



WASBO Accounting Conference March 22, 2023



Our ancestors had a
friendly discussion...



**Chaos at the 1846
Wisconsin Constitutional Convention**

1846 CONSTITUTIONAL DEBATES



BITTER FIGHTS

- Women's right to own property
- Immigrants' right to vote
- Banking
- Boundaries of the State

MEANWHILE...



- Federal Government had been making land grants to new states joining the union
- Feds wanted new members to be well-funded and strong
- Several early states did not manage their land grants very well
 - Lands were sold at a discount to speculators
 - Lost much of the value of their original federal grants
- Wisconsin didn't want to follow that route

ONE IDEA FROM THE FIRST CONSTITUTIONAL CONVENTION...

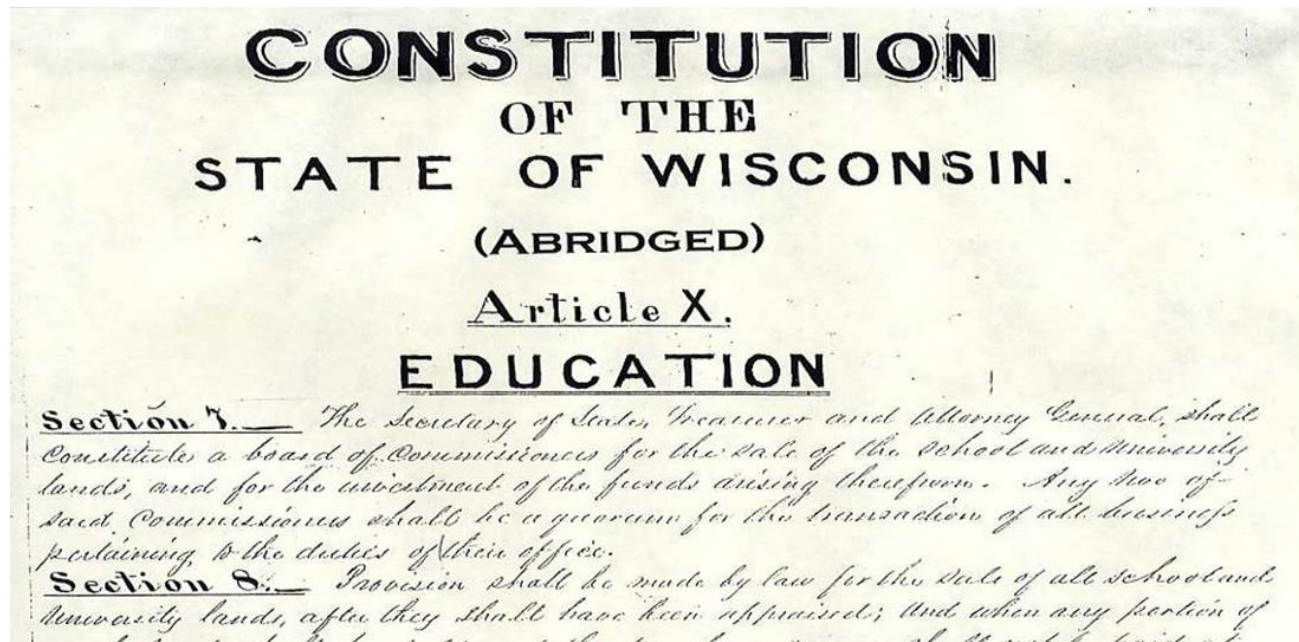


Only Area of Agreement at the dawn of Statehood



WANTED!!

PERMANENT ENDOWMENT FOR PUBLIC EDUCATION



Initial Funding of Endowments - Federal Land Grants



LAND GRANTS FOR PUBLIC EDUCATION



- Section 16 in each Township (1 million acres)
- Internal Improvement Grant (half million acres)
- Other Land Grants:
 - Swamp Land Act of 1850 was used to fund the Normal School Fund
 - University Land Grants
 - Morrill Act – land grants for colleges that taught “Agricultural and Mechanical Arts”
- Eventually, about 10 million acres (~1/3 of state) was granted to the State by the Federal Government.

But how to Structure the Fund? Constitutional Protections



- The fund should be permanent.

