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Tia Nelson, *Executive Secretary*

## AGENDA

July 21, 2015

2:00 P.M.

Attorney General's Conference Room  
State Capitol, Room 114 East  
Madison, WI

### Routine Business:

- 1) Call to Order
- 2) Approve Minutes – July 7, 2015 (Attachment)
- 3) Approve Loans (Attachment)

### Old Business:

- 4) Discuss Annual Review of Executive Secretary Tia Nelson (Attachment)

### New Business:

- 5) Discuss Quarterly Investment Report (Attachment)
- 6) Proposed Land Bank Sale to the U.S. Forest Service (S1006 – Popple River) (Attachments)
- 7) Discuss Normal School Fund Potential Earnings (Attachments)
- 8) Discuss Normal School Fund Distribution Changes in Budget under 36.49 (Attachments)
- 9) Discuss all Normal School Fund Earnings going to UW (Attachments)
- 10) Discuss Land Bank Activity (Attachments)

### Routine Business:

- 11) Future Agenda Items
- 12) Executive Secretary's Report
- 13) Adjourn

### AUDIO ACCESS INFORMATION

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**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 2  
APPROVE MINUTES**

Attached for approval are the minutes from the July 7, 2015, board meeting.

Board Meeting Minutes  
July 7, 2015

Present were:

Doug La Follette, Commissioner	Secretary of State
Matt Adamczyk, Commissioner	State Treasurer
Brad Schimel, Board Chair	Attorney General
Tia Nelson, Executive Secretary	Board of Commissioners of Public Lands
Tom German, Deputy Secretary	Board of Commissioners of Public Lands
Richard Sneider, Loan Analyst	Board of Commissioners of Public Lands
Vicki Halverson, Office Manager	Board of Commissioners of Public Lands
Randy Bixby, Land Records Archivist	Board of Commissioners of Public Lands
Denise Nechvatal, Accountant	Board of Commissioners of Public Lands
John Schwarzmann, Forestry Supervisor	Board of Commissioners of Public Lands

**ITEM 1. CALL TO ORDER**

Board Chair Schimel called the meeting to order at 2:00 p.m.

**ITEM 2. APPROVE MINUTES – JUNE 16, 2015 and JUNE 30, 2015**

**MOTION:** Commissioner La Follette moved to approve the minutes; Board Chair Schimel seconded the motion.

**DISCUSSION:** None.

**VOTE:** Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted nay. The motion passed 2-1.

**ITEM 3. APPROVE LOANS**

Board Chair Schimel asked if the loans had been reviewed for public purpose. Executive Secretary Nelson confirmed they had.

<u>Municipality</u>	<u>Municipal Type</u>	<u>Loan Type</u>	<u>Loan Amount</u>
1. Baldwin St Croix County Application #: 02015163 Purpose: Refinance GO refunding bonds	Village Rate: 3.25% Term: 9 years	General Obligation	\$440,000.00
2. Delavan-Darien Rock and Walworth Counties Application #: 02015168 Purpose: Finance operations	School Rate: 3.25% Term: 10 years	General Obligation	\$995,000.00
3. Ettrick Trempealeau County Application #: 02015169 Purpose: Purchase fire truck	Town Rate: 3.00% Term: 4 years	General Obligation	\$130,000.00

4.	Fall Creek Eau Claire County Application #: 02015157 Purpose: Finance Business Park East project	Village Rate: 3.75% Term: 20 years	General Obligation	\$900,000.00
5.	Fall Creek Eau Claire County Application #: 02015158 Purpose: Purchase industrial park land	Village Rate: 3.75% Term: 20 years	General Obligation	\$500,000.00
6.	Fall Creek Eau Claire County Application #: 02015159 Purpose: Refinance BCPL loan #2014059	Village Rate: 3.75% Term: 18 years	General Obligation	\$273,853.99
7.	Fall Creek Eau Claire County Application #: 02015160 Purpose: Refinance BCPL loan #2010138	Village Rate: 3.75% Term: 15 years	General Obligation	\$113,397.25
8.	Fall Creek Eau Claire County Application #: 02015161 Purpose: Refinance BCPL loan #2015029	Village Rate: 3.75% Term: 19 years	General Obligation	\$272,175.93
9.	Fall Creek Eau Claire County Application #: 02015162 Purpose: Refinance BCPL loan #2014080	Village Rate: 3.75% Term: 18 years	General Obligation	\$236,649.96
10.	Harmony Rock County Application #: 02015165 Purpose: Finance road construction	Town Rate: 3.00% Term: 3 years	General Obligation	\$220,000.00
11.	La Crosse La Crosse County Application #: 02015164 Purpose: Finance TID #12 property acquisition	City Rate: 3.75% Term: 15 years	General Obligation	\$750,000.00
12.	Neenah Sanitary District #2 Winnebago County Application #: 02015171 Purpose: Finance sanitary sewer installation	Sanitary District Rate: 3.75% Term: 20 years	General Obligation	\$1,100,000.00
13.	Wagner Marinette County Application #: 02015166 Purpose: Purchase fire truck tank and accessories	Town Rate: 3.00% Term: 3 years	General Obligation	\$108,022.00

14.	Wagner Marinette County Application #: 02015167 Purpose: Purchase fire truck chassis	Town Rate: 2.50% Term: 2 years	General Obligation	\$51,978.00
15.	Wyocena Columbia County Application #: 02015170 Purpose: Finance road project	Town Rate: 2.50% Term: 1 year	General Obligation	\$164,000.00
			<b>TOTAL</b>	<b>\$6,255,077.13</b>

**MOTION:** Commissioner La Follette moved to approve the loans; Board Chair Schimel seconded the motion.

**DISCUSSION:** None.

**VOTE:** The motion passed 3-0.

**ITEM 4. DISCUSS ANNUAL REVIEW OF EXECUTIVE SECRETARY TIA NELSON**

Board Chair Schimel said the Commissioners had conducted a closed session annual review of Executive Secretary Tia Nelson [on June 30] and that he had a written document summarizing the review from his perspective. He said he would distribute it to the other Commissioners and that they could submit their own summary if they wished. He added that it was a satisfactory review, again, from his perspective.

Commissioner La Follette commended Executive Secretary Nelson on her accomplishments. He was pleased with the goals she had outlined for the coming year and gave her his support.

Board Chair Schimel added that she had addressed concerns raised about timber management at the agency’s Mud Lake site and had developed an action plan to address them. She had also strengthened the agency’s relationship with SWIB (State of Wisconsin Investment Board) and developed a plan to implement prudent investor standards, should the Legislature grant the agency that authority. Commissioner Adamczyk said he disagreed with “a lot of different things.”

Board Chair Schimel asked that the topic be included on the next agenda to discuss additional comments that may be submitted by the other Commissioners.

**ITEM 5. DISCUSS POSSIBLE COUNTY PARTNERSHIP FOR MANAGEMENT OF BCPL TRUST LANDS**

Board Chair Schimel said Executive Secretary Nelson had sent the Commissioners a memo relating to conversations she had with some county forest managers, which included the potential for and cost of some counties managing BCPL Trust Lands. The legality of revenue sharing would need to be researched and answered before conversations with Oneida County could continue. He said he would find the answer to that question and distribute it to the Commissioners. He added that Forest County was not interested in managing BCPL’s land at this time. He said that 90% of the Board’s timber in Marinette County had been recently sold or harvested.

Commissioner Adamczyk referred to a 2004 Speaker’s Task Force [on Forestry] report that said BCPL should not be managing land. He said he was open to partnerships with the counties. If the counties were not interested in such an arrangement, he said the DNR could manage the Trust Lands. He felt the agency was spending too much money to manage the lands.

Commissioner La Follette doubted that arrangements could be made with all the counties that have Trust Lands within their borders. If arrangements were made with some counties, BCPL would still need staff to manage the other lands. He said that the counties would likely expect profit sharing [from timber revenue] and expect BCPL to cover costs incurred by county foresters to manage BCPL Trust Lands. He said consolidating the Trust Lands through exchanges and sales with the counties was a reasonable approach to gaining land management efficiencies. He urged the other Commissioners to think it through carefully.

Board Chair Schimel said the counties where BCPL has the most harvestable timberland are most likely the counties that would be interested in such an arrangement. This would result in BCPL managing outlying parcels that are the most difficult and expensive to manage. He said the Board may find this approach ineffective and retaining the most valuable lands and managing them the most efficient option. He said the Board should maintain good records of the process and outcome should future Commissioners ask the same question.

Commissioner Adamczyk asked if the DNR had managed BCPL land in the past. Executive Secretary Nelson believed there was such an arrangement during a two-year period in the 1970s. He said he understood that there would likely be costs associated with a county partnership but he expressed his concern about current agency expenses for the District Office in Lake Tomahawk.

**ITEM 6. DISCUSS AND VOTE TO AUTHORIZE EXECUTIVE SECRETARY TO WRITE A REQUEST FOR PROPOSAL (RFP) TO ENGAGE A TIMBERLAND INVESTMENT ADVISOR TO DEVELOP RECOMMENDATIONS FOR OPTIMIZING LAND CONSOLIDATION AND TIMBER MANAGEMENT**

Board Chair Schimel said options for optimizing land consolidation and timber management have been the topic of discussion at past board meetings. It may be beneficial for the Board to issue a request for proposal (RFP) to determine what it would cost for such advice.

Commissioner Adamczyk said he would not support a motion for the request for proposal at this time but may support it after more information was provided. Commissioner La Follette said he would support staff writing the RFP but he was reluctant to spend money on an advisor and felt that staff had made progress consolidating the Trust Lands. If hiring someone to manage the Trust Lands would be cost effective, Commissioner La Follette said he would support it.

Executive Secretary Nelson said the challenges with the agency's Land Bank Authority included statutory restraints and the length of time the process is currently taking. Staff estimated it would take perhaps another 15 years to consolidate 417 tracts of Trust Lands into a smaller number of tracts and, thus, a higher percentage of timber revenue-generating property. She said the two questions the agency needs answered include: 1) How to accelerate and optimize Trust Land consolidation to capture the full value of the land prior to sale? 2) How to optimize timber production and revenue generation? She believes that an independent timberland investor could help the agency determine how to achieve those objectives and then make recommendations to the Board.

Board Chair Schimel said he would defer action on the RFP and would discuss its priority with the Executive Secretary after the meeting. The topic may be included on a future agenda based on his conversation with the Executive Secretary.

**ITEM 7. FUTURE AGENDA ITEMS**

No future agenda items were suggested.

**ITEM 8. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary Nelson said Deputy Secretary Tom German attended the Joint Finance Committee meeting on Monday where Representative Dale Kooyenga complimented BCPL on their participation in the Bucks Arena discussions and communicated the importance of the prudent investor standard.

**ITEM 9. ADJOURN**

**MOTION:** Commissioner La Follette move to adjourn; Board Chair Schimel seconded the motion.

The Board adjourned at 2:38 PM.



