

---

Board Meeting Minutes  
June 3, 2025

Present were:

Sarah Godlewski, Board Chair  
John Leiber, Commissioner  
Josh Kaul, Commissioner  
Nicole Pegram, Deputy Chief of Staff  
Tom German, Executive Secretary  
Rich Sneider, Chief Investment Officer  
Chuck Failing, IT Manager  
Denise Nechvatal, Controller  
Thuy Nguyen, Office Manager

Secretary of State  
State Treasurer  
Attorney General  
Secretary of State  
Board of Commissioners of Public Lands  
Board of Commissioners of Public Lands  
Board of Commissioners of Public Lands  
Board of Commissioners of Public Lands  
Board of Commissioners of Public Lands

### ITEM 1. CALL TO ORDER

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

### ITEM 2. APPROVE MINUTES

**MOTION:** Commissioner Kaul moved to approve the minutes; Commissioner Leiber seconded the motion.

**DISCUSSION:** None

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

### ITEM 3. APPROVE LOANS

**MOTION:** Board Chair Godlewski moved to approve the loans; Commissioner Leiber seconded the motion.

**DISCUSSION:** Mr. Sneider shared that loan #2 to the Town of Pleasant Springs in Dane County for \$415,000 is for roadwork. The Town of Pleasant Springs is a regular annual borrower for local projects and tends to pay off their loans in short order using two-year loan terms.

Loan #7 to the City of Shullsburg in Lafayette County for \$700,000 is a pass-through loan to the local housing authority for construction of low-income senior housing. Housing authorities are not a statutorily authorized borrower for BCPL, so the city is borrowing money on behalf of the housing authority. The city has an intergovernmental agreement for repayment from the housing authority to the city and then to BCPL. Generally, BCPL does not like to issue loan commitments that the borrower might keep in their back pocket. But in this case, the BCPL commitment was necessary to show that funding would be available to get the project off the ground if other sources failed to come through.

Loan #9 to the Town of Gibraltar in Door County is for a broadband infrastructure project. Gibraltar is now the most recent community in Door County to invest in high-speed Internet for its residents. This is the seventh loan that BCPL has made to help finance broadband in Door County.

Loan #10 to the Town of Lucas is for a \$1.2 million roadwork project under the State LRIP (Local Road Improvement Program). The town is expecting reimbursement of 50% of eligible project costs from the state, which will be paid at the end of the project. Under the LRIP program, towns are required to pay for the entire

project costs upfront prior to reimbursement. After the project is completed, the state road funds are reimbursed to the borrower. The town will use the reimbursed funds to make a prepayment on the BCPL loan.

Loan #11 to the Town of Grover in Marinette County is for a \$2,000,000 roadwork project under the ARIP program (Agricultural Road Improvement Program). This program reimburses towns up to 90% of the cost of roadwork projects. ARIP grants are paid on a quarterly basis during the construction process, unlike the LRIP program which only pays at the end of the project. Towns awarded ARIP grants will not need to borrow the total amount of the project from BCPL as they need only enough money to pay the first construction invoice plus a reasonable contingency amount. The state DOT budget appropriation will provide the reimbursement funds for the rest of the project.

Executive Secretary shared that he was recently in Darlington, WI and spoke about financing some housing projects in that area. He met the mayor of Shullsburg who was unfamiliar with BCPL. These small meetings can result in more loan activity for BCPL because we are bringing the financial markets to these smaller communities that are located away from major financial markets.

**VOTE:** The motion to approve the loans passed 3-0.

The Board of Commissioners of Public Lands (BCPL) unanimously approved **\$14,211,931.89** in State Trust Fund Loans to support **15** community projects in Wisconsin.