It should help educate children of today and tomorrow.

- Founding Fathers had concerns about concentration of power.

Did not want Governor or Legislature to control the fund

- **Solution written into Article X of Wisconsin Constitution:**

- Created “Board of Commissioners of Public Lands”
- Comprised of 3 separate constitutional officers.
 - ✓ Attorney General – should know about law
 - ✓ State Treasurer – should know about money
 - ✓ Secretary of State – should know about keeping records

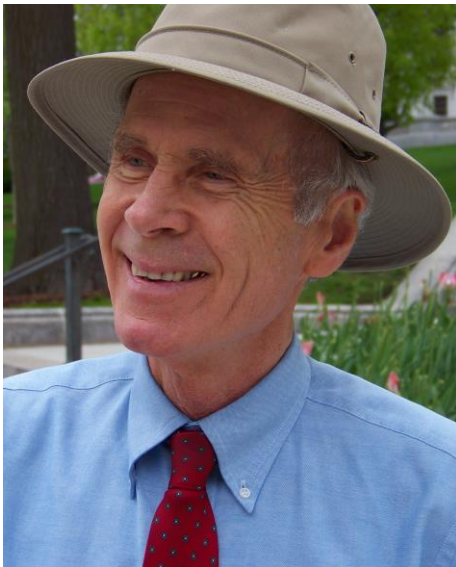
BOARD OF
COMMISSIONERS
OF **PUBLIC LANDS**



1848

Managing Wisconsin's trust assets for public education.

BCPL Board Members



Doug LaFollette
Secretary of State



John Leiber
State Treasurer



Josh Kaul
Attorney General

Land Rush...



BCPL sold millions of acres at \$1.25 per acre in 1850s

- Mandate to develop the state from frontier status
- Problem with timber theft in Northern Wisconsin

