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BCPL State Trust Fund Loan Program Introduction to Borrowing by Wisconsin School Districts

School Districts are the ideal customers for the BCPL State Trust Fund Loan Program. We share a constitutional relationship that is important to the history of Wisconsin and vital to the future of public education in our state. Every public K-12 school directly benefits from the annual distribution of Common School Fund earnings. These earnings come from interest paid by BCPL borrowers on loans used to fund public purpose projects. We have developed these guidelines to help answer your questions about how Wisconsin school districts can access funding through the BCPL State Trust Fund Loan Program.

But first, a little history...

Managed by the Board of Commissioners of Public Lands (BCPL), the Common School Fund was established by the Wisconsin Constitution in 1848 to administer the proceeds derived from federal government land grants received by Wisconsin for educational purposes. The vast majority of these lands were sold to create the principal for a permanent school fund, with earnings to be exclusively used to support and maintain common schools (now known as K-12 public schools) and "the purchase of suitable libraries and apparatus therefor" [Article X, Section 2 of the Wisconsin Constitution]. The Common School Fund continues to have a significant impact on education today because our forefathers had the vision to provide for fund growth through the addition of "clear proceeds" of all fines, fees and forfeitures that accrue to the state, including unclaimed property.

BCPL invests the principal of the Common School Fund in loans to municipalities and school districts through the BCPL State Trust Fund Loan Program. These funds are used for public purpose projects including school repairs and improvements, economic development, capital equipment and vehicles, local infrastructure, and refinancing existing debt to reduce future borrowing costs. BCPL is among the largest public investors in both local infrastructure projects and economic development projects within the State of Wisconsin.

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. School librarians tell us that they depend on the financial support our program provides each year. In most districts, these dollars represent the only funding available to purchase books, newspapers and periodicals, computer hardware and software, web-based resources, and other library materials. This positive impact in local schools would not be possible without borrower support of this program.



State law specifically allows school districts to borrow funds from the BCPL State Trust Fund Loan Program for the following purposes [Chapter 24.61(3)(a)]:

1. Operation and maintenance of schools.
2. Construction and remodeling of school buildings.
3. Refinancing any indebtedness incurred for lawful purpose.
4. Purchasing sites for future school buildings.
5. Purchasing transportation vehicles and garages.
6. Purchasing school and playground equipment.
7. Fund any project undertaken for a public purpose [Chapter 67.04(2)(a)].
8. Finance unfunded prior service pension liabilities [Chapter 67.04(5)(a)4 and 67.12].

BCPL offers fixed rate loans with interest rates that are competitive with the bond market and other financial institutions. Our application process is extremely simple and borrowers pay no application fees, prepayment penalties, or any other fees.

BCPL State Trust Fund Loans become general obligations of the school district and require the levying of a tax to pay for principal and interest payments. Payments are due annually on March 15th and loans may be prepaid without penalty. However, prepayments are not accepted between September 1st and December 31st of each year. BCPL closes the window during this period to allow us to certify to each borrower the amounts due the following March 15, as required by law.

Attached you will find details on each of the five separate procedures available to School Districts to meet statutory requirements for a BCPL State Trust Fund Loan. The appropriate procedure for each district will vary depending on the loan term, loan amount, and needs of the district. BCPL strives to make the borrowing process as simple, smooth, and quick as possible. The experts with the Board of Commissioners of Public Lands and the DPI School Financial Services Team will do everything we can to assist you in the process.

Please contact Richard Sneider at 608.266.0034 or richard.sneider@wisconsin.gov with any questions about the BCPL State Trust Fund Loan Program. Additional advice on borrowing by school districts may be provided by the School Financial Services Team at DPI, available at 608.267.9114 or dpifin@dpi.wi.gov.

Revenue Limits and Debt Service

Chapter 121.91 of Wisconsin Statutes places revenue limits on school districts and Chapter 121.92 imposes a penalty if a district exceeds their limit. Revenue limits may be increased by the amount of funds needed for the payment of any general obligation debt service:

1. ... authorized prior to August 12, 1993 ...Chapter 121.91(4)(c)(1)
2. ... authorized on or after August 12, 1993 **by a referendum** ... Chapter 121.91(4)(c)(2).

BCPL is a lender concerned with the legality of the procedures used to authorize borrowing by a school district but BCPL staff are not experts on the revenue limit issue. The District should contact its legal counsel or financial advisor, or the Wisconsin Department of Public Instruction - Division of School Financial Resources with questions regarding debt service and the impact on their revenue limit. The DPI School Financial Services Team may be reached at dpifin@dpi.wi.gov or (608) 267-9114.

BCPL State Trust Fund Loan Program School District Borrowing Procedures

1. **Ten Year Term with Publishing** [Wisconsin Statutes 67.12 (12)(e)2 and 24.66(3)]

All school districts may use this procedure, which requires the publication of a notice to district electors of the intent to borrow funds, followed by a waiting period that allows time for elector petition. The maximum loan term when using this procedure is 10 years. Depending on the calendar and the meeting schedules of your School Board and the BCPL Board, this procedure can take 60 to 75 days from completion of the worksheet to funding of the loan.