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Tia Nelson, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim.  
Link to audio recording: [ftp://doaftp1380.wi.gov/doadocs/BCPL/2015-07-07\\_BCPL-BoardMtgRecording.mp3](ftp://doaftp1380.wi.gov/doadocs/BCPL/2015-07-07_BCPL-BoardMtgRecording.mp3)

**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 3  
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Bristol Dane County Application #: 02016009 Purpose: Finance road project	Town Rate: 3.25% Term: 10 years	General Obligation	\$480,000.00
2. Campbell La Crosse County Application #: 02016008 Purpose: Finance street and road projects	Town Rate: 3.00% Term: 5 years	General Obligation	\$550,000.00
3. Conover Vilas County Application #: 02016003 Purpose: Finance highway construction	Town Rate: 2.50% Term: 2 years	General Obligation	\$125,000.00
4. Conover Vilas County Application #: 02016004 Purpose: Refinance BCPL loan #2007103	Town Rate: 2.50% Term: 2 years	General Obligation	\$143,127.79
5. Janesville Rock County Application #: 02016002 Purpose: Finance fire protection payment	Town Rate: 2.50% Term: 1 years	General Obligation	\$300,000.00
6. Maple Dale-Indian Hill Milwaukee County Application #: 02016005 Purpose: Refinance BCPL loan #2015112	School Rate: 3.75% Term: 20 years	General Obligation	\$1,240,000.00
7. River Hills Milwaukee County Application #: 02016006 Purpose: Finance 2015 capital projects	Village Rate: 3.25% Term: 10 years	General Obligation	\$483,000.00
8. Spider Lake Sawyer County Application #: 02016001 Purpose: Finance road project	Town Rate: 2.50% Term: 2 years	General Obligation	\$80,000.00

Municipality	Municipal Type	Loan Type	Loan Amount
9. Yorkville Racine County Application #: 02016007 Purpose: Purchase tanker truck and radio equipment	Town Rate: 3.00% Term: 5 years	General Obligation	\$216,863.70
<b>TOTAL</b>			<b>\$3,617,991.49</b>

**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 4  
DISCUSS ANNUAL REVIEW OF EXECUTIVE SECRETARY TIA NELSON**

Attached is Board Chair Schimel's written evaluation of Executive Secretary Nelson's annual review held on June 30, 2015.



STATE OF WISCONSIN  
DEPARTMENT OF JUSTICE

BRAD D. SCHIMEL  
ATTORNEY GENERAL

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Deputy Attorney General

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July 7, 2015

Board of Commissioners of Public Lands  
101 E. Wilson Street, 2nd Floor  
Madison, WI 53703

RE: Annual Review of Executive Secretary

On June 30, 2015, the three Commissioners of the Board of Commissioners of Public Lands (BCPL) gathered in-person with Executive Secretary Tia Nelson to conduct her annual review. There has not previously been a performance review conducted in person with all three Commissioners, however, in previous years, the former Chair has conducted an in-person evaluation of the Executive Secretary. I do not believe that any of the prior evaluations have been reduced to writing. What follows is my summary of the evaluation from my perspective. Neither of the other two Commissioners has endorsed this document.

Prior to the closed session Board meeting, the Executive Secretary provided the Commissioners with a summary of her accomplishments going all the way back to her hiring in 2004, as well as an outline of her 2015 accomplishments and goals for the 2016 fiscal year. The documents provided by the Executive Secretary break her responsibilities into three basic sections: Trust Funds management; land and timber management; and land records management. I will address the evaluation utilizing those same three categories.

With regard to Trust Funds management, the assets of the fund were at approximately \$560 million when the Executive Secretary was hired in 2004. At the time, the agency employed two Trust Fund loan program analysts, neither of which had finance education. At the time, investments were very strictly limited. After joining the agency and conducting a review of the work, the Executive Secretary eliminated one of the analyst positions. She also discovered that the Normal School Fund was in significant debt to the Common School Fund. That problem had apparently not been adequately reported to the Commissioners prior to the hiring of the new Executive Secretary. The Executive Secretary set out to correct the problem, and that has been fully resolved. Both funds are now generating record earnings. The Executive Secretary has also taken steps to ensure that the Board Commissioners are informed more fully regarding Trust Fund activities.

The Executive Secretary worked with legislators on both sides of the aisle to expand the investment authority of the BCPL to include Trust Fund revenue loans. That goal was achieved and was passed unanimously in both houses of the Legislature, and has led to much greater opportunities for higher investment returns. Currently, the BCPL manages over \$1 billion in assets, which is an increase of nearly 80% from where it was in 2004, and this is

now done with one analyst who provides the agency with extensive finance, banking and investment knowledge and experience.

2015 Trust Fund management accomplishments include record earnings distributed to beneficiaries and an increase in Trust Fund loan applications by 45% over the previous year. The Executive Secretary also significantly increased the number of presentations made to potential customer groups, such as municipal, town and school board associations. She has also worked to strengthen the relationship between the BCPL and the State of Wisconsin Investment Board (SWIB).

In the Trust Funds management area, the Executive Secretary has set appropriate goals to continue to guide a successful transition to the Prudent Investor Standard. She will continue to work to see even higher earnings distributed to Trust Fund beneficiaries and to improve the loan program outreach. Neither I, nor any of the other Commissioners, suggested any other goals in this area, and I believe these goals are appropriate and will be measurable.

In the area of land and timber management, the Executive Secretary notes that in 2004, the northern office lacked any written guidelines or criteria for selecting lands for trades. The land portfolio at the time, had 25% less productive timberland, but more unproductive land, than we currently have. This change to more productive timberland has been in part accomplished as a result of the Executive Secretary's efforts to obtain legislative approval for land bank authority. She has worked to establish procedures and objective criteria for incoming and outgoing property, and since land bank authority was granted, BCPL has sold over 14,000 acres and purchased just under 13,000 acres, again increasing timber producing lands by 25% and also increasing public access by 28%. Average annual timber volume harvest has increased over 50% during the time the Executive Secretary has been with the agency. While there are some parcels of land that are outliers and have some challenges in their harvesting, in general, BCPL harvests approximately 80% of its productive forest growth, which is comparable to the experiences in the county forests lands.

The Executive Secretary identifies a number of FY2015 accomplishments in the land and timber management area, timber harvest reached about 4 million board feet, with revenue of approximately \$500,000. Changing to 3 year timber harvest contracts has helped eliminate upward and downward spikes in revenues that result from environmental conditions such as abnormally wet conditions that existed last winter. 480 acres were sold as part of the land consolidation process, and approximately 80 acres were purchased in FY2015. These totals were significantly below the average pace since being granted land bank authorization. The BCPL also completed its FSC Certification. As a result of disposal of scattered parcels, the agency has experienced approximately 200 hours in reduced staff time that resulted previously from travel, as well as greater fuel cost savings and increased timber production. The Executive Secretary identifies several goals for FY2016, which include improving timber management efficiencies by continuing to optimize land consolidation efforts, completing necessary steps to stay on course for a large trade with the USFS, and continue to engage Oneida County to attempt to begin a large land exchange involving approximately 1,000 acres.

The Executive Secretary and I have had extensive discussions regarding the several parcels that present some timber harvest challenges and she recognizes the need to work to

resolve those challenges. The Executive Secretary will move forward to engage stake holders in participating in the timber marking at the Mud Lake site. This is in response to concerns that were brought to my attention earlier in the year, and I am pleased with the responsiveness of the Executive Secretary and her timber management staff to those concerns.

In the land records area, the Executive Secretary has, in her time with the agency, worked to make the land records storage facility safer and more secure for the records. The prior archivist was not able to locate records within a reasonable time, and was resistant to use the of electronic systems for managing and locating records. After that employee was placed on probation with performance goals and benchmarks, the employee was ultimately terminated for failure to make the necessary improvements. A trained and skilled archivist was hired, and that archivist has made substantial progress on clearing the titles of the approximately 1500 BCPL parcels which did not have clear title. The archivist is also working on conversion of the records to electronic format, which will make them easier to locate and more accessible.

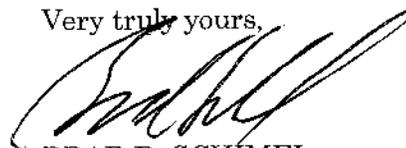
FY2015 accomplishments included examination of the title to hundreds of BCPL parcels in four different counties and clearing of the titles to those parcels. Numerous land patent records have been compiled and organized. The Executive Secretary has set FY2016 goals to include resolving title issues for the remaining parcels, improving records accessibility and developing a parcel-level land database.

The Executive Secretary also noted other successes, which include what she believes to be an exceptional "team spirit" work environment. She led the agency through a branding process which resulted in a new logo and communications materials. She also oversaw the reorganization of the IT Department and has pressed the agency to become as transparent as possible.

Given that formal annual evaluations have not occurred in the past, it is a little difficult to parse out FY2015 performance from overall performance. Hopefully, with the commencement of an annual performance evaluation process and specific goals and benchmarks being put in place each year, we will be able to more easily look at each individual year in future evaluations.

The first 6 months of 2015 have certainly seen considerable turmoil at the BCPL which has resulted from election of new Commissioners. In spite of the turmoil, the Executive Secretary has continued her work on her goals for the agency, and has maintained a staff that remains motivated and committed to the success of the agency. This is a satisfactory performance evaluation, and the goals set by the Executive Secretary for FY2016 are appropriate and measurable.

Very truly yours,



BRAD D. SCHIMEL  
Attorney General

cc: Tia Nelson

**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 5  
DISCUSS QUARTERLY INVESTMENT REPORT**

**BCPL Trust Fund Investment Management  
Investment Report - Second Quarter 2015**

**Executive Summary** - BCPL investment management continues to outperform benchmark returns by a substantial margin, earning an additional \$2.06 million for beneficiaries during the second quarter of 2015 when compared to an investment in the benchmark portfolio.

**Q2 Investment Highlights and Outlook**

Interest rates trended somewhat higher during the second quarter of 2015, but remained volatile and subject to economic and political uncertainty in Europe and China. From a historical perspective, rates remain extremely low and may remain in a lower trading range into the foreseeable future. Many economists view the current interest rate market as the ‘new normal’, and do not expect rates to return to pre-recessionary levels. If these theories hold true, returns from fixed-income investments will remain anemic for many more years.

BCPL staff was instrumental in negotiations to structure financing of the new arena to be leased to the Milwaukee Bucks. If that package is approved by the State Legislature, BCPL staff expects an opportunity to invest in loans and/or bonds to finance the project. More importantly, the legislation includes a provision to change BCPL investment authority from the current list of statutorily-approved fixed income investments to the Prudent Investor Standard. Staff believes that this is a crucial change that will allow beneficiaries to gain from new investment opportunities. The end result will be higher returns for our beneficiaries at lower overall risk.

**Summary and Benchmark Comparison**

Expected yield is now included in the quarterly investment summary (see attached). The expected yield provides a good snapshot of projected future income, and provides the Board with the ability to measure changes in the projected income over time. In contrast, the investment summary also includes the SEC yield, which is a more volatile number used solely to compare our portfolio to our benchmark and other professionally managed funds. If interested, the notes to the investment summary provide additional detail on these calculations, and include a description of BCPL benchmark components.

The expected yield of funds managed by BCPL was 3.42% on June 30. This calculation is reduced by the large amount of cash currently held within the portfolios combined with the low rate of return at the State Investment Fund. Cash levels remain elevated partly due to staff expectations of investment opportunities from the arena project and from implementation of the Prudent Investor Standard. Average returns on bond and loan investments remain near 4.0%.

Trust Fund investments continue to generate much better yields than our benchmark. After adjusting performance to isolate returns from active investment management, BCPL outperforms our benchmark by 0.82%. This means that Trust Fund earnings from active BCPL portfolio management during the quarter were \$2.06 million greater than would have been earned by investing in the benchmark portfolio.