Common School Fund

has now grown to
\$1.35 Billion

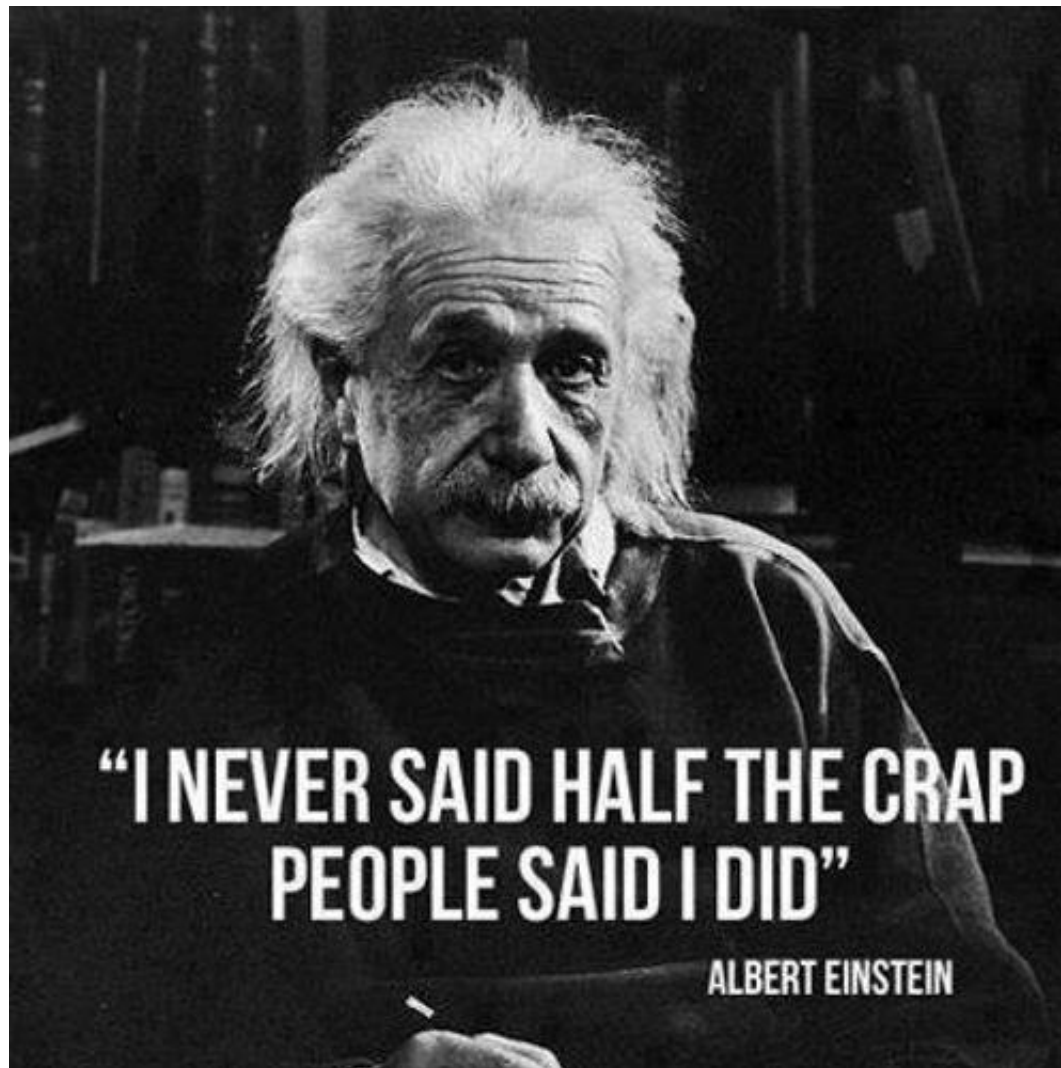


How do you grow from zero to \$1.35 Billion ?



- Selling a few million acres for \$1.25 per acre...nets you a couple of million dollars...
- Where did the other \$1.3 billion come from?

“Compound Interest is the Most Powerful Force in the Universe”



Additions to Trust Fund Principal to Maintain Purchasing Power



Remember –

Common School Fund was established to serve both current and **future generations**

➤ Founding Fathers used Kitchen Sink approach:

Sale of federal land grants

- + Fines and Forfeitures that accrue to the State
- + Unclaimed Property
- + Timber revenue from remaining school trust lands

Thank You For Your Support



INVESTING IN WISCONSIN



- From Day One, a significant part of the trust funds were invested in Wisconsin.
- However...

