

## BOARD OF COMMISSIONERS OF PUBLIC LANDS

# The Statewide Lender That Pays Local Dividends

When Wisconsin entered the union as the 30th state in 1848, there were 28 counties, 200,000 residents, and a Board of Commissioners of Public Lands (BCPL). Even though our forefathers often had trouble finding common ground, the idea of creating permanent trust funds to benefit public education was so popular, they included it in the state constitution.

Originally provided through federal land grants, Wisconsin designated nearly one-third of the state (more than 10 million acres of public lands) to support public education and develop infrastructure. Most of these lands were sold in the 1800s, but one of the trust funds continues to grow through dollars remitted from fines and forfeitures that accrue to the state.

Despite its name, BCPL has never managed Wisconsin state parks, forests or natural areas. The oldest state agency, the BCPL's sole job is to manage the remaining trust funds for the benefit of public education, with oversight by the state treasurer, secretary of state and attorney general. Although trust assets today still include some residual school trust lands, the name is more of a historical reference to where and how it started. Shortly after the ratification of statehood, BCPL went to work investing the proceeds of those public land sales in Wisconsin by buying state and municipal bonds.

### ► State Trust Fund Loan Program

In 1871, the Wisconsin Legislature enacted the State Trust Fund Loan Program, allowing BCPL to loan money directly to municipalities, counties and school districts. By allowing borrowers to avoid jumping through the complicated and expensive hoops of bond issuance, taxpayer dollars can be used as effectively and efficiently as possible.

This direct lending program provides a simple, competitively priced source of funding for borrowers as well as a good, low-risk investment for the trust funds. After all these years, the program is still performing exactly as it was intended. Wisconsin counties and municipalities have not defaulted on a single loan in the more than 150-year history of the program.

State Trust Fund Loans are either general obligations of the local taxing authority or revenue obligations supported by municipal project revenues. These loans can be used by local governments to finance any public-purpose project in Wisconsin. Typically, counties use the loans to fund:

- Infrastructure: Road and bridge projects, land acquisition, construction or repair of county buildings, and other public works projects
- Capital equipment and vehicles: Fire trucks, public safety vehicles, road building and maintenance equipment, communication and computer systems, and other capital assets
- Economic development: Acquiring and developing property for local businesses, environmental remediation and development incentives
- The funds can also be used to refinance existing county debt or to finance the settlement of property taxes with other local taxing entities.

The loan application process is simple with no application fee, credit rating fee or any other fee. The BCPL competitive interest rate is locked at the time of application and borrowers have up to four months to draw funds after the loan is approved. Additionally, interest does not accrue until funds

are drawn. BCPL can also provide custom amortization schedules. If conditions change, borrowers can prepay their loan without any penalty. BCPL regularly finances public projects in all 72 Wisconsin counties. Virtually no project is too large or too small for the loan program, although amounts over \$5 million require pre-approval.

BCPL is a niche lender that understands the needs of its borrowers. For instance, by providing valuable flexibility, BCPL can play a vital role in funding projects through the new state Agricultural Road Improvement Program (ARIP), which covers up to 90% of project costs. Because State Trust Fund Loans can be prepaid without penalty, counties can borrow the full amount of the project from BCPL and then utilize state or federal reimbursement proceeds to pay down the loan. And because there are no fees, the true cost of borrowing from BCPL is often lower than other options in these types of situations.

In cases involving county building projects that require large dollar amounts and qualify for low-rate, tax-exempt financing, it typically makes sense for the county to finance the project through the sale of tax-exempt bonds. However, the BCPL encourages counties to consider the simplicity, flexibility and low origination costs of a State Trust Fund Loan in any financing analysis, especially in situations like today when market interest rates are expected to drop over the next few years. The prepayment flexibility offered by the State Trust Fund Loan Program can be extremely valuable when

compared to the strict repayment structure required with bonds. BCPL funds can also be used as interim or construction financing before permanent financing is put in place.

“The State Trust Fund Loan Program can be a suitable option for Wisconsin counties, municipalities, and school districts looking to borrow,” says Erik Kass, director of public finance with PMA Securities, LLA. “As a municipal advisor, PMA has consistently evaluated the State Trust Fund Loan Program with our clients and many times have found it to be the most flexible borrowing option available.”

In recent years, Barron, Sawyer and Shawano counties have utilized the State Trust Fund Loan Program. Sawyer secured two loans to finance land acquisition for its county forest and to repair a dam, Shawano financed upgrades to its jail and 911 system, and Barron purchased an acid gas removal system for its waste-to-energy plant.

While Shawano paid its loan back early because it could access lower interest rates elsewhere, Barron County found the program more suited to its needs.

“We chose a State Trust Fund Loan instead of using an open market process because of the ease of access to these funds along with yearly payments that are identical over the life of the loan,” said Barron County Administrator Jeff French. “Furthermore, a waste-to-energy plant is considered in the same business category as a utility and a public debt issuance would be taxable.” French also noted that they appreciated how cooperatively the BCPL staff worked with the county to provide the dollars in a timely manner.

### ► Providing school