# BCPL Investment Summary

2nd Quarter 2015

as of June 30, 2015

Portfolio Summary	Total Assets	Expected Yield <sup>1</sup>	SEC Yield <sup>2</sup>	Average Credit Quality <sup>3</sup>	Weighted Avg Maturity
Total BCPL Managed Financial Assets	\$1,002,449,716	3.42%	3.47%	Aa1	9.80
Benchmark Performance <sup>4</sup>			3.03%	A1	8.98
<b>BCPL Components</b>					
	% of Total BCPL Managed Assets				
State/Municipal and Farm Credit Bonds					
Common School Fund Bonds		3.97%	4.07%	Aa2	15.46
Normal School Fund Bonds		4.08%	4.04%	Aa3	15.33
Agricultural College Fund Bonds		3.67%	4.39%	Aa3	14.18
University Fund Bonds		4.25%	4.90%	Aa2	15.23
Total BCPL Bond Portfolio	49.72%	3.97%	4.07%	Aa2	15.46
<b>Other Financial Assets</b>					
BCPL State Trust Fund Loans	35.80%	3.99%	3.99%	Aa1	5.90
Cash - State Investment Fund <sup>5</sup>	14.48%	0.14%	0.14%	Aaa	0.00
Total BCPL Loans and SIF	50.28%	2.88%	2.88%	Aa1	4.20
<b>Benchmark Components</b>					
	Weighting				
S&P Long Intermediate Term Taxable Municipal Bond Index <sup>6</sup>	60.00%	3.63%	3.94%	Aa3	10.02
S&P U.S. Treasury Bill Index <sup>7</sup>	10.00%	0.03%	0.02%	Aaa	0.25
Wisconsin Tax-Exempt Bond Mutual Funds (combined) <sup>8</sup>	30.00%	N/A	2.22%	Baa2	9.82
<b>Important Notes on Following Page</b>					

Prepared by Richard Snieder

**Notes to BCPL Benchmark Comparison:**

1. **Expected Yield** is the weighted average yield to the redemption date for each bond, and assumes that issuers will redeem bonds at the earliest possible date, when it is in their best interest given current market interest rates. Also called 'yield-to-worst', this number is equal to the lower of the 'yield to call' and 'yield to maturity' for each bond in the portfolio.
2. **SEC Yield** - The SEC yield should not be confused with the expected yield on invested funds. The SEC yield will vary substantially with market conditions because it is calculated using the current market value of assets, and the value of fixed income assets fluctuates with market interest rates. For example, although interest payments produced by an individual bond remain constant following the issuance of the bond, the SEC yield on this bond will increase with market interest rates solely because the value of the bond decreases (yield = income/value). If all bonds are held to maturity, the actual return to the investor would equal the "yield to maturity at cost". This calculation is not provided for benchmark components and is therefore not included in this comparison. Many investors prefer to use "yield to worst", which calculates the return using the lower of the "yield to call" and "yield to maturity". The most appropriate method to compare bond portfolios is to look at Total Return, which combines both income and changes in the market value of the underlying assets (see note 8 below). BCPL does not have the ability to use Total Return as a method of comparison because the Trust Fund Loan Portfolio has never been valued. Rather, the SEC Yield is used for comparison because it is a standardized methodology for calculating yield as required by the Securities and Exchange Commission for all mutual funds and provides a means to compare BCPL managed funds to a simple benchmark. The SEC yield is a close approximation to the net yield to maturity of the fund using the current market value of the fund, and is calculated as the yield to the investor (after fund expenses and fees) during the previous 30 days assuming all bonds are held to maturity. The SEC Yield for the State Investment Fund is for the most recent month available.
3. **Average Credit Quality** - Except for the BCPL loan portfolio, all average credit quality ratings shown equal the weighted average credit rating of individual securities held within each portfolio. A rating for the loan portfolio is provided to improve the ability to compare BCPL managed funds to other funds. The Aa1 rating presumed for the loan portfolio is considered reasonable, as there has not been a single default in the State Trust Fund loan program since inception in 1871, and BCPL has the statutory right and requirement to cure any future default by intercepting state aid otherwise due the borrower. Mutual Fund credit quality is provided by Morningstar. The global long-term rating scale of Moody's Investor Services begins at 'Aaa' for obligations judged to be of the highest quality, subject to the lowest level of risk. The ranking in order from highest to lowest quality then includes: Aa, A, Baa, Ba, B, Caa, Ca, and C. Ratings from Aa to Caa are modified with 1, 2, or 3 to provide a high, middle and low ranking within each alphabetic category. 'Investment-grade' securities have ratings of Baa3 or higher.
4. **Benchmark Components and Weighting** - Due to the unique set of BCPL authorized investments consisting primarily of the BCPL State Trust Fund Loan Program, and bonds issued by the State of Wisconsin and Wisconsin municipalities and school districts, there are no managed funds that perfectly match the characteristics of the BCPL portfolio. However, the chosen benchmark components provide the best opportunity to compare BCPL investments to funds managed by other professionals. The justifications of including individual benchmark components are provided below. Component weighting begins with an estimate of average liquidity levels required throughout the year, with additional factors including an estimate of the proportion between taxable and tax-exempt project funding, and the use of current taxable and tax-exempt bond yields in developing program interest rates.
5. **State Investment Fund** - When looking at investments made within the State Investment Fund, there will be a weighted average maturity and duration greater than that indicated on the previous page. However, because our deposits within the State Investment Fund are available for immediately withdrawal, the use of 0.00 for both average maturity and duration in portfolio calculations is appropriate.
6. **S&P Long Intermediate Term Taxable Municipal Bond Index** - This taxable municipal bond index is included as a benchmark component because it properly reflects the investment strategies of BCPL managed Trust Funds, including both the direct investment in taxable municipal bonds and the influence of taxable bond yields on the development of loan program interest rates. The S&P Long Intermediate Term Taxable Municipal Bond Index matches the weighted average maturity and duration of total BCPL managed funds fairly well, although BCPL maintains better average credit quality. This index is comprised of all taxable bonds issued by any state (including the Commonwealth of Puerto Rico and U.S. territories such as the U.S. Virgin Islands and Guam) with an investment grade rating (minimum S&P BBB- or Moody's Baa3), a minimum par amount of \$1 million, and remaining maturity between 5 and 15 years. Average credit quality level is not published by S&P, but was calculated at the weighted average rating of amounts held within the separate S&P AAA, AA, A, and BBB Rated Taxable Municipal Bond Indices using a formula developed by Schwab Portfolio Center, the portfolio analysis software used by BCPL. Overall, a weighting of 60% is appropriate given the average levels of cash and tax-exempt investments held by the Trust Funds throughout the year.
7. **S&P U.S. Treasury Bill Index** - The U.S. Treasury Bill index represents the average cash position held by the Trust Funds throughout the year, and is included because BCPL maintains significant levels of liquidity needed to fund expected trust fund loan demand over the next 3-6 months. The amount of portfolio liquidity (cash) varies significantly throughout the year, and is impacted by factors including the interest rate environment, the absence of prepayment penalties within the loan program, and the statutory payment structure requiring annual loan payments on March 15 each year. The S&P U.S. Treasury Bill index is a market weighted index that includes all U.S. Treasury Bills with maturities ranging from 0-12 months. Because an index is not a managed portfolio, but only a collection of securities within a specific set of criteria, management expenses are not included. Overall, a weighting of 10% for this benchmark component is appropriate given the average levels of cash held by the Trust Funds throughout the year.
8. **Wisconsin Tax-Exempt Bond Funds** - Tax-exempt bond funds are included as a benchmark component for three reasons: BCPL invests directly in tax-exempt bonds when available at acceptable terms; a significant portion of loans made through the BCPL State Trust Fund Loan Program fund projects that would qualify as tax-exempt; and current tax-exempt bond yields are an important factor in the construction of loan program interest rates. There are three bond mutual funds that invest primarily in Wisconsin State and Municipal Bonds, investments that are similar to the securities approved for BCPL investment. These funds are sponsored by Wells Fargo, Nuveen and Nationwide Ziegler, and there are significant differences between the management of these mutual funds and BCPL trust funds. All three mutual funds are limited to tax-exempt investments, a universe of securities that generally provide lower yields than the taxable instruments favored by BCPL. On the other hand, all three of these funds invest substantial amounts in bonds that have considerable default risk including bonds issued by the Commonwealth of Puerto Rico, community development revenue bonds, hospital revenue bonds, and other bonds types not available within the risk parameters of the BCPL investment authority. Overall, a weighting of 30% for this benchmark component is appropriate given the level of Trust Fund investment in tax-exempt instruments and the influence of tax-exempt bond rates on the interest rates charged within the loan program.
9. **Total Return Analysis** - A total return analysis including the periodic change in asset values in addition to earnings would provide a more comprehensive and accurate comparison between the returns generated by BCPL managed funds and our benchmark. However, total return analysis requires accurate asset valuation in order to provide a reasonable basis for measuring management performance. A significant portion of BCPL managed assets are invested in loans to municipalities and school districts through the BCPL State Trust Fund Loan Program. BCPL has never sold a trust fund loan and has always held these investments to maturity. There is currently no formula or model available to determine an accurate market value of the loan portfolio. Should BCPL sell loans in the future and establish a secondary market in BCPL State Trust Fund Loans, total return analysis may provide an improvement over the current method of yield comparison as the model for measuring BCPL investment performance against the appropriate benchmarks.

**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 6  
PROPOSED LAND BANK SALE TO THE U.S. FOREST SERVICE  
(S1006 – POPPLE RIVER)**

The United States Forest Service (“Forest Service”) has determined that 560 acres of BCPL Trust Lands in Forest County are required for Forest Service use.

BCPL staff recommends the sale of the property to the Forest Service for the following reasons:

- The property is an isolated, landlocked parcel containing over 330 acres of wetlands and non-productive forested land.
- The property is surrounded by the Chequamegon-Nicolet National Forest;
- The property does not provide access to other BCPL lands;
- Sale of the property will improve management efficiency and eliminate an inholding within another government boundary.

Attachments:

*Resolution w/Exhibits*

*Exhibit A - BCPL Sale Criteria*

*Exhibit B - Appraisal Certification*

*BCPL Project Map*

**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 6  
PROPOSED LAND BANK SALE TO THE U.S. FOREST SERVICE  
(S1006 – POPPLE RIVER)**

**RECITALS**

- A. The United States Department of Agriculture, United States Forest Service (the “U.S. Forest Service”) has determined that certain property currently owned by the Board of Commissioners of Public Lands, more particularly described as the Southeast ¼ of the Southwest ¼ (SESW), of Section Six (6), North ½ of the Northeast ¼ (N ½ NE), Southeast ¼ of the Northeast ¼ (SENE), East ½ of the Southwest ¼ (E ½ SW), Northeast ¼ of the Southeast ¼ (NESE) and West ½ of the Southeast ¼ (W ½ SE), of Section Seven (7), Southwest ¼ (SW ¼), and Southwest ¼ of the Southeast ¼ (SWSE) of Section Eight (8), all located in Township Thirty-eight (38) North, Range Fourteen (14) East, Popple River Township, Forest County, Wisconsin totaling approximately 560 acres in size (the “Popple River Property”) is required for federal use as National Forest.
- B. The Popple River Property has been evaluated by BCPL staff against sale criteria previously adopted by the Board. The Popple River Property has been determined by BCPL staff to be appropriate for sale according to such criteria. A copy of the sale analysis is attached to this resolution as Exhibit A.
- C. The Popple River Property transaction was previously approved by the board for sale to the U.S. Forest Service in August 17, 2010, as part of a package of eight transactions totaling 1,253.58 acres. The lands were appraised at that time at a value of \$1,175.00 per acre.
- D. The U.S. Forest Service did not have sufficient funding to complete the purchase of all such lands by the approved deadline. .
- E. The Popple River Property has been recently re-appraised by Sandra A. Anderson at a value of Fifteen Hundred Fifty Dollars (\$1,550) per acre for a total of Eight Hundred Sixty Eight Thousand Dollars (\$868,000). A copy of the Certification of the Appraisal has been attached to this resolution as Exhibit B.
- F. The U.S. Forest Service has offered to pay the sum of Eight Hundred Sixty Eight Thousand Dollars (\$868,000) to acquire the Popple River Property. The offered price is equal to the appraised value.
- G. BCPL staff recommends that the Board authorize the sale of the Popple River Property to the U.S. Forest Service at the appraised value of \$868,000.