Loans to Wisconsin citizens ...did not work out very well

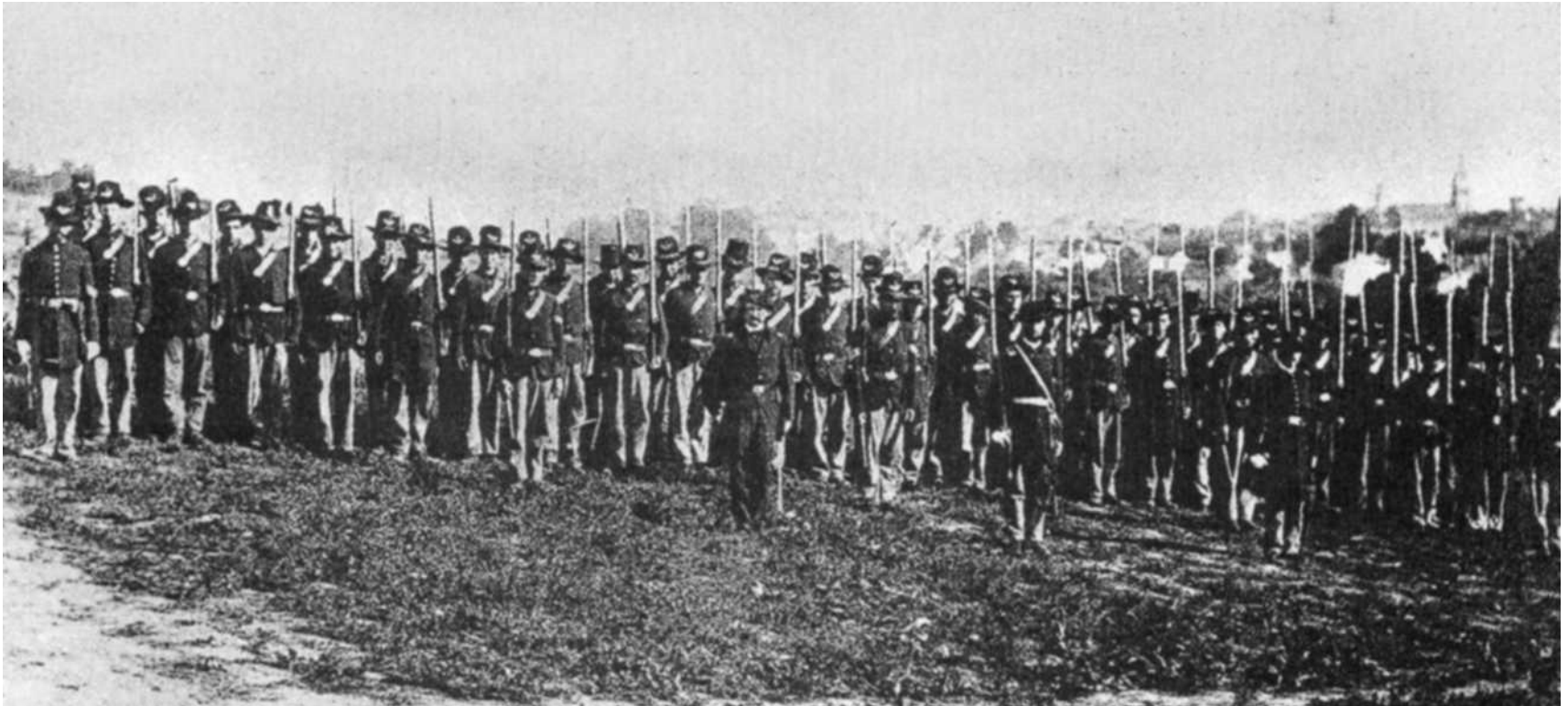


In early 1850s:

- Wisconsin was mostly undeveloped frontier
- There were few (if any) banks
- Lack of Institutional Control, Fraud and Inflated Appraisals led to big losses



Invested in State (Civil War) Bonds (1861)



Paid back...in 1944

A New Type of Investment



BCPL STATE TRUST FUND LOAN PROGRAM **Created and Authorized by State Legislature in 1871**

- Eligible Borrowers to include Wisconsin Municipalities and School Districts
- Goals:
 1. Simple Alternative to Bonding for Borrowers
 2. Prudent investment for the trust funds
 - low risk with reasonable rate of return

SIMPLE ALTERNATIVE TO BONDING



- **Loan program is available for ANY public purpose**
 - Easy to determine eligibility for borrowers and BCPL

- **Program is exempt from complex bonding statutes**
 - Reduces Borrower Costs
 - Unfortunately, not so good for bond lawyers

- **Loan payments are annual – after property taxes are received**
 - Easier for municipalities to budget and pay
 - Easier for BCPL to administer the loans

SUCCESS!



BCPL State Trust Fund Loan Program has been a success by any measure:

1. No defaults in 150-year history – GREAT customers!
2. Almost \$300 Million in loans outstanding
3. Loans can be used to fund ANY public purpose
4. Funding provided for thousands of WI projects
5. Saved \$ Millions in Fees
6. Provided \$ Hundreds of Millions to Public Schools