- a. The District submits a completed school loan worksheet to BCPL along with minutes from the school board or committee meeting that approved the project being funded. Our worksheet form is found at <http://bcpl.wisconsin.gov> and provides BCPL staff with the information necessary to provide a custom application for your loan.
- b. The BCPL application includes the specific Resolution of School Board Authorizing Loan, which is adopted by the school board.
- c. The BCPL application also includes the Class 1 Notice, which is published by the clerk within 10 days following adoption of the loan resolution. Electors within the District have 30 days after publication to file a petition calling for a referendum to approve the borrowing resolution. The petition must include the lesser of 7500 signatures or the number equal to 20% of district votes for governor in the last general election.
- d. If no petition is filed, the resolution is deemed approved by district electors. The clerk executes the supplied Certificate of No Petition.
- e. The clerk submits the completed loan application to BCPL for review and approval, along with the approved resolution and a copy of the board minutes from that meeting, the notice of resolution, an affidavit of publication (a notarized statement completed by the newspaper), Certificate of No Petition, and a map of district boundaries – a checklist and directions are provided with the application. Applications must be received a minimum of 8 days in advance of the BCPL Board meeting to allow sufficient time for internal reviews. The BCPL Board meets the first and third Tuesdays of each month.
- f. BCPL staff members review submitted documentation. If approved, the application is sent to the Office of the Attorney General for legal review. Following AG approval, the application is placed on the agenda for the next meeting of the BCPL Board. Funding can normally occur within a few days following BCPL Board approval. Borrowers may take up to a maximum four months following approval to draw loan funds.

2. **Ten Year Term with Exemption** [Wisconsin Statutes 67.12 (12)(e)2g and 24.66(3)]

All school districts may use this procedure, which utilizes each school board's limited authority to borrow funds totaling up to \$1,000,000 without (exempt from) elector approval. DPI has an excellent description of this authority at http://sfs.dpi.wi.gov/sfs_bonding. Note that a few districts have an exemption of slightly less than \$1,000,000 based on a formula that includes property values and membership. The maximum loan term when using this procedure is 10 years. Depending on the calendar and the meeting schedules of your School Board and the BCPL Board, this procedure can take 30 to 45 days from completion of the worksheet to funding of the loan.

- a. The District submits a completed school loan worksheet to BCPL along with minutes from the school board or committee meeting that approved the project being funded. Our worksheet form is found at <http://bcpl.wisconsin.gov> and provides BCPL staff with the information necessary to provide a custom application for your loan.
- b. The BCPL application includes the specific Resolution of School Board Authorizing Loan, which is adopted by the school board. The full loan amount is applied toward remaining capacity under the exemption.

- c. The clerk submits the completed loan application to BCPL for review and approval, along with the approved resolution and a copy of the board minutes from that meeting, and a map of district boundaries – a checklist and directions are provided with the application. Applications must be received a minimum of 8 days in advance of the BCPL Board meeting to allow sufficient time for internal reviews. The BCPL Board meets the first and third Tuesdays of each month.
- d. BCPL staff members review submitted documentation. If approved, the application is sent to the Office of the Attorney General for legal review. Following AG approval, the application is placed on the agenda for the next meeting of the BCPL Board. Funding can normally occur within a few days following BCPL Board approval. Borrowers may take up to a maximum four months following approval to draw loan funds.

3. **Special District Meeting** [Wisconsin Statute 24.66(3) and 120.08]

Special District Meetings are available to all districts other than Unified School Districts. The maximum loan term when using this procedure is 20 years. Depending on the calendar, and the meeting schedules of your School Board and the BCPL Board, this procedure can take 30 to 45 days from completion of the worksheet to funding of the loan.

- a. The District submits a completed school loan worksheet to BCPL along with minutes from the school board or committee meeting that approved the project being funded. Our worksheet form is found at <http://bcpl.wisconsin.gov> and provides BCPL staff with the information necessary to provide a custom application for your loan.
- b. The BCPL application includes the Motion of School Board to Call Special District Meeting with which the school board officially requests the clerk to call a special district meeting. The purpose of this meeting is to have electors vote to authorize the school board to borrow funds and levy a tax sufficient to pay both principal and interest.
- c. The BCPL application includes the specific Class 2 Notice to be published informing electors of the date, time, and purpose of the special meeting. This notice must be published once each week for two weeks [Wisconsin Statute 985], with the last publication not less than one day nor more than eight days prior to the special meeting [Wisconsin Statute 120.08(2)b].
- d. The application also includes the specific Resolution to Authorize Loan along with the Official Referendum Ballot, which is copied and used by electors to vote at the special meeting. The ballot contains the required language for electors to authorize the school board to borrow funds from BCPL. Following the special meeting, and assuming that electors have provided the school board with the necessary authority, the school board meets to adopt the borrowing resolution.
- e. The clerk submits the completed loan application to BCPL for review and approval, along with the motion to call a special meeting, the notice of the special meeting, an affidavit of publication (a notarized statement completed by the newspaper), the record of proceedings of the special meeting, the approved resolution with a copy of the board minutes from that meeting, and a map of district boundaries – a checklist and directions are provided with the application. Applications must be received a minimum of 8 days in advance of the BCPL Board meeting to allow sufficient time for internal reviews. The BCPL Board meets the first and third Tuesdays of each month.
- f. BCPL staff members review submitted documentation. If approved, the application is sent to the Office of the Attorney General for legal review. Following AG approval, the application is placed on the agenda for the next meeting of the BCPL Board. Funding can normally occur within a few days following BCPL Board approval. Borrowers may take up to a maximum four months following approval to draw loan funds.