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Commissioners of Public Lands approves the sale of the Popple River Property to the U.S. Forest Service at the price of Eight Hundred Sixty Eight Thousand Dollars (\$868,000) in accordance with Chapter 24 of the Wisconsin Statutes on such terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transaction.

Board of Commissioners of Public Lands  
Summary Analysis of Potential Property Sale  
Transaction ID#: S1006

Common Name for Land Parcel Popple River

County Forest Township Popple River

Legal Description The SESW of Section 6, the SENE, NENE, NWNE, NESE, NWSE, SWSE, SESE, NESW, SESW of Section 7, the SW ¼ and SWSE of Section 8, all in T38N, R14E

GLO Acres 560

Sale Criteria

1. Title

- Ownership verified with Register of Deeds
- Title appears merchantable

2. Timber Management

- Parcel is located outside of Consolidation Zone
- Parcel is an isolated or unproductive parcel within the Consolidation Zone
- Parcel is a deferred natural area

3. Access

- Parcel does not provide the only reasonable access to other BCPL parcels that will be retained.
- If parcel does provide the only reasonable access to other BCPL parcels to be retained, a public access easement across the parcel has been reserved.
- Parcel has no current access

4. Parcel Required By Other Government Entity

- The parcel is located within a project boundary of another government agency or adjacent to a parcel of land owned by another unit of government.
- Parcel is otherwise required by another unit of government.

I recommend that BCPL sell the above property on terms and conditions acceptable to BCPL:

- Yes
- No

  
Signature of Forest Land Supervisor

8/6/09  
Date

I accept the recommendation of the Trust Lands Forestry Supervisor and direct the staff to proceed accordingly.

- Yes
- No

  
Executive Secretary

8/27/09  
Date

### III. DATA ANALYSIS AND CONCLUSIONS

#### APPRAISER'S CERTIFICATION

I certify to the best of my knowledge and belief:

1. The statements of fact contained in the report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions, limiting conditions and legal instructions and are my personal, unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property appraised or any personal interest or bias with respect to the parties involved, other than being employed by the United States Department of Agriculture - Forest Service.
4. The compensation received for the appraisal is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
5. The appraisal was made and the appraisal report prepared to be consistent with the Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice* except to the extent that the *Uniform Appraisal Standards for Federal Land Acquisitions* required invocation of USPAP's Jurisdictional Exception Rule, as described in Section D-1 of the *Uniform Appraisal Standards for Federal Land Acquisitions*.
6. The appraisal was made and the appraisal report prepared to be consistent with the State certification requirements where the appraised property is located or as a result of assumed reciprocity with the State in which I am certified or as provided for by the Office of Management and Budget Bulletin No. 92-06, dated March 16, 1992, that provides Federal employees need only be licensed or certified in one State or territory to perform real estate duties as Federal employees in all States and territories.
7. I have made a personal inspection of the appraised property which is the subject of this report and all comparable sales used in developing the opinion of value. The date of the final inspection is May 12, 2015 and the method of inspection was by foot.
8. Board of Commissioners of Public Lands was given the opportunity to accompany me on the property inspection and Terry Hess, Realty Specialist for BCPL, me. Jeremy Hubbard, Wildlife Technician, USDA Forest Service went on the inspection.
9. I have not performed additional work on the subject property in the preceding three years.
10. No one provided significant professional assistance.

**III. DATA ANALYSIS AND CONCLUSIONS**

11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

This opinion of market value is subject to all the assumptions and limiting conditions that are made a part of this report. Please note the appraisal was completed subject to the following hypothetical condition and extraordinary assumption and their use might have affected the assignment results:

**Hypothetical Condition:**

None

**Extraordinary Assumption:**

The property is unaffected by hazardous material, and if found to be so affected, the property shall be cleaned up or the effect of the hazardous substances or petroleum products shall be remediated prior to conveyance.

In my opinion, the market value of the subject property as of May 12, 2015 is:

**\$868,000 (\$1,550 per acre)**

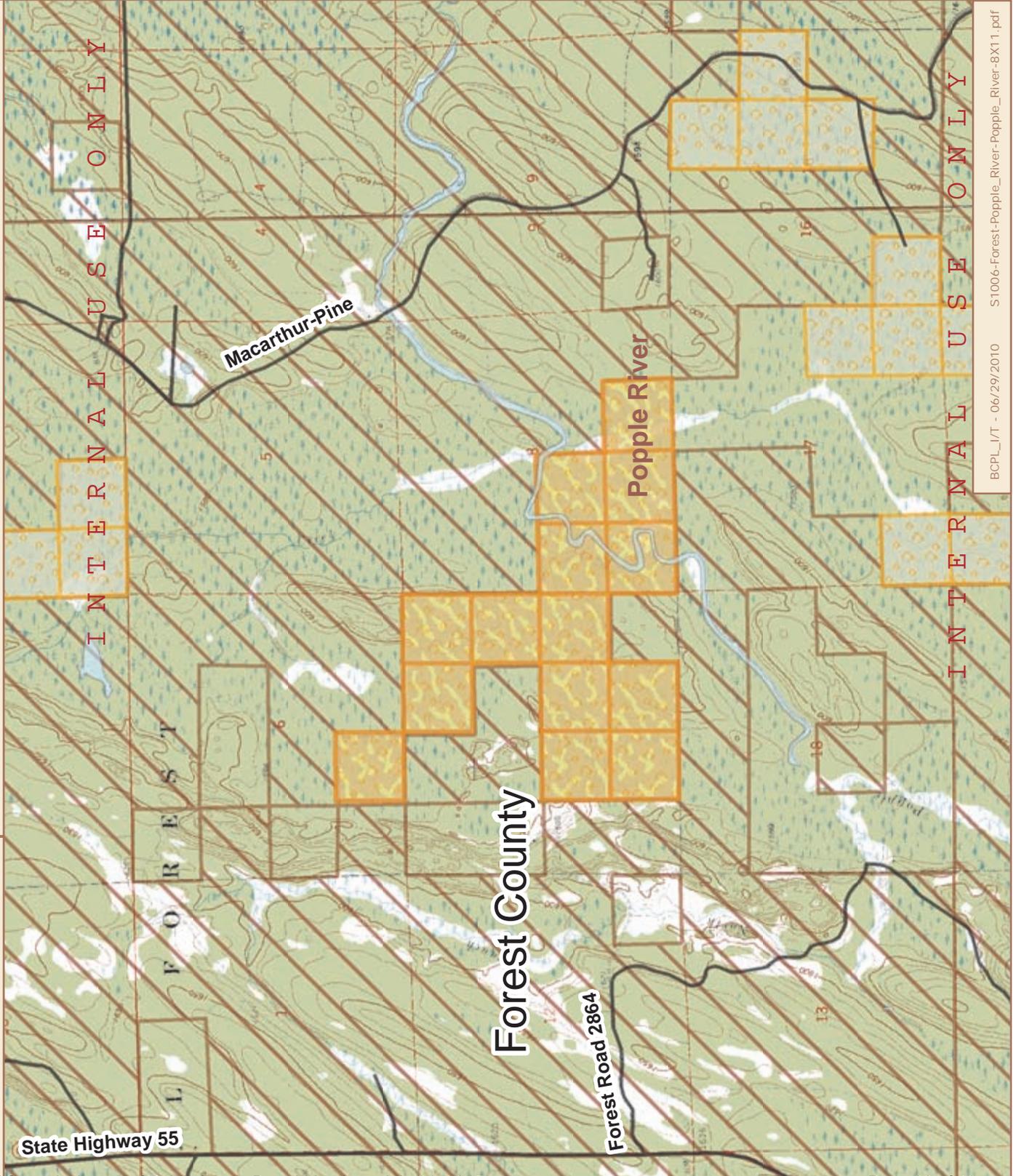
**\$868,000**

**Eight Hundred Sixty Eight Thousand Dollars**

*Sandra A. Anderson*

SANDRA A ANDERSON, MAI  
Qualified Appraiser  
Certified General Appraiser and Licensed Appraiser  
Wisconsin License #1589-010, Expires 12/14/2015

June 5, 2015  
Date



State Highway 55

Forest Road 2864

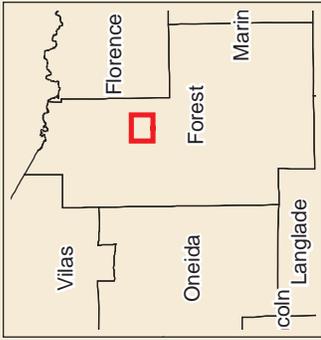
Forest County

Macarthur-Pine

Popple River

I N T E R N A L U S E O N L Y

I N T E R N A L U S E O N L Y



BCPL Project #: S1006  
County: Forest  
Town: Popple River  
Common Name: Popple River  
Acres - 560.00  
Fund 745

**Agenda Item 6  
Map**



- Outgoing**
- Other BCPL Land**
- DNR PROJECT LANDS**
- COUNTY FOREST**



**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 7  
DISCUSS NORMAL SCHOOL FUND POTENTIAL EARNINGS**

Attached for discussion are exhibits submitted / produced by Commissioner Adamczyk.

<b>Let's Say Land is Worth</b>	<b>\$100,000,000</b>	<b>Annual Rate</b>
Yearly with BCPL rates	\$4,000,000	4.00%
Yearly with PCF equity	\$6,370,000	6.37%
Yearly with PCF Bonds	\$5,930,000	5.93%
<b>Over Biennium to UW with BCPL rates</b>	<b>\$8,000,000</b>	
<b>Over Biennium to UW with PCF equity rates</b>	<b>\$12,740,000</b>	
<b>Over Biennium to UW with PCF Bond rates</b>	<b>\$11,860,000</b>	
<b>Let's Say Land is Worth</b>	<b>\$75,000,000</b>	<b>Annual Rate</b>
Yearly with BCPL rates	\$3,000,000	4.00%
Yearly with PCF equity	\$4,777,500	6.37%
Yearly with PCF Bonds	\$4,447,500	5.93%
<b>Over Biennium to UW with BCPL rates</b>	<b>\$6,000,000</b>	
<b>Over Biennium to UW with PCF equity rates</b>	<b>\$9,555,000</b>	
<b>Over Biennium to UW with PCF Bond rates</b>	<b>\$8,895,000</b>	
<b>CURRENT MONEY In Normal School Fund</b>		
Fund Balance approximately	<b>\$26,000,000</b>	
At 4% rate we would be giving UW yearly	\$1,040,000.00	
<b>Over Biennium UW would get</b>	<b>\$2,080,000.00</b>	

<b>BCPL already sold acres in the amount of</b>	<b>\$16,499,785</b>	<b>Annual Rate</b>
Yearly with BCPL rates	\$659,991	4.00%
<b>Over Biennium to UW with BCPL rates</b>	<b>\$1,319,983</b>	

**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 8  
DISCUSS NORMAL SCHOOL FUND DISTRIBUTION  
CHANGES IN BUDGET UNDER 36.49**

Attached for discussion are exhibits submitted / produced by Commissioner Adamczyk.

eliminated, the board shall use such fees as provided under sub. (1).