Loan Program is Unique to Wisconsin

How to Qualify For a Loan



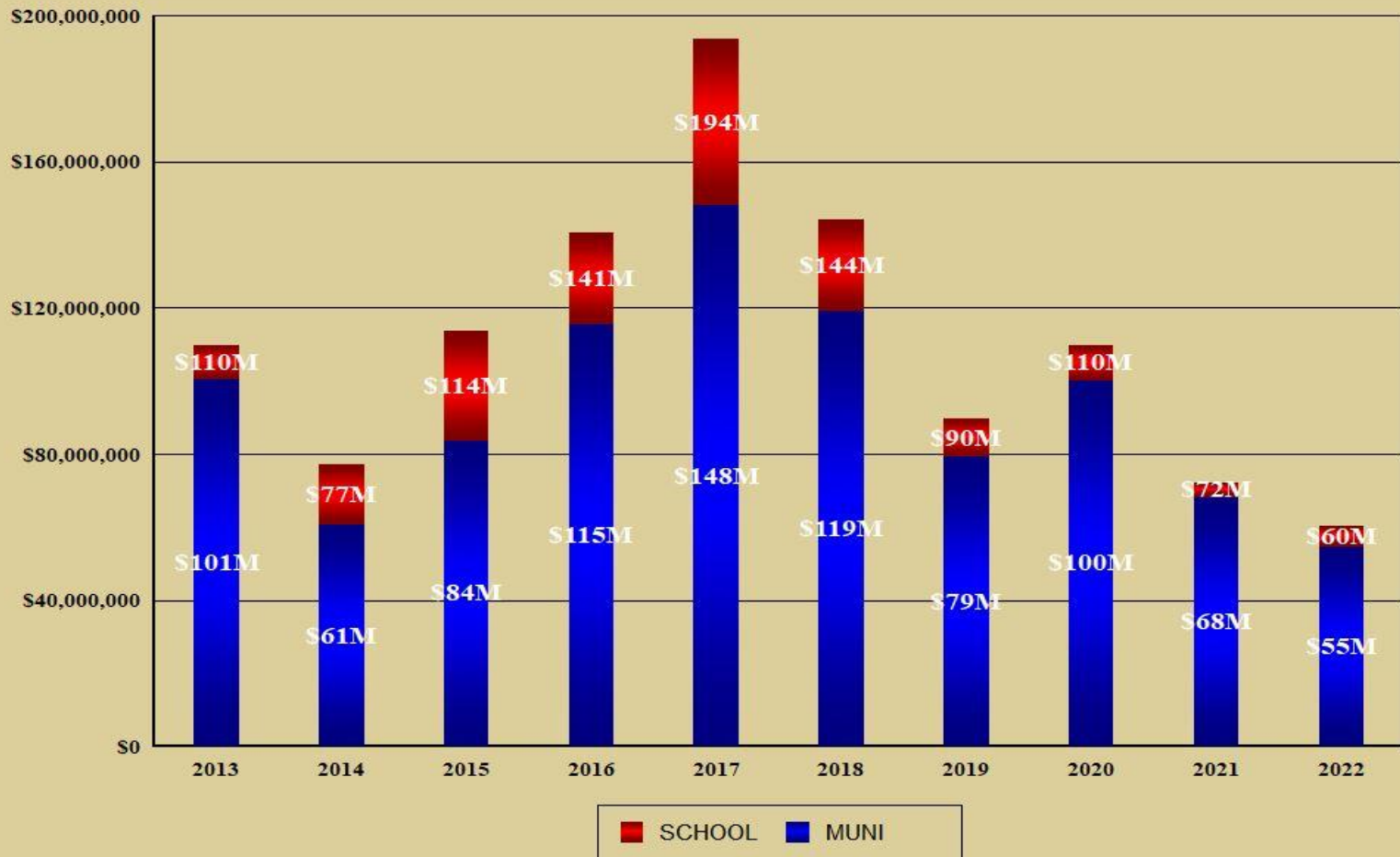
Two Simple Criteria

1. **Do you represent a Wisconsin Municipality or School District?**
2. **Are you borrowing for a public purpose?**
 - Buildings and Infrastructure
 - Economic Development
 - Capital Equipment and Vehicles
 - Debt Refunding

BCPL Loans to Fund School Projects



State Trust Fund Loan Disbursements 2013 - 2022



Loans for School Projects



- Why Not?
 - Tax-Exempt Bonding makes sense on large projects
- Why?
 - Easy Process
 - Smaller Projects (no fees)
 - Short-Term Construction Financing
 - Flexibility to prepay from other sources
 - Interest Returned to Schools

To Request:



BCPL Loan Application Request Form School District General Obligation Loan

Date

School District Name

Mailing Address

Overnight Mail Address
If different from above (no P.O. Box)

District Administrator	<input type="text"/>	Phone (W)	<input type="text"/>
Email	<input type="text"/>	(C)	<input type="text"/>
Business/Finance Manager	<input type="text"/>	Phone (W)	<input type="text"/>
Email	<input type="text"/>	(C)	<input type="text"/>
Financial Advisor/Firm	<input type="text"/>	Phone (W)	<input type="text"/>
Email	<input type="text"/>	(C)	<input type="text"/>

Loan Purpose

Loan Amount \$

Loan Term Years

Estimated Date That Funds Will Be Needed:

Dates of Next Two Board Meetings:

TYPE OF LOAN APPLICATION REQUESTED:

- Exemption** – Available to all districts for terms up to 10 years. Limited to \$1 million. No elector approval required.
- Publishing** – Available to all districts for loan terms of 10 years or less. 30-day petition period provides elector approval.
- WRS Refunding** - Available to all districts for loan terms up to 10 years. No elector approval required.

