certificates evidencing their ownership of the Bonds purchased. The bond certificates will be deposited with DTC as a condition of the closing. The State of Wisconsin (State) will make payments of principal and interest on the Bonds on the dates set forth above, to DTC or its nominee as registered owner of the Bonds in same-day funds. Transfer of said payments to participants of DTC will be the responsibility of DTC; transfer of said payments to beneficial owners by DTC participants will be the responsibility of such participants and other nominees of beneficial owners all as required by rules and procedures of DTC and the participants. No assurance can be given by the State that DTC, its participants and other nominees of beneficial owners will make prompt transfer of said payments. The State assumes no liability for failures of DTC, its participants or other nominees to promptly transfer said payments to beneficial owners of the Bonds.

Notice to Securities Depository. Notices, if any, given by the State to the securities depository are redistributed in the same manner as are payments. The State assumes no liability for the failure of the securities depository, its participants or other nominees to promptly transfer said notices to the beneficial owners of the Bonds. The State is not responsible for supervising the activities or reviewing the records of the securities depository or its direct and indirect participants.

Successor to Securities Depository. In the event that the securities depository relationship with the securities depository is terminated and the Commission does not appoint a successor securities depository, the Commission will prepare, authenticate and deliver, at its expense, fully registered certificated bonds in the denominations of \$5,000 or any integral multiple thereof in the aggregate principal amount of Bonds of the same maturities and interest rates then outstanding to the beneficial owners of the Bonds as identified to the Commission by the securities depository and its participants.

Purpose and Pledge. The Bonds will be issued, to make funds available for veterans housing or home improvement loans, pursuant to Chapter 18 of the Wisconsin Statutes, as amended, and an authorizing resolution adopted by the Commission on September 28, 1999. The Bonds will be direct and general obligations of the State. The full faith, credit and taxing power of the State will be irrevocably pledged to the payment of the principal of and interest on the Bonds, and there will be irrevocably appropriated, as a first charge upon all revenues of the State, a sum sufficient for the payment of the principal of and interest on the Bonds.

Minority Participation. It is the policy of the Commission to endeavor to ensure that firms that are certified by the State as being minority owned underwrite 6% of the Bonds. The Commission urges prospective bidders to obtain from the Commission a list of firms so certified and to include such firms in their bidding group. The Commission further encourages certified minority-owned firms to submit bids directly and to assemble bidding groups for the submission of bids. Minority-owned firms that are not yet certified by the State and wish to be, may contact the Wisconsin Department of Commerce, Bureau of Minority Business Development at 608.267.9550.

Offering of Securities. The State offers to sell these securities by competitive bid. In the jurisdictions of Georgia, Illinois, Louisiana, Nebraska, New York, North Dakota and Vermont, the State's offer is limited to the following: brokers, dealers, banks, savings institutions, trust companies, insurance companies, investment companies, pension or profit sharing trusts, and other financial institutions.

No Bond Insurance. The award of the Bonds will be made with the understanding that no bond insurance will be used in connection with the primary offering of the Bonds. The successful bidder shall certify to the Commission,

prior to the delivery of the Bonds, that no bond insurance policy has been obtained by or on behalf of it or any other member of its underwriting group (whether or not a member of the bidding group) during the "primary offering" of the Bonds (as such term is defined in paragraph (f)(7) of Rule 15c2-12 under the Securities Exchange Act of 1934). This requirement does not prohibit insuring the Bonds in secondary market transactions or with portfolio insurance.

Electronic Bidding. Bidders who intend to submit electronic proposals must submit the completed Agreement About Use of Electronic Bidding Service Provider to the Capital Finance Director prior to the bid opening. The Commission assumes no responsibility or liability for bids submitted through an Approved Provider. If any provisions in this Official Notice of Sale conflict with information provided by an Approved Provider, this Official Notice of Sale shall control. Further information about the electronic bidding service providers, including any fee charged and applicable requirements, may be obtained from:

- Bloomberg Services
499 Park Ave
New York, NY 10022
Margaret Trapp, 212.318.2303
- Dalcomp/Parity
395 Hudson Street, FLR 3
New York, NY 10014
Cheryl Horowitz, 212.806.3898
- MuniAuction
Allegheny Building, Suite 1212
429 Forbes Ave.
Pittsburgh, PA 15219
Myles Harrington, 412.391.5555

Official Bid Form and Award. Proposals must be made using the Official Bid Form, and all electronic proposals shall be deemed to incorporate the provisions of the Official Bid Form. The Bonds will be awarded at the lowest true interest cost rate to the State. The true interest cost rate for each bid will be determined on the basis of present value by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments to November 1, 1999 and to the price bid. In the event two or more bids specify the same lowest true interest cost rate, then the award will be made to the bidder with the lowest true interest cost rate and the largest minority-owned firm participation, or if such bidders have an equal amount of minority-owned participation, then selection for award will be made among such bidders by the Capital Finance Director by lot.