History: 1989 a. 31.

**36.45 Research funding.** (1) In its biennial budget request under s. 16.42, the board shall specify the anticipated completion date of all research and public service projects for which the board is requesting general purpose revenue.

(2) When the board prepares a fiscal estimate under s. 13.093 (2) (a) with respect to the provisions of any bill that involves the appropriation of general purpose revenue to the board for a research or public service project, the board shall specify in its fiscal estimate the anticipated completion date of the project.

(3) By September 1, 1992, and biennially thereafter by September 1, the board shall report to the governor and the joint committee on finance the purpose, duration, cost and anticipated completion date of all research and public service projects for which the board is expending general purpose revenue.

(4) The board shall report annually by September 1 to the joint committee on finance the number of research contracts considered under processes established under s. 36.11 (55m) (e) and the outcome of those contracts.

History: 1991 a. 39; 2013 a. 289.

**36.46 Auxiliary reserves.** (1) The board may not accumulate any auxiliary reserve funds from student fees for any institution in an amount that exceeds an amount equal to 15% of the previous fiscal year's total revenues from student segregated fees and auxiliary operations funded from student fees for that institution unless the reserve funds are approved by the secretary of administration and the joint committee on finance under this subsection. A request by the board for such approval for any fiscal year shall be filed by the board with the secretary of administration and the cochairpersons of the joint committee on finance no later than September 15 of that fiscal year. The request shall include a plan specifying the amount of reserve funds the board wishes to accumulate and the purposes to which the reserve funds would be applied, if approved. Within 14 working days of receipt of the request, the secretary of administration shall notify the cochairpersons of the joint committee on finance in writing of whether the secretary proposes to approve the reserve fund accumulation.

(2) Notwithstanding sub. (1), if, within 14 working days after the date of the secretary's notification, the cochairpersons of the committee do not notify the secretary that the committee has scheduled a meeting for the purpose of reviewing the secretary's proposed action, the proposed reserve funds may be accumulated. If, within 14 working days after the date of the secretary's notification, the cochairpersons of the committee notify the secretary that the committee has scheduled a meeting for the purpose of reviewing the secretary's proposed action, the proposed reserve funds may not be accumulated unless the committee approves that action.

History: 1985 a. 29; 1987 a. 27; 1997 a. 27, 237; 2011 a. 32.

**36.48 Alcohol and other drug abuse prevention and intervention programs.** The board shall appoint alcohol and other drug abuse prevention and intervention program counselors for the University of Wisconsin-Madison and the University of Wisconsin-Milwaukee. The counselors shall develop alcohol and other drug abuse prevention and intervention programs and train faculty, academic staff and classified staff in the prevention of and early intervention in alcohol and other drug abuse.

History: 1989 a. 31.

**36.49 Environmental program grants and scholarships.** From the appropriation under s. 20.285 (1) (rm), the board shall annually do the following:

(1) Make need-based grants totaling \$100,000 to students who are members of underrepresented groups and who are enrolled in a program leading to a certificate or a bachelor's

degree from the Nelson Institute for Environmental Studies at the University of Wisconsin-Madison.

(2) Provide annual scholarships totaling \$100,000 to students enrolled in the sustainable management degree program through the University of Wisconsin-Extension.

(3) Award the balance to the University of Wisconsin-Stevens Point for environmental programs.

History: 2009 a. 28; 2011 a. 32.

**36.51 Nutritional improvement for elderly.** (1) In this section:

(a) "Authorized elderly person" means any resident of this state who is 60 years of age or older, and the spouse of any such person.

(b) "Institution" includes any private institution of higher education.

(2) Any college campus or institution approved by the board may establish a system to provide the opportunity for authorized elderly persons to participate in its meal program. If a college campus or institution desires to establish such a service, it shall develop a plan for the provision of food services for elderly persons and submit the plan to the board. Annually, the board shall notify the department of public instruction of the approved college campuses and institutions.

(3) Each plan shall provide at least one meal per day for each day that school is in regular session. The college campus or institution may provide additional service at other times in its discretion, if the number of eligible persons in the area is of sufficient size, in the opinion of the board, so that unwarranted production expense is not incurred.

(4) Any college campus or institution that operates a food services plan for elderly persons under this section shall make facilities available for service to elderly persons at every facility that provides hot food service to its students. Upon application, the board may grant exceptions from compliance with this subsection for reasons of safety, convenience or insufficient interest in a given neighborhood.

(5) Meals may be served at schools where they are served to students or at any site more convenient to the majority of authorized elderly persons interested in the service. Food may be transported to authorized elderly persons who are unable to leave their homes or distributed to nonprofit organizations for such purposes. However, no state funds under this section may be used for food delivery to individual homes. The board may require consolidation of programs between college campuses and institutions and between schools if such a procedure will be convenient and economical.

(6) The college campus or institution may file a claim with the department of public instruction for reimbursement for reasonable expenses incurred, excluding capital equipment costs, but not to exceed 15% of the cost of the meal or 50 cents per meal, whichever is less. Any cost in excess of the lesser amount may be charged to participants. If the department of public instruction approves the claim, it shall certify that payment is due and the secretary of administration shall pay the claim from the appropriation under s. 20.255 (2) (cm).

(7) All meals served must meet the approval of the board, which shall establish minimum nutritional standards and reasonable expenditure limits consistent with the standards and limits established by the state superintendent of public instruction under s. 115.345 (6). The board shall give special consideration to the dietary problems of elderly persons in formulating a nutritional plan. However, no college campus or institution may be required to provide special foods for individual persons with allergies or medical disorders.

(8) Participants in a program under this section may be required to document their Wisconsin residency in a manner approved by the board. The board may issue identification cards to such persons if necessary. A college campus or institution may

## SENATE BILL 21

## SECTION 1290

Exhibit submitted / produced by Commissioner Adamczyk

1           **36.43 Accommodation of religious beliefs.** (intro.) The board shall  
2 promulgate ~~rules~~ adopt policies and procedures providing for the reasonable  
3 accommodation of a student's sincerely held religious beliefs with regard to all  
4 examinations and other academic requirements. The ~~rules~~ policies and procedures  
5 shall include all of the following:

6           **SECTION 1291.** 36.43 (1) of the statutes is amended to read:

7           36.43 (1) Written and timely notification of all students and instructors of the  
8 ~~rules~~ policies and procedures and complaint process.

9           **SECTION 1292.** 36.44 (1) of the statutes is renumbered 36.44.

10          **SECTION 1293.** 36.44 (2) of the statutes is repealed.

11          **SECTION 1294.** 36.45 of the statutes is repealed.

12          **SECTION 1295.** 36.46 of the statutes is repealed.

13          **SECTION 1296.** 36.48 of the statutes is repealed.

14          **SECTION 1297.** 36.49 of the statutes is repealed.

15          **SECTION 1298.** 36.51 (9) of the statutes is amended to read:

16          36.51 (9) The board shall adopt reasonable ~~rules~~ policies and procedures  
17 necessary to implement this section.

18          **SECTION 1299.** 36.52 of the statutes, as affected by 2011 Wisconsin Act 32, is  
19 repealed.

20          **SECTION 1300.** 36.53 of the statutes is repealed.

21          **SECTION 1301.** 36.54 of the statutes is repealed.

22          **SECTION 1302.** 36.55 of the statutes is repealed.

23          **SECTION 1303.** 36.56 of the statutes is repealed.

24          **SECTION 1304.** 36.58 of the statutes is renumbered 93.13, and 93.13 (2) (a) 3.  
25 and (c), (3) (b), (3m) and (4), as renumbered, are amended to read:

**BOARD MEETING  
MAY 17, 2011**

**AGENDA ITEM 6  
REQUEST FOR NORMAL SCHOOL FUND LEGISLATION CHANGES**

**Description of Pending Budget Legislation**

The governor's budget eliminates a position funded by Normal School Fund earnings thus resulting in Normal School Fund earnings being distributed to the state's general fund as General Purpose Revenue. BCPL staff believes that this budget provision is inadvertently not in keeping with Article X of the Wisconsin Constitution regarding the Normal School Fund.

BCPL staff is requesting permission from the Board to work with the legislature in crafting legislation that would designate Normal School Fund earnings for appropriate higher education purposes in keeping with the original constitutional directive.

**Historical Overview**

The school fund benefitting the "normal schools" or teacher colleges was established in the Wisconsin Constitution in 1848. With funding from the Swamp Land Grant, the normal school fund started generating earnings in 1866 to support teacher colleges in Wisconsin. In 1964, almost one hundred years later, the Wisconsin State Colleges became the Wisconsin State Universities. One year later, in the Budget Bill (Act 163), the legislature added a provision to BCPL's statutes that provided that "*...all receipts from earnings on the normal school fund shall be paid into the general fund as general purpose revenue.*" Although the original normal schools were no longer called "normal schools," the institutions themselves remained and their mission with respect to higher education continued. Therefore, the legislature's act appeared to be an unconstitutional diversion of trust fund earnings.

For years, the Normal School Fund was managed passively with most of the principal invested in the State Investment Fund. During that time, the limited net earnings of the Normal School Fund rendered the beneficiary designation an almost inconsequential point.

However, starting in FY '05, BCPL staff invested the principal of the Normal School Fund in State Trust Fund Loans and State of Wisconsin general obligation bonds in the same manner as the Common School Fund. By 2009, the Normal School Fund was poised to start generating several hundred thousand dollars of distributable earnings per year. In the budget bill that year, the legislature adopted a provision which directed that most of the earnings of the Normal School Fund would be used for UW scholarships and environmental education for teachers, thus bringing the beneficiary designation of the Normal School Fund back into alignment with its original constitutional directive. However, the law still provided that any excess earnings of the Normal School Fund would be deposited in the general fund.

**Proposed Budget legislation affecting Normal School Fund**

The current proposed budget bill contains a provision (Section 866 of Assembly Bill 40) that deletes Normal School funding for the Department of Public Instruction's environmental education program thereby reinstating more of the diversion of Normal School Fund earnings to the general fund. BCPL staff believes that any additional earnings of the Normal School Fund should be distributed to the UW System as the successor in interest to the Normal Schools.

**Proposed Resolution**

BCPL staff respectfully requests permission from the Board to work with the legislature to craft legislation that will direct all net earnings of the Normal School Fund to designated recipients within the UW System

**Whereas** the Normal School Fund was established in Article X of the Constitution to benefit higher public education in Wisconsin;

**Whereas** Section 866 of the proposed budget bill would direct more Normal School Fund earnings to the general fund as General Purpose Revenue;

**Whereas** the Board of Commissioners of Public Lands believes that in keeping with Article X of the State Constitution, the earnings of the Normal School Fund should be dedicated to higher public education in the State of Wisconsin; and

**Whereas** the legislature has stated a commitment to not raiding segregated funds.

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Commissioners of Public Lands hereby authorizes and directs the Executive Secretary to work with the legislature to craft legislation that would designate Normal School Fund earnings for appropriate higher education purposes in keeping with the original constitutional directive.