- Debt Refunding** – Available to all districts for loan terms of up to 20 years. Additional elector approval not required.
- Special District Meeting** – Available to all districts (other than Unified Districts) for loan terms of up to 20 years.
- Annual District Meeting** – Available to all districts (other than Unified Districts) for loan terms of up to 20 years.
- Referendum** – Available to all districts for loan terms of up to 20 years.

District Administrator Signature



BCPL Loan Process – Simple and Fast

➤ Loan Approval Process

- Simple Request Form, included in Packet (www.bcpl.wisconsin.gov)
- Easy Fill-In-The-Blank Application includes Borrower Resolution
- Fast Approval (average time to fund is about 45 days, record = 17 days)

➤ Following Approval

- Four Months to Draw Funds
- No review of plans/invoices/expenditures

➤ How is it possible to maintain this Simple Process and Have NO Defaults?

- BCPL retains right to audit borrowers
- BCPL relies on borrower compliance with Statutes

➤ Consider the 1881 penalty for using Trust Fund loan dollars on something other than the approved loan purpose....

5 Years Hard Labor in State Prison



Interception!



Current Interest Rates



<u>General Obligation Loans</u>	<u>Rate</u>
1 to 2 Years	5.25%
3 to 5 Years	5.25 %
6 to 10 Years	5.25 %
11 to 20 Years	5.25 %

WHY BORROW FROM BCPL?



- Simple Process with Fast Approval
- Competitive Fixed Interest Rates
- No Fees
- Up to 6 Month Rate Lock at No Additional Cost
- Custom Amortization Schedules Available
- Flexibility to Restructure, if necessary
- No Prepayment Penalties
- No Interference in Local Decision Making

Best part: Loan Interest pays for public school library materials and helps reduce local property taxes

WHAT REALLY SETS US APART?



Beneficiaries:
Wisconsin's K-12 public school students

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ALL of the interest paid on BCPL State Trust Fund Loans is returned to Wisconsin communities in the form of aid to public school libraries.

THE STATEWIDE LENDER THAT PAYS LOCAL DIVIDENDS



Brown County

5 Year Library Aid = \$11,326,155



Library Aid Report Annual Distribution of BCPL Common School Fund Earnings School Districts in Brown County Fiscal Year 2019 through 2023

TOTAL \$11,326,155

	2023	2022	2021	2020	2019	School District Total for 5 Years
ASHWAUBENON	\$131,180	\$105,412	\$98,444	\$106,605	\$94,739	\$536,380
DE PERE	\$274,249	\$210,576	\$199,458	\$220,497	\$181,504	\$1,086,284
DENMARK	\$94,154	\$69,392	\$65,997	\$73,721	\$59,223	\$362,487
GREEN BAY AREA	\$1,475,109	\$1,148,651	\$1,121,440	\$1,246,857	\$1,046,578	\$6,038,635
HOWARD - SUAMICO	\$325,387	\$250,092	\$236,646	\$259,262	\$221,344	\$1,292,731
PULASKI COMMUNITY	\$199,788	\$160,042	\$152,990	\$169,155	\$138,198	\$820,173
WEST DE PERE	\$224,245	\$176,710	\$164,274	\$167,565	\$136,143	\$868,937
WRIGHTSTOWN COMMUNITY	\$79,770	\$62,223	\$58,919	\$65,361	\$54,255	\$320,528
County Totals:	\$2,803,882	\$2,183,098	\$2,098,168	\$2,309,023	\$1,931,984	\$11,326,155

Move to a diversified portfolio...



Until 2015, BCPL had a very small investment universe...