4. **Annual District Meeting** [Wisconsin Statute 24.66(3) and 120.08]

Annual District Meetings are available to all districts other than Unified School Districts. The maximum loan term when using this procedure is 20 years. Depending on the calendar, and the meeting schedules of your School Board and the BCPL Board, this procedure can take 30 to 45 days from completion of the worksheet to funding of the loan.

- a. The District submits a completed school loan worksheet to BCPL along with minutes from the school board or committee meeting that approved the project being funded. Our worksheet form is found at <http://bcpl.wisconsin.gov> and provides BCPL staff with the information necessary to provide a custom application for your loan.
- b. The District follows the normal procedure for public notification of the annual meeting, which includes a Class 2 Notice that must be published once each week for two weeks [Wisconsin Statute 985], with the last publication not less than one day nor more than eight days prior to the special meeting [Wisconsin Statute 120.08(1)c].

- c. The application also includes the specific Resolution to Authorize Loan along with the Official Referendum Ballot to be copied and used by electors to vote at the annual meeting. The ballot contains the required language for electors to authorize the school board to borrow funds from BCPL for the specified purpose and levy a tax sufficient to pay both principal and interest on the loan. Following the annual meeting and assuming that electors have provided the school board with the necessary authority, the school board meets to adopt the borrowing resolution.
- d. The clerk submits the completed loan application to BCPL for review and approval along with an affidavit of publication (a notarized statement completed by the newspaper), the record of proceedings of the annual meeting, the approved resolution with a copy of the board minutes from that meeting, and a map of district boundaries – a checklist and directions are provided with the application. Applications must be received a minimum of 8 days in advance of the BCPL Board meeting to allow sufficient time for internal reviews. The BCPL Board meets the first and third Tuesdays of each month.
- e. BCPL staff members review submitted documentation. If approved, the application is sent to the Office of the Attorney General for legal review. Following AG approval, the application is placed on the agenda for the next meeting of the BCPL Board. Funding can normally occur within a few days following BCPL Board approval. Borrowers may take up to a maximum four months following approval to draw loan funds.

5. Referendum

All school districts may use this procedure. In most cases, the referendum is passed prior to completing a worksheet and receiving an application from BCPL. The maximum loan term when using this procedure is 20 years. Depending on the calendar, and the meeting schedules of your School Board and the BCPL Board, this procedure can take 30 to 45 days from completion of the worksheet to funding of the loan.

- a. The District holds a popular vote or referendum as provided in Wisconsin Statute 24.66(3a), 24.66(4), 8.37, and other applicable state law. Because of the complex nature of a referendum, BCPL staff is unable to provide technical assistance on referendum issues beyond our own procedures. Additional advice may be provided by your district counsel or the DPI School Financial Services Team at (608) 267-9114 or dpifin@dpi.wi.gov.

It is not necessary that the referendum be written in such a way that the district would be limited to borrowing from the BCPL State Trust Fund Loan Program. However, the purpose for the loan as stated in the referendum needs to match the purpose in the BCPL loan application. There also needs to be sufficient borrowing authority in the referendum to cover the amount requested in the application.

- b. The District submits a completed school loan worksheet to BCPL along with minutes from the school board or committee meeting that approved the project being funded. Our worksheet form is found at <http://bcpl.wisconsin.gov> and provides BCPL staff with the information necessary to provide a custom application for your loan.
- c. The BCPL Application includes a Referendum Certification to be completed by the district clerk along with the specific Resolution to Authorize Loan to be adopted by the school board.
- d. The clerk submits the completed loan application to BCPL for review and approval, along with Referendum Certification and the board approved resolution with a copy of the board minutes from that meeting, and a map of district boundaries – a checklist and directions are provided with the application. Applications must be received a minimum of 8 days in advance of the BCPL Board meeting to allow sufficient time for internal reviews. The BCPL Board meets the first and third Tuesdays of each month.
- e. BCPL staff members review submitted documentation. If approved, the application is sent to the Office of the Attorney General for legal review. Following AG approval, the application is placed on the agenda for the next meeting of the BCPL Board. Funding can normally occur within a few days following BCPL Board approval. Borrowers may take up to a maximum four months following approval to draw loan funds.