#### **ITEM 4. DISCUSS STAFF COMMENTS TO PRESS**

The Board discussed comments that were attributed to Executive Secretary Nelson, which appeared in an alternative weekly news source in Minneapolis. Commissioner Adamczyk said he found the remarks to be unacceptable. Executive Secretary Nelson replied that she was unfamiliar with the article and asked that he send her a copy of it.

#### **ITEM 5. DISCUSS NORMAL SCHOOL FUND**

Commissioner Adamczyk questioned why the Normal School Fund earnings were being distributed to the UW System to support environmental scholarships and programs. He said his preference would be for the earnings to be deposited into the State's GPR fund or given to the UW as a whole rather than to targeted programs. Executive Secretary Nelson explained the history behind the distribution. She said that the distribution of the funds to those specific programs is determined by the Governor and the Legislature.

#### **ITEM 6. DISCUSS INVESTMENT OPTIONS**

Commissioner Adamczyk compared investment earnings between SWIB and BCPL, stating that SWIB earnings were 1% higher than BCPL's. He thought the Board should consider having SWIB invest some of BCPL's funds. Executive Secretary Nelson replied that the Board can delegate certain investment authority to SWIB. She said she worked for many years to obtain this authority from the Legislature and the Governor's office. She has been actively engaged in negotiations with SWIB, which is now under new leadership. Richard Sneider, the Board's portfolio manager, added that Commissioner Adamczyk's comparison was "apples-to-oranges" because the reported income at SWIB includes unrealized capital gains, while the income reported by BCPL includes only interest earned. Mr. Sneider said that the BCPL report referred to by Commissioner Adamczyk does not include over \$17 million in unrealized capital gains in BCPL's portfolio.

*[Commissioner La Follette excused himself from the meeting.]*

#### **ITEM 7. DISCUSS AND VOTE ON TOM GERMAN'S ATTENDANCE AT WSLCA SUMMER CONFERENCE**

The Board did not discuss this topic.

#### **ITEM 8. FUTURE AGENDA ITEMS**

Board Chair Schimel said the board would revisit the vote on climate change per Commissioner La Follette's request.

#### **ITEM 9. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary Nelson updated the Board on her presentation to the Oneida County Forestry Committee and said the Committee expressed interest in approximately 700 acres of School Trust Lands that are located within the Oneida County Forest boundaries. She also reported that the Governor's errata budget request for BCPL was approved by the Joint Finance Committee. She also reported that discussions continue on the Milwaukee Bucks Arena financing options.

#### **ITEM 10. ADJOURN**

The Board adjourned at 2:40 PM.



Tia Nelson, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim. Link to audio recording: [ftp://doaftp1380.wi.gov/doadocs/BCPL/2015-05-19\\_BCPL-BoardMtgRecording.mp3](ftp://doaftp1380.wi.gov/doadocs/BCPL/2015-05-19_BCPL-BoardMtgRecording.mp3)

**Adamczyk, Matt - OST**

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**Subject:** FW: Normal School Fund history

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**From:** Nelson, Tia - BCPL

**Sent:** Tuesday, May 19, 2015 11:30 AM

**To:** Adamczyk, Matt - OST; Schimel, Brad - DOJ; La Follette, Doug J - SOS

**Cc:** BCPL DL All Staff; Churchill, Susan J - SOS; Cook, Andrew C - DOJ

**Subject:** Normal School Fund history

### **NORMAL SCHOOL FUND EARNINGS AND DISTRIBUTIONS OVER THE LAST 50 YEARS**

- For 100 years, the Normal School Fund (“NSF”) had benefited public higher education in Wisconsin. This was done in accordance with Article X of the Wisconsin Constitution (which required the earnings of the Fund to be *exclusively* applied for the benefit of the Normal Schools). Starting in 1865, the NSF benefited Normal Schools which became the State Teacher Colleges which became the Wisconsin State Colleges.
- In 1964, the Wisconsin State Colleges became the Wisconsin State Universities.
- In the 1965 budget bill (Act 163), the legislature added the provision “*all receipts from earnings on the normal school fund shall be paid into the general fund as general purpose revenue.*” This diversion of NSF earnings was a clear mistake. The Wisconsin State Universities were the clear successor in interest to the Normal Schools and as such, should have become the beneficiaries of the NSF. Diverting the income of the NSF into the general fund was not within the constitutional authority of the legislature as such action did not conform to the ruling in Owen v. Donald. The NSF faded from public view as it became a minor funding vehicle for all of state government.
- Over the next 40 years, the NSF was often passively managed and produced nominal investment earnings. Earnings from the State Investment Fund were swept into the state General Fund even before expenses for the NSF were paid. By 2003, gross earnings for the Fund had dropped to less than \$78,000. NSF Timber revenue was less than \$225,000. Today it is more than twice that amount.
- When I was hired, and subsequently hired Tom, we immediately worked to set things right. The NSF was once again fully and actively invested. All outstanding NSF debts were paid off. Gross investment earnings rose and the Fund started producing distributable earnings again.
- In 2009, I asked the legislature to review the history and legality of the diversion of the NSF earnings distributions. Based upon this legislative review, in the 2009 budget bill, the legislature rededicated the NSF to public higher education in Wisconsin with earnings directed to the UW and DPI.
- In the 2011 budget bill, the legislature dedicated all earnings of the NSF to the UW.

Tia Nelson, Executive Secretary  
Board of Commissioners of Public Lands  
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11. Loan repayments made on behalf of physicians, dentists, and health care providers who do not practice in rural areas but otherwise meet the criteria of the loan assistance programs are funded with \$488,700 PR-tribal gaming transferred from the DOA. (Some physicians receive loan repayments from both the CAH trust fund and the PR-tribal gaming funds.) In addition to deleting the funds from the CAH trust fund, the Governor's budget would also delete the PR-tribal gaming funds provided for this program. Additional information on the physician and dentist and health care provider loan assistance programs and the proposed deletion of the PR-tribal gaming funds provided for the program is provided in the LFB budget paper titled "Delete Tribal Gaming Funding."

### **Environmental Program Grants and Scholarships**

12. 2009 Act 28 provided \$200,000 annually from the interest and income of the normal school fund to the UW System through a new appropriation. Of the amount provided, \$100,000 was to be used to provide need-based grants to students who are members of underrepresented groups and who are enrolled in a program leading to a certificate or a bachelor's degree from the Nelson Institute for Environmental Studies at UW-Madison. The remainder of the funding provided was to be used for scholarships for students enrolled in the UW-Extension's sustainable management degree program. Under 2011 Act 32, the appropriation was modified to provide that all income and interest from the normal school fund should be transferred to the UW System and the appropriation was reestimated at \$300,000 annually. Of that amount, \$200,000 is used to fund the grant and scholarship programs created by 2009 Act 28 and any additional funding is transferred to UW-Stevens Point to fund environmental programs. In 2013-14, UW-Stevens Point received \$100,757 in income and interest from the normal school fund. These funds were used to support an outreach program manager position. This position serves as the Department of Public Instruction environmental education consultant.

13. The normal school fund was created by the state Constitution to provide funds to support and maintain academies and normal schools and suitable libraries and apparatus for those institutions. The normal schools trained K-12 teachers and later became known as state teachers colleges and then the Wisconsin State Colleges. In 1971, the Legislature passed legislation to merge the University of Wisconsin and the Wisconsin State Colleges thereby creating the UW System. Because the former normal schools are now part of the UW System and UW institutions continue to train K-12 teachers and offer degrees in education, the UW System is the beneficiary of the earnings of the normal school fund. If the interest and income of the normal school fund is not appropriated to the UW System, those moneys would accumulate in the normal school fund.

14. The normal school fund was created to support teacher training programs. While the Department of Public Instruction environmental education consultant position at UW-Stevens Point may be related to teacher training, it is less clear how providing grants and scholarships for students in environmental studies and sustainable management programs is related to teacher training. If the Committee restores the appropriation from the normal school fund under the UW System, the Committee could delete the current language specifying how those funds should be used and instead specify that the funds should be used to support teacher preparation programs. This would conform with the purpose for which the normal school fund was created.

**D. Environmental Program Grants and Scholarships**

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to restore the appropriation from the normal school fund under the UW System and estimate that appropriation at \$300,000 in 2016-17.

ALT D2	Change to Bill	
SEG	\$300,000	

- a. In addition, specify that the interest and income provided from the normal school fund be used to support grants, scholarships, and environmental programs at UW-Stevens Point as under current law.
  - b. In addition, specify that the interest and income provided from the normal school fund be used to support teacher preparation programs.
  - c. Do not specify the purpose for which funds from the normal school fund should be used.
3. Delete provision. (This would have the same effect as adopting alternative D2a.)

ALT D3	Change to Bill	
SEG	\$300,000	

**E. Discovery Farm Grants Program**

1. Approve the Governor's recommendation.
2. Delete provision. (Funding of \$249,800 ACM SEG and 1.2 positions would be restored in 2016-17.)

ALT E2	Change to Bill	
	Funding	Positions
SEG	\$249,800	1.20

**F. Center for Cooperatives**

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to restore the appropriation for grants to forestry programs from the forestry account of the conservation funds under the UW System and



**Tia Nelson** (Madison, Wis.) was named executive secretary of the Board of Commissioners of Public Lands in October 2004. She oversees the management of approximately 78,000 acres of School Trust Lands located in northern Wisconsin, School Trust Funds valued at more than \$925 million, The Trust Fund Loan Program and the Original Land Records Program. Previously she served as director

<http://www.nelson.wisc.edu/people/board-of-visitors.php>

7/9/2015

The Nelson Institute

Page 6 of 9

of the Climate Change Initiative at The Nature Conservancy. She received the Environmental Protection Agency's Climate Protection Award in 2000. Nelson is a graduate of UW-Madison, a conservationist and an environmental education advocate. She is the daughter of the late Senator Gaylord Nelson of Wisconsin.

**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 9  
DISCUSS ALL NORMAL SCHOOL FUND EARNINGS GOING TO UW**

Attached for discussion are exhibits submitted / produced by Commissioner Adamczyk.

**Adamczyk, Matt - OST**

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**From:** Nelson, Tia - BCPL  
**Sent:** Thursday, May 07, 2015 2:46 PM  
**To:** Adamczyk, Matt - OST  
**Cc:** Cook, Andrew C - DOJ; German, Tom - BCPL; Schimel, Brad - DOJ; La Follette, Doug J - SOS  
**Subject:** FW: Timber revenue used to increase principal

Matt,

Tom forwarded me your question about timber revenue. Our records show that BCPL has added timber sales proceeds to the respective school trust funds for over a hundred years. The thinking, as I understand it, is that timber is a capital asset that can take years to generate.

Unlike the Common School Fund, which has annual additions to principle from Fee, Fines, Unclaimed Property et.al. , the only means to grow the Normal School Fund is through deposits of timber revenue.

Let me know if you have any other questions.

Tia

Tia Nelson, Executive Secretary  
Board of Commissioners of Public Lands  
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<http://bcpl.wisconsin.gov>

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**From:** German, Tom - BCPL  
**Sent:** Thursday, May 07, 2015 2:12 PM  
**To:** Nelson, Tia - BCPL  
**Subject:** FW: Timber revenue used to increase principal

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**From:** Adamczyk, Matt - OST  
**Sent:** Wednesday, May 06, 2015 3:59 PM  
**To:** German, Tom - BCPL  
**Subject:** Timber revenue used to increase principal

Tom,

Can you answer for me why timber revenue is used to increase the principal of the Normal School Fund and not just given directly in a distribution to our beneficiaries?