1. State Trust Fund Loans
2. State of Wisconsin Bonds
3. US Treasury Bonds and Notes
4. Wisconsin Municipal and School District Bonds
5. Laundry List of local projects including Lambeau Field, Baseball Stadium formerly known as Miller Park, Sheboygan Space Port, etc.

All investments were fixed income by statute.

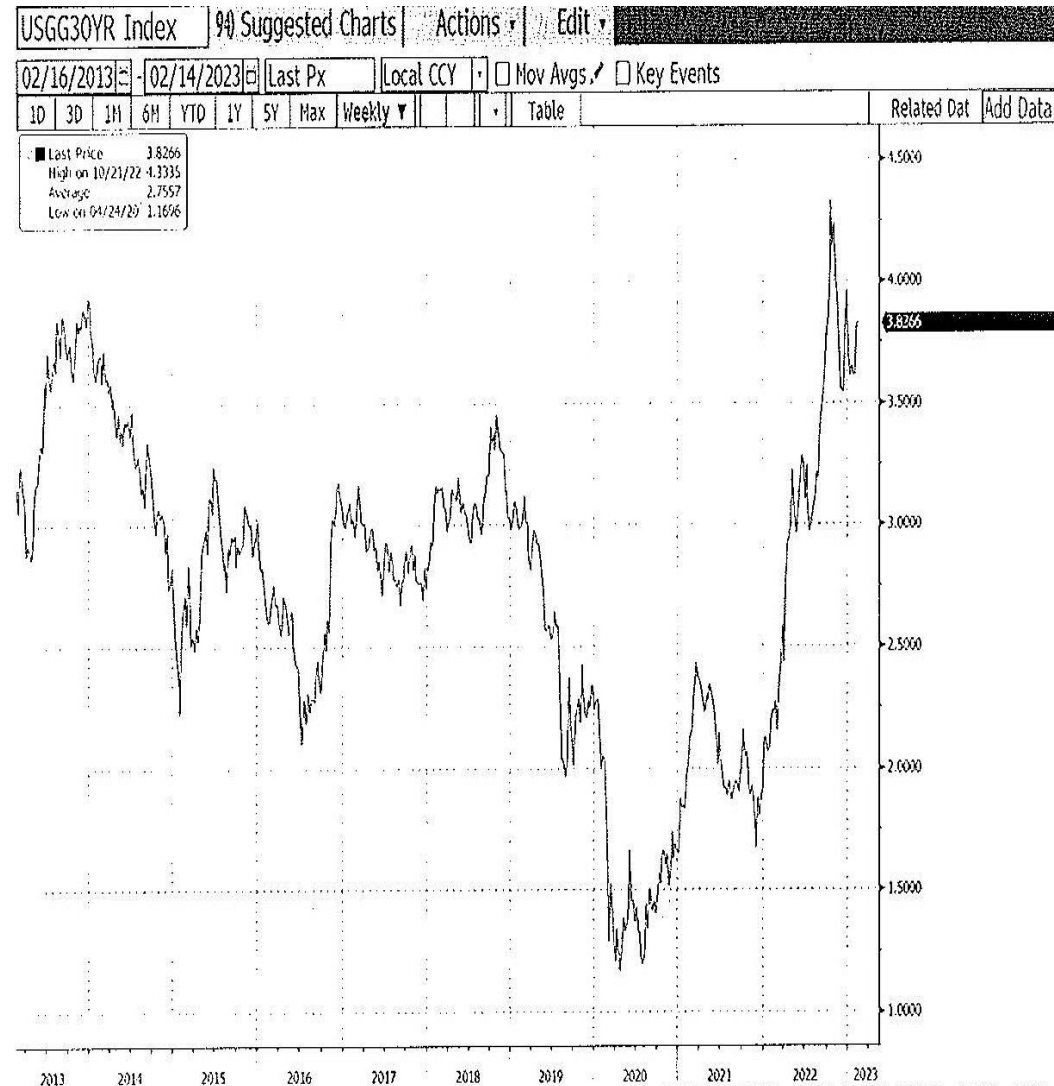
When rates were high, BCPL was able to distribute higher amounts to public schools. When rates turned lower, public school distributions suffered.