Each bid shall indicate an interest rate for each maturity and a purchase price for the Bonds. Each interest rate bid must be a multiple of 0.05%. A bid must be for all of the Bonds and may be for any purchase price not less than 98% of the par amount of the Bonds (\$63,700,000.00) nor greater than 101% of the par amount of the Bonds (\$65,650,000.00). There shall be only one interest rate per maturity. Bonds maturing on or after November 1, 2011 may not have an initial offering price less than 98.5% of par. No later than one-half hour after verbal notification of being the apparent high bidder, the "when, as and if issued" offering prices of all the Bonds, which correspond to the purchase price and gross spread on the Official Bid Form, must be communicated to the Capital Finance Office. In the interest of price transparency in the market, the State encourages the successful bidder to promptly make public the initial offering prices for all the Bonds. The Capital Finance Director, acting on behalf of the Commission, may waive any informality or irregularity in any bid or condition of this Official Notice of Sale and reject any or all bids.

Adjustment of Principal Amount and Purchase Price. After selecting the winning bid, the Capital Finance Director will determine the final principal amount of each maturity or mandatory sinking fund payment (**Final Maturity Amounts**) for the Bonds. Each of the maturities or mandatory sinking fund payments listed above may be decreased or increased by an amount not to exceed 15% of the maturity or mandatory sinking fund payment. The aggregate par amount of the Bonds shall not change. Such adjusted principal amounts for each maturity or mandatory sinking fund payment shall constitute the Final Maturity Amounts. The successful bidder may not withdraw its bid or change the interest rates bid or the initial reoffering prices as a result of any changes made to the bid amounts within these limits. The Final Maturity Amounts will be communicated to the successful bidder by 3:30 p.m. (CST) on the day of the sale. The purchase price bid by the successful bidder will be adjusted. Any adjustment made in the purchase price will be made to maintain the gross spread calculated for the original bid, based upon the interest rates set forth in the Official Bid Form or electronic proposal and the assumed "when, as and if issued" offering prices of the Bonds.

Bid Deposit. A certified, official or cashier's check must be provided, or a financial surety bond submitted, for each bid, payable to the order of the State of Wisconsin, in the amount of \$1,300,000.00. If a check is provided, it must accompany the bid. If a financial surety bond is submitted, it must be from an insurance company licensed to issue such a bond in the State of Wisconsin and acceptable to the Capital Finance Director, and such bond must be submitted to the Capital Finance Office prior to the opening of the bids. The financial surety bond must identify each bidder whose deposit is guaranteed by such bond. Each bidder submitting a financial surety bond should determine for itself that the financial surety bond is submitted prior to the bidding deadline. If the bid is awarded to a bidder that has submitted a financial surety bond, the bidder is required to provide the good-faith deposit in immediately available funds not later than 1:30 p.m. (CST) on November 5, 1999. A claim may be made under the financial surety bond in the event that the good-faith deposit is not timely. Bids shall be enclosed in a sealed envelope marked on the outside, in substance, *Bid for State of Wisconsin General Obligation Bonds of 1999, Series D (Taxable)*.

Good-Faith Deposit. The good-faith deposit of the successful bidder will be cashed. All checks of unsuccessful bidders will be returned immediately upon award of the Bonds. No interest will be allowed on the amount of the good-faith deposit. The proceeds of the good-faith deposit of the successful bidder will be applied to the purchase price of the Bonds, or in the event of the failure of the successful bidder to take up and pay for the Bonds in compliance with the terms of the bid, its good-faith deposit may, at the option of the Commission, be retained as liquidated damages or, at the further option of the Commission, be retained as partial payment of actual damages or as security for any other remedy available to the Commission. The amount of the good-faith deposit is to be returned to the successful bidder on the failure of the Commission to perform in accordance with the terms of this Official Notice of Sale and the bid. All bids shall remain firm for five hours after the time specified for the opening of bids and an award of the Bonds, or rejection of all bids, will be made by the Capital Finance Director within said period of time.

Closing and Delivery. The closing will be at a mutually agreeable location in New York, New York, at or about 9:30 a.m. (EST), on or about November 18, 1999. The Bonds will be delivered to DTC no later than the day prior to the closing. Payment for the Bonds must be made by wire in immediately available funds for credit at Firststar Bank, National Association at said date and time. Should delivery be delayed beyond 45 days from date of sale for any reason beyond the control of the State except failure of performance by the successful bidder, the State may cancel the award or the successful bidder may demand return of its good-faith deposit and thereafter its interest in and liability for the Bonds will cease.

Bond Opinion. The legality of the Bonds will be approved by Foley & Lardner, bond counsel, whose unqualified approving opinion will be furnished to the successful bidder without cost upon the delivery of the Bonds. There will also be furnished upon the delivery of the Bonds the usual closing papers, including a certificate stating that there is no litigation pending or threatened affecting the validity of or security for the Bonds and a certificate to the effect that the Official Statement prepared in connection with the sale of the Bonds, as of the date of the Official Statement and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Taxable Bonds. Under existing law interest on the Bonds is included in the gross income for federal income tax purposes.

Continuing Disclosure. In order to assist bidders in complying with Section (b)(5) of Rule 15c2-12 under the Securities Exchange Act of 1934, the State has executed a Master Agreement on Continuing Disclosure and a Supplemental Agreement specifically for the Bonds (**Continuing Disclosure Documents**). The Continuing Disclosure Documents will be included in the transcript of proceedings.