1. Town of Remington / Wood County / Finance addition to fire dept. building / \$125,000.00
2. Town of Pleasant Springs / Dane County / Finance roadwork / \$415,000.00
3. Village of Shiocton / Outagamie County / Finance maintenance & purchase of capital equip / \$370,753.00
4. Town of Center / Outagamie County / Finance purchase of fire truck / \$763,015.00
5. Town of Center / Outagamie County / Finance purchase of tractor / \$150,000.00
6. City of Tomahawk / Lincoln County / Finance water main relay / \$350,000.00
7. City of Shullsburg / Lafayette County / Finance pass-through loan to Housing Authority / \$700,000.00
8. Village of Yorkville / Racine County / Finance land purchase for fire station / \$820,000.00
9. Town of Gibraltar / Door County / Finance broadband services and infrastructure / \$5,136,398.00
10. Town of Lucas / Dunn County / Finance roadwork / \$1,200,000.00
11. Town of Grover / Marinette County / Finance roadwork / \$2,000,000.00
12. Town of Lafayette / Walworth County / Finance purchase of firetruck / \$227,025.89
13. Village of Whiting / Portage County / infrastructure projects / \$900,000.00
14. Town of Russell / Sheboygan County / Finance new town hall / \$370,000.00
15. Town of Eaton / Finance road construction / \$684,740.00

#### **ITEM 4. OLD BUSINESS**

None

#### **ITEM 5. NEW BUSINESS - Proposed changes to BCPL Investment Policy Statement – Target Asset Allocations**

Mr. Sneider reported that BCPL's trust fund earnings growth is primarily due to an increase in the average yield as funds were invested in higher yielding assets such as private debt. As we near our target allocations, we will no longer be able to generate the same level of growth going forward. The long-term investment goal is to increase fund principal and annual distributions at or above the long-term rate of inflation. Fund growth from fines and forfeitures and unclaimed property remain volatile and under pressure.

He explained that the Investment Committee has determined that it would be best to shift the Common School Fund asset allocation slightly to achieve a higher expected total return and greater potential through long-term capital gains. An analysis of several possible scenarios or changes to the model asset allocation created by BlackRock,

completed in April, showed an increase in the expected annual return by well over 1% over the next 10 years. This increase would allow fund assets to increase by \$300 million over these next 10 years. However, this growth comes at a cost because investment returns must come as either growth or income. Shifting assets to a higher growth model tends to reduce the average yield generated by the portfolio. It is projected that annual income produced by the Common School Fund will be reduced by approximately \$1 million from the current target allocation but will remain well above the \$70 million distributed in April of this year. The smoothing fund currently holds over \$40 million which is more than \$14,000,000 above the minimum amount set within the investment policy. These funds are available to supplement future distributions if the transition to a higher growth model creates a temporary shortfall.

BCPL has two strong advantages when compared to other investors. Our risk measure is not the potential increase or decrease in stock or other asset prices, but the possibility that our beneficiaries might not be able to keep up with inflation. The investment committee does not make decisions lightly, and we do not need to meet target allocations tomorrow. Our plan is to transition to the new model prudently as opportunities present themselves.

As for the Normal School Fund, we originally believed that diversification would be difficult because of the minimum commitment size required for many of the investment funds. However, we found that we can make a sizeable commitment through the Common School Fund and then piggyback a smaller commitment with the Normal School Fund to increase diversification. The new target allocation increases diversification and reduces risk within the Normal School Fund portfolio but maintains the expected return and distribution profiles of the fund. He projects that beneficiaries will continue to receive record distributions. The funds should grow a little faster at a slightly lower risk.

Commissioner Kaul asked Executive Secretary German about an issue that was brought up at the last meeting. What is the implication of that issue here? Is it completely distinct or, or do they overlap.

Executive Secretary German explained that there is a little overlap. The Constitution clearly gives the legislature the power to make decisions on what we can invest in. That power does not appear to be limited or have any restrictive language.

Some people have raised questions as to whether it is permissible for BCPL to use some of its trust fund earnings to pay agency trust management expenses. In essence, can BCPL distribute earnings net of agency expenses? However, it is clear that the legislature has the power to allow us to make investments that pay us net earnings as opposed to gross earnings where the fund managers take their management fees and fund fees out before making net earnings payments to us. It would be counterintuitive that BCPL could not pay its own management fees from gross trust fund earnings.