Impact of CSF Diversification



CSF Income is sole source of state funding directed to fund public school libraries.

The mission of the BCPL is to manage the assets of the School Trust Funds in a manner that maintains significant, stable, and sustainable distributions to fund beneficiaries.



Prudent Investor Authority



When asked to help finance the new Bucks arena, State granted BCPL with **prudent investment authority**.

Industry Standard
Required Diversification

The CSF portfolio is now diversified into ten separate asset classes.

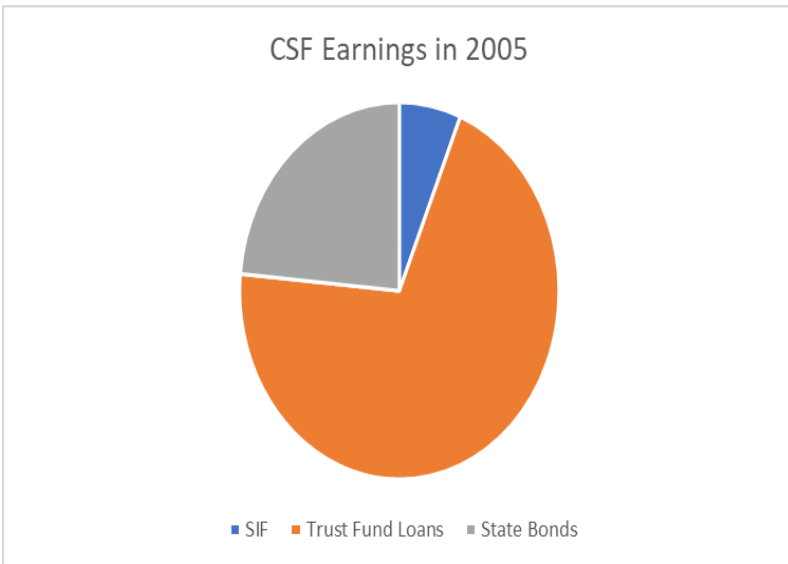


CSF Earnings...then and now



Common School Fund Earnings

Then



Now



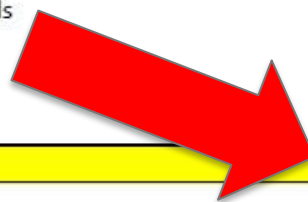
Common School Fund Portfolio



Common School Fund - Portfolio Report

December 31, 2022

Asset Class	Current Market Value	Projected Annual Income
Fixed Income		
Public Debt		
State/State Agency/Municipal Bonds	77,322,948	3,429,113
U.S. Treasury/Agency Bonds	88,336,280	4,530,000
Corporate Bonds	107,624,399	6,508,687
Private Debt		
BCPL State Trust Fund Loans ¹	280,901,869	11,405,254
Other Private Debt ²	133,485,563	12,522,445
Total Fixed Income	687,671,059	38,395,499
Equities and Alternatives		
Public Equities		
Preferred Stocks	77,104,841	5,124,118
Domestic Equities	130,717,542	5,305,564
Global Equities	120,563,521	3,847,054
Alternatives		
Private Real Estate	232,792,550	9,332,168
Private Equity/Venture Capital ³	39,081,997	-
Total Equities and Alternatives	600,260,451	23,608,904
Cash	36,610,267	1,485,338
	1,324,541,777	63,489,741



Diversification
BCPL distributions
now stable
regardless of swings
in financial markets.

STFLs
remain the largest
allocation of Trust Fund
Assets.

Public School Library Aid Distribution for 2023 will be an all-time record of...



\$52,000,000

28% increase from record set in 2022



Current Issues For Schools



- ✓ **Amount of Distribution**
 - ~ 50% increase over 2 years (2022-2024)
 - Year-over-Year Stability due to Smoothing Fund

- ✓ **Constraints on Spending Categories**
 - Library Media Only – Need to Expand?
 - DPI Committee in 2023?

- ✓ **Timing of Announcement**
 - Amount of distribution historically announced provided in January, now September
 - Help in budgeting process? Need DPI Cooperation on District Allocations
 - Funding transferred in early April to DPI

- ✓ **Other Issues?**

Q & A

Thank You