Was that a decision just made by the BCPL or the legislature.

Sincerely,  
Matt Adamczyk  
Wisconsin State Treasurer  
(608) 266-1714

Board of Commissioners of Public Lands  
 Normal School Fund Expense Allocation  
 FY 2014

	Total	Allocation NSF	Timber Management	Real Estate	Allocated Overhead
<b>Investment Income</b>		\$ 1,026,330.25			
<b>Expenses</b>					
<b>Northern Office</b>					
Salary	242,233.92	222,855.21	\$ 175,880.46	\$ 46,974.74	
Fringe	71,105.53	65,417.09	54,152.57	11,264.52	
IT Expenditures	10,720.00	9,862.40	7,889.92	1,972.48	
Tree Planting	12,766.45	11,745.13	11,745.13		
Title Recording	2,157.00	1,984.44		1,984.44	
Timber Sales - Advertising	2,164.55	1,991.39	1,991.39		
BadgerNet	5,020.00	4,618.40	3,694.72	923.68	
SASI Charges	21,853.06	21,853.06	17,482.45	4,370.61	
Land Bank Transactions	17,822.44	16,396.64		16,396.64	
Timber Stand Improvement	8,300.19	7,636.17	7,636.17		
PILT	10,188.26	9,373.20	9,373.20		
Other expenses	59,129.72	54,399.34	47,286.51	7,112.83	
<b>Madison Office</b>					
Salary	\$ 424,250.97	159,708.27			\$ 159,708.27
Fringe	156,709.57	57,998.86			57,998.86
BadgerNet	1,283.50	38.51			38.51
SASI Charges	26,187.75	-			-
Other expenses	183,196.92	21,374.30			21,374.30
IT Salary	80,268.96	52,174.82			52,174.82
IT Fringe	28,597.01	18,588.06			18,588.06
IT Expenditures	557.57	362.42			362.42
Revenue offset	(27,967.84)	(13,983.92)			(13,983.92)
<b>Total Expenses</b>	<b>1,336,545.53</b>	<b>724,393.79</b>	<b>337,132.52</b>	<b>90,999.95</b>	<b>296,261.32</b>
<b>Net Income</b>		<b>301,936.46</b>			
Timber Revenue		470,432.59			

# ARTICLE X.

## EDUCATION

**Superintendent of public instruction.** SECTION 1. [As amended Nov. 1902 and Nov. 1982] The supervision of public instruction shall be vested in a state superintendent and such other officers as the legislature shall direct; and their qualifications, powers, duties and compensation shall be prescribed by law. The state superintendent shall be chosen by the qualified electors of the state at the same time and in the same manner as members of the supreme court, and shall hold office for 4 years from the succeeding first Monday in July. The term of office, time and manner of electing or appointing all other officers of supervision of public instruction shall be fixed by law. [1899 J.R. 16, 1901 J.R. 3, 1901 c. 258, vote Nov. 1902; 1979 J.R. 36, 1981 J.R. 29, vote Nov. 1982]

**School fund created; income applied.** SECTION 2. [As amended Nov. 1982] The proceeds of all lands that have been or hereafter may be granted by the United States to this state for educational purposes (except the lands heretofore granted for the purposes of a university) and all moneys and the clear proceeds of all property that may accrue to the state by forfeiture or escheat; and the clear proceeds of all fines collected in the several counties for any breach of the penal laws, and all moneys arising from any grant to the state where the purposes of such grant are not specified, and the 500,000 acres of land to which the state is entitled by the provisions of an act of congress, entitled "An act to appropriate the proceeds of the sales of the public lands and to grant pre-emption rights," approved September 4, 1841; and also the 5 percent of the net proceeds of the public lands to which the state shall become entitled on admission into the union (if congress shall consent to such appropriation of the 2 grants last mentioned) shall be set apart as a separate fund to be called "the school fund," the interest of which and all other revenues derived from the school lands shall be exclusively applied to the following objects, to wit: (1) To the support and maintenance of common schools, in each school district, and the purchase of suitable libraries and apparatus therefor.

(2) The residue shall be appropriated to the support and maintenance of academies and normal schools, and suitable libraries and apparatus therefor. [1979 J.R. 36, 1981 J.R. 29, vote Nov. 1982]

**District schools; tuition; sectarian instruction; released time.** SECTION 3. [As amended April 1972] The legislature shall provide by law for the establishment of district schools, which shall be as nearly uniform as practicable; and such schools shall be free and without charge for tuition to all children between the ages of 4 and 20 years; and no sectarian instruction shall be allowed therein; but the legislature by law may, for the purpose of religious instruction outside the district schools, authorize the release of students during regular school hours. [1969 J.R. 37, 1971 J.R. 28, vote April 1972]

**Annual school tax.** SECTION 4. Each town and city shall be required to raise by tax, annually, for the support of common schools therein, a sum not less than one-half the amount received by such town or city respectively for school purposes from the income of the school fund.

**Income of school fund.** SECTION 5. Provision shall be made by law for the distribution of the income of the school fund among the several towns and cities of the state for the support of common schools therein, in some just proportion to the number of children and youth resident therein between the ages of four and twenty years, and no appropriation shall be made from the school fund to any city or town for the year in which said city or town shall fail to raise such tax; nor to any school district for the year in which a school shall not be maintained at least three months.

**State university; support.** SECTION 6. Provision shall be made by law for the establishment of a state university at or near the seat of state government, and for connecting with the same, from time to time, such colleges in different parts of the state as the interests of education may require. The proceeds of all lands that have been or may hereafter be granted by the United States to the state for the support of a university shall be and remain a perpetual fund to be called "the university fund," the interest of which shall be appropriated to the support of the state university, and no sectarian instruction shall be allowed in such university.

**Commissioners of public lands.** SECTION 7. The secretary of state, treasurer and attorney general, shall constitute a board of commissioners for the sale of the school and university lands and for the investment of the funds arising therefrom. Any two of said commissioners shall be a quorum for the transaction of all business pertaining to the duties of their office.

**Sale of public lands.** SECTION 8. Provision shall be made by law for the sale of all school and university lands after they shall have been appraised; and when any portion of such lands shall be sold and the purchase money shall not be paid at the time of the sale, the commissioners shall take security by mortgage upon the lands sold for the sum remaining unpaid, with seven per cent interest thereon, payable annually at the office of the treasurer. The commissioners shall be authorized to execute a good and sufficient conveyance to all purchasers of such lands, and to discharge any mortgages taken as security, when the sum due thereon shall have been paid. The commissioners shall have power to withhold from sale any portion of such lands when they shall deem it expedient, and shall invest all moneys arising from the sale of such lands, as well as all other university and school funds, in such manner as the legislature shall provide, and shall give such security for the faithful performance of their duties as may be required by law.

**BOARD MEETING  
JULY 21, 2015**

**AGENDA ITEM 10  
DISCUSS LAND BANK ACTIVITY**

Attached for discussion are exhibits submitted / produced by Commissioner Adamczyk.

<b>Normal School Fund Expenses vs. Timber Revenue for 9 Years</b>			
Fiscal Year	Total Expenses	Timber Revenue	Profit/Loss
2014	\$ 724,393.79	\$ 470,432.59	-\$253,961.20
2013	\$ 740,514.24	\$ 553,658.59	-\$186,855.65
2012	\$ 775,272.72	\$ 530,501.06	-\$244,771.66
2011	\$ 824,378.45	\$ 565,020.08	-\$259,358.37
2010	\$ 816,413.77	\$ 394,649.68	-\$421,764.09
2009	\$ 747,836.50	\$ 276,495.12	-\$471,341.38
2008	\$ 654,944.97	\$ 655,488.43	\$543.46
2007	\$ 697,790.93	\$ 210,439.09	-\$487,351.84
2006	\$ 685,865.56	\$ 560,552.16	-\$125,313.40
<b>Total</b>			<b>-\$2,450,174.13</b>
<b>Yearly Average</b>			<b>-\$272,241.57</b>

<b>Summary of Current Trust Assets</b>		
	Common School Fund	Normal School Fund
Land Remaining in Trust*	6,150 acres	70,356 acres
Principal*	\$968.4 million	\$26.0 million

\*As of 11/30/14

	A	B	C	D	E	F	G	H
1	Transaction #	Date	Common School Fund	Normal School Fund	Both Funds	4% Annual Return	Est # of years	Possible Revenue
2	P0701	11/14/2006		\$ 393,000.00	\$393,000.00	\$15,720.00	8.5	\$133,620.00
3	P0702	10/17/2006		\$ 140,000.00	\$140,000.00	\$5,600.00	8.5	\$47,600.00
4	P0703	12/15/2006		\$ 1,467,000.00	\$1,467,000.00	\$58,680.00	8.5	\$498,780.00
5	P0704	6/29/2007		\$ 34,907.75	\$34,907.75	\$1,396.31	8	\$11,170.48
6	P0801	12/28/2007		\$ 228,000.00	\$228,000.00	\$9,120.00	7.5	\$68,400.00
7	P0802	10/24/2008		\$ 16,000.00	\$16,000.00	\$640.00	6.75	\$4,320.00
8	P0804	9/25/2008		\$ 2,250,596.00	\$2,250,596.00	\$90,023.84	6.75	\$607,660.92
9	P0805	11/17/2008		\$ 149,150.00	\$149,150.00	\$5,966.00	6.75	\$40,270.50
10	P0901	5/21/2009		\$ 630,000.00	\$630,000.00	\$25,200.00	6	\$151,200.00
11	P0901	8/5/2009		\$ 447,750.00	\$447,750.00	\$17,910.00	6	\$107,460.00
12	<b>P0902</b>	<b>3/30/2009</b>	<b>\$ 984,350.00</b>	<b>\$ 516,760.00</b>	<b>\$1,501,110.00</b>	<b>\$60,044.40</b>	<b>6</b>	<b>\$360,266.40</b>
13	P1001	12/21/2010		\$ 746,054.00	\$746,054.00	\$29,842.16	4.5	\$134,289.72
14	P1007	9/15/2010		\$ 1,263,600.00	\$1,263,600.00	\$50,544.00	4.75	\$240,084.00
15	P1101	11/29/2012		\$ 52,000.00	\$52,000.00	\$2,080.00	2.5	\$5,200.00
16	P1202	11/19/2013	\$ 1,225,000.00		\$1,225,000.00	\$49,000.00	1.5	\$73,500.00
17	P1203	11/5/2012		\$ 1,776,000.00	\$1,776,000.00	\$71,040.00	2.5	\$177,600.00
18	P1204	8/14/2012	\$ 240,000.00		\$240,000.00	\$9,600.00	3	\$28,800.00
19	P1301	12/28/2012		\$ 60,000.00	\$60,000.00	\$2,400.00	2.5	\$6,000.00
20	P1302	1/21/2014	\$ 48,974.13	\$ 1,825,265.87	\$1,874,240.00	\$74,969.60	1.5	\$112,454.40
21	P1501	1/30/2015		\$ 140,000.00	\$140,000.00	\$5,600.00	1.5	\$8,400.00
22	<b>Total</b>		<b>2498324.13</b>	<b>\$ 12,136,083.62</b>	<b>\$14,634,407.75</b>	<b>\$585,376.31</b>		<b><u>\$2,817,076.42</u></b>
23								
24								
25			Transaction Amount			Timber Revenue		
26	Transaction #	Date	Common School Fund	Normal School Fund		Sold		
27	P0701	11/14/2006		\$ 393,000.00				
28	P0702	10/17/2006		\$ 140,000.00				
29	P0703	12/15/2006		\$ 1,467,000.00		\$ 397,655.14		
30	P0704	6/29/2007		\$ 34,907.75				
31	P0801	12/28/2007		\$ 228,000.00				
32	P0802	10/24/2008		\$ 16,000.00				
33	P0804	9/25/2008		\$ 2,250,596.00		\$ 400,153.75		
34	P0805	11/17/2008		\$ 149,150.00		\$ 1,500.00		
35	P0901	5/21/2009		\$ 630,000.00				
36	P0901	8/5/2009		\$ 447,750.00				
37	<b>P0902</b>	<b>3/30/2009</b>	<b>\$ 984,350.00</b>	<b>\$ 516,760.00</b>		<b>\$ 66,177.22</b>		
38	P1001	12/21/2010		\$ 746,054.00		\$ 46,125.00		
39	P1007	9/15/2010		\$ 1,263,600.00				
40	P1101	11/29/2012		\$ 52,000.00				
41	P1202	11/19/2013	\$ 1,225,000.00			\$ 118,250.00		
42	P1203	11/5/2012		\$ 1,776,000.00		\$ 56,377.50		
43	P1204	8/14/2012	\$ 240,000.00					
44	P1301	12/28/2012		\$ 60,000.00				
45	P1302	1/21/2014	\$ 48,974.13	\$ 1,825,265.87		\$ 65,152.50		
46	P1501	1/30/2015		\$ 140,000.00				
47	Total Purchases		\$ 2,498,324.13	\$ 12,136,083.62		\$ 1,151,391.11		
48								