CUSIP Numbers. CUSIP identification numbers will be specified on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the purchaser's bid.

Bidding Documents. The Preliminary Official Statement is available electronically at the world wide web address shown below. It is in a form which the Commission "deems final" as of October 26, 1999 for purposes of Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 but is subject to revision, amendment and completion in a final official statement as defined in Section (e)(3) of such rule. The Preliminary Official Statement, Official Bid Form, Agreement About Use of Electronic Bidding Service Provider, and Continuing Disclosure Documents may be obtained from the world wide web at:

www.doa.state.wi.us/debf/capfin/pos.htm

Paper copies of these documents may be obtained from the Capital Finance Office, Department of Administration, Administration Building, 101 East Wilson Street, 10th Floor, Madison, Wisconsin 53702, 608.266.2305, 608.267.7399 or 608.267.0374.

Final Official Statements. The Commission will furnish to the successful bidder, without cost, up to 1,000 copies of the final Official Statement within seven business days after the award of the Bonds.

Dated: October 26, 1999

Frank R. Hoadley
Capital Finance Director

**MINORITY-OWNED UNDERWRITING FIRMS
CERTIFIED BY THE
WISCONSIN DEPARTMENT OF COMMERCE**

August 27, 1999

Note: The following list of minority-owned underwriting firms is provided for the information of potential bidders on the Bonds and does not constitute a part of the Official Notice of Sale. Minority participation in bids is strongly encouraged by the State but is not a requirement for submitting a bid.

Ms Sherlin Lee
1st Honolulu Securities Inc
900 Fort St #950
Honolulu HI 96813
(808) 523-9422

Mr Hugh Albritton III
A & M Securities LLC
2475 Northwinds Pkwy Ste 200
Alpharetta GA 30004
(770) 753-6166

Mr Michael Yap
Americal Securities Inc
290 7th Ave
San Francisco CA 94118
(415) 666-0633

Mr Elton Johnson Jr
Amerivet Securities Inc
9800 S Sepulveda Blvd Ste 820
Los Angeles CA 90045
(310) 641-6284

Ms Benita Pierce
B Pierce & Co Inc
12 Greene St #3
New York NY 10013
(212) 219-1114

Mr Sano Shimoda
Bio Science Securities, Inc.
2 Theatre Square #210
Orinda CA 94563
(925) 253-9520

Mr John Rezai
Blaylock & Partners, LP
111 S Calvert St Ste 1560
Baltimore MD 21202
(800) 747-5335

Mr Bufus Outlaw
Boe Securities
225 S 15th St Ste 928
Philadelphia PA 19102
(215) 546-2300

Mr Stephen R Goodwin
Cartwright & Goodwin Inc
425 E 86th St Fl 8
New York NY 10028-6449
(212) 427-1602

Ms Baunita Greer
Cromwell Miller & Greer Inc
301 Cathedral Pkwy #6S
New York NY 10026
(212) 323-8273

Mr Samuel D Ewing Jr
Ewing Capital Inc
727 15th St NW Ste 700
Washington DC 20005
(202) 737-1500

Ms Gail M Pankey
Gail M Pankey
8 Broad St
New York NY 10005
(212) 425-0382

Mr Christopher Gardner
Gardner Rich & Company
311 S Wacker Dr Ste 6060
Chicago IL 60606
(312) 922-3333

Ms Lenda P Washington
Grw Capital Corporation
1015 15th St NW Ste 810
Washington DC 20005
(202) 628-7090

Ms Laura J Janus
Hcm Investments Inc
35 W Wacker Dr #3260
Chicago IL 60601-1614
(312) 553-1000

Mr Louis A Holland
Holland Capital Mgmt, LP
35 W Wacker Dr Ste 3260
Chicago IL 60601
(312) 553-1000

Mr Eric H Pookrum
Innova Securities Inc
3703 Woodman Court
Suitland MD 20746-1376
(301) 967-7368

Mr Ronald Jackson
Jackson Partners & Assoc
381 Park Ave S #621
New York NY 10016
(800) 932-9863

Mr Samuel W Bacote
Jackson Securities Inc
100 Peachtree St NW Ste 2250
Atlanta GA 30303-1912
(404) 522-5766

Mr John Hsu
John Hsu Capital Group Inc
767 3rd Ave Fl 18
New York NY 10017-2023
(212) 223-7515

Mr Albert Grace Jr
Loop Capital Markets LLC
175 W Jackson Ste A635
Chicago IL 60604
(312) 913-4905

Mr Neil Lieberman
M R Beal & Company
67 Wall Street
New York NY 10005
(212) 983-3930

Ms Patricia Winans
Magna Securities Corp
60 E 42nd St Ste 2530
New York NY 10065
(212) 547-3740

Ms Patricia Senese
May Davis Group
1 World Trade Center Ste 8735
New York NY 10005
(212) 775-7400

**MINORITY-OWNED UNDERWRITING FIRMS
CERTIFIED BY THE
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August 27, 1999 Continued**

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