When BCPL moved years ago to program revenue in the 1970s, the legislature adopted these statutes that said the earnings of the funds do not include monies that we spend on the expenses of managing the assets. So, these statutes which allow BCPL to deduct trust management expenses from gross revenues combined with the legislature's broad grant of prudent investor standard to BCPL gives us the authority to invest in private investment funds that pay net earnings.

When this gross vs. net earnings issue arose in 2019, when we went back to being funded with General Program Revenue (GPR), the legislature actually attempted to delete those statutes as part of the budget bill. However, the governor vetoed the deletion of those statutes because removal of those statutes would have created an issue for us if we were to invest in these types of funds that pay net earnings.

These statutes remain in place, and so does our authority to invest in private investment funds that pay net earnings to us.

It's just hard to reconcile the idea that the legislature has authorized us to invest in private investment funds, which may deduct management expenses from the gross earnings of such funds and fees well above our agency's current \$1.6 million operating budget appropriation but it would not be permissible to pay any of the agency's expenses from the gross earnings of the trust funds.

Commissioner Kaul asked for confirmation that we have clear statutory authority for these investments and they're consistent with the types of investments we've made before.

Executive Secretary German replied that at this point in time, yes.

#### **ITEM 6. CHIEF INVESTMENT OFFICER'S REPORT**

None

#### **ITEM 7. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary German reported that our investment policy not only contains asset allocations, but also formulas for target distributions for our trust funds. Those targets are equal to the average net income for those funds for the last five years. As our funds have been earning more, we have authorized distributions above our target numbers as the growth in earnings appear to be sustainable. The smoothing funds contained more than the targeted amount. This year, we are planning on distributing \$1.8 million from the Normal School Fund to the UW. That's a 12.5% increase over last year's record \$1.6 million distribution. The \$200,000 increase equates to 40 more \$5,000 scholarships for UW students through the Merit Scholarship Program.

The Joint Finance Committee is still working on budget requests including BCPL's. We have had constructive conversations with a number of JFC members. Senator Bradley and Representative Hurd have agreed to introduce motions to grant at least some of BCPL's funding requests. The budget is still in a state of flux at this point. We have engaged in more discussions this year due to changes in JFC membership which created an opportunity to engage with more members on a deeper level than in past years. We do not know what the end result will be, but we are more hopeful than we've been in a while.

Lake Tomahawk staff released invitations to bid on timber sales on close to 750 acres of land today, with minimum bids set at a total of over \$500,000. We offer sales at least twice a year and have been increasing the acreage for these sales in an effort to increase timber revenue while still managing our trust lands sustainably.

Somone is seeking a submerged logging permit, which is the right to pull up logs from the bottom of certain lakes. BCPL is the repository of many ancillary responsibilities, and issuing submerged logging permits is one of those. A lot has changed since the last permit was granted years ago. Our staff has been reviewing our policies and procedures for issuing these permits and will likely be asking the board at a future meeting to approve recommended policy and procedural changes.

We are currently finishing up work on a submerged lakebed lease that the board will be asked to consider and approve at an upcoming board meeting.

Lastly, Secretary German shared that he will be off part of next week because he is having minor surgery to address some skin cancer. The commissioners wished him well on the procedure and outcome.

#### **ITEM 8. BOARD CHAIR'S REPORT**

None

#### **ITEM 9. FUTURE AGENDA ITEMS**

None

## ITEM 10. ADJOURN

Commissioner Kaul moved to adjourn the meeting; Commissioner Leiber seconded the motion. The motion passed 3-0; the meeting adjourned at 2:24 p.m.

A handwritten signature in black ink, appearing to read "Thomas P. German", is written over a horizontal line.

Thomas P. German, Executive Secretary

Link to audio recording:

[https://bcpl.wisconsin.gov/bcpl.wisconsin.gov Shared Documents/Board Meeting Docs/2025/2025-06-03 BoardMtgRecording.mp3](https://bcpl.wisconsin.gov/bcpl.wisconsin.gov%20Shared%20Documents/Board%20Meeting%20Docs/2025/2025-06-03%20BoardMtgRecording.mp3)