**ITEM 4. PROPOSED LAND BANK PURCHASE – POTLATCH / MOOSE LAKE**

Commissioner Van Hollen asked if an analysis had been performed to justify the purchase of the land and its return in terms of timber revenue compared to lending the funds via the State Trust Fund Loan Program. Executive Secretary Nelson replied that a formal economic analysis had not been done. She was confident that given the property's \$525 per acre price and its high value timber, an analysis would have been comparable. Commissioner Van Hollen said that if the objective was to increase earnings for the Common School Fund, then an analysis would have to be completed. If it was to reduce non-productive timber land and acquire productive timber lands, then this purchase met that criteria. Executive Secretary Nelson said that procedures and criteria were developed when the Land Bank Authority was granted to the agency. The overall goal is to increase timber productivity in the Board's timber portfolio regardless of the fund. She said that the Land Bank legislation requires that the land bank proceeds be invested in other lands.

**MOTION:** Commissioner Van Hollen moved to approve the purchase of the Potlatch property; Commissioner Sass seconded the motion. The motion passed, 3-0.

**NOW, THEREFORE BE IT RESOLVED,** that the Board of Commissioners of Public Lands authorizes the purchase of the Property at a price of up to One Million, Five Hundred One Thousand One Hundred Ten Dollars (\$1,501,110) in accordance with Chapter 24 of the Wisconsin Statutes on such terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such purchase transaction.

**ITEM 5. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary Nelson reminded the Board of the press event at 10:30 AM on Friday, March 27, in the State Capitol's Assembly Parlor.

**ITEM 6. ADJOURN**

**MOTION:** Commissioner Van Hollen moved to adjourn the meeting; Commissioner Sass seconded the motion. The motion passed, 3-0.



\_\_\_\_\_  
Tia Nelson, Executive Secretary

These minutes have been prepared from a tape recording of the meeting. The summaries have not been transcribed verbatim. Anyone wishing to listen to the tape may do so at the Board of Commissioners of Public Lands, 125 S. Webster Street, Suite 200, Madison, Wisconsin.

**BOARD MEETING  
MARCH 18, 2009**

**AGENDA ITEM 4  
PROPOSED LAND BANK PURCHASE – POTLATCH / MOOSE LAKE**

Potlatch Forest Holdings, Inc. (“Potlatch”) is offering to sell 3002.22 acres of land in Iron County (the “Property”).

BCPL staff recommends the purchase of the Property from Potlatch for the following reasons:

- Purchase of the Property would improve management efficiency by providing BCPL with a large manageable block of land in reasonable proximity to the Lake Tomahawk Office;
- Purchase of the Property would provide BCPL with productive timberland, that can be expected to produce revenue for the trust funds through future timber harvests;
- Purchase of the Property would increase BCPL’s average tract size and percentage of upland;
- Purchase of the Property would reduce forest fragmentation as it would keep a sizeable block of forestland from subdivision; and
- The property is available at a discount from its unencumbered appraised value due to a conservation easement on the Property and is further discounted due to the recent slowdown in the real estate market;

Attachments:

*Resolution w/Exhibits*

*Exhibit A - Legal descriptions*

*Exhibit B - BCPL Purchase Criteria*

*BCPL Project Map*

**BOARD MEETING  
MARCH 18, 2009**

**AGENDA ITEM 4  
PROPOSED LAND BANK PURCHASE – POTLATCH / MOOSE LAKE**

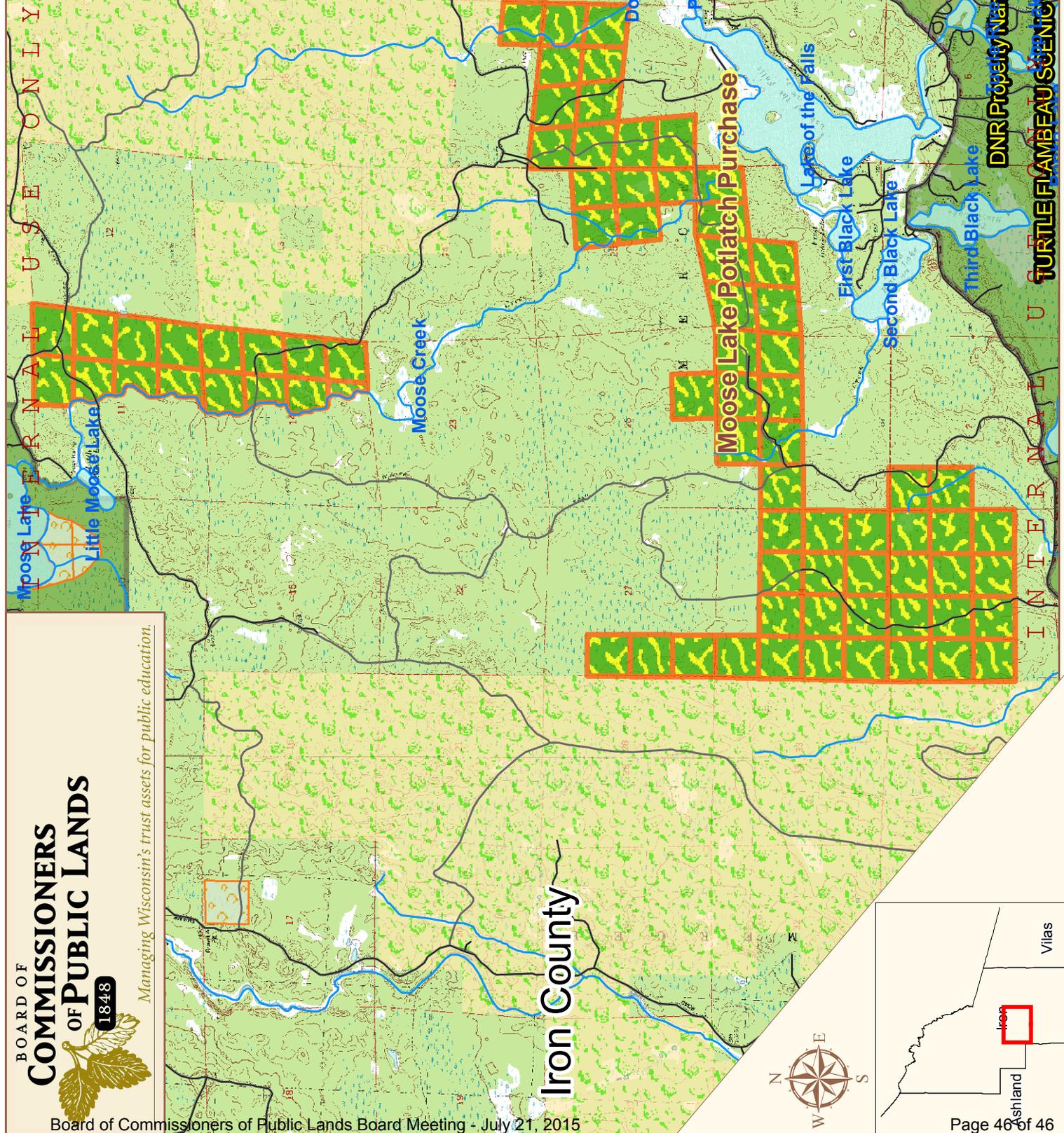
**RECITALS**

- A. Potlatch Forest Holdings, Inc. (“Potlatch”) has offered to sell approximately 3000 acres of land in Iron County more particularly described on attached Exhibit A (the “Property”).
- B. The Property has been evaluated by BCPL staff against purchase criteria previously adopted by the Board. The Property has been determined by BCPL staff to be appropriate for purchase according to such criteria. A copy of the Summary Purchase Analysis for the Property is attached to this resolution as Exhibit B.
- C. The Property is comprised of two large contiguous tracts of productive timberland with good access within an hour’s drive of the Lake Tomahawk office and is located within BCPL’s Consolidation Zone.
- D. The property has an excellent stocking of pole size yellow birch which helps increase the forest types and species that diversify the BCPL’s timber portfolio. BCPL staff project that within one cutting cycle there will be an increase in the potential high value sawlog volume and growth.
- E. The Property is contiguous with several thousand acres of land currently owned by Iron County and the Wisconsin Department of Natural Resources. The DNR is purchasing over 2,600 acres of adjacent lands from Potlatch and together the two purchases will reduce the threat of conversion of these valuable lands from forest to non-forest use.
- F. The Property is subject to a conservation easement held by the DNR and has been appraised by Steigerwaldt Land Services, Inc. at a value of \$525 per acre for a total value of \$1,576,201. However, Potlatch is willing to sell the Property to BCPL at the discounted price of \$1,501,110 due to the recent slowdown in the real estate market.
- G. BCPL currently has more than \$2,135,000 in land bank funds available for investment.

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Commissioners of Public Lands authorizes the purchase of the Property at a price of up to One Million, Five Hundred One Thousand One Hundred Ten Dollars (\$1,501,110.00) in accordance with Chapter 24 of the Wisconsin Statutes on such terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such purchase transaction.

**MOOSE LAKE  
 POTLATCH PURCHASE**  
 BCPL Project #: P0902  
 Iron County  
 Town of Mercer  
 Common Name:  
 Moose Lake Potlatch  
 (~3000 Acres - Fund 745)

Exhibit submitted / produced by Commissioner Adamczyk



**Legend**

- Incoming
  - Outgoing
  - Other BCPL Land
  - DNR PROJECT LANDS
  - COUNTY FOREST
  - TRIBAL LANDS
- 1 inch = 0.8 miles  
 0 0.25 0.5 1 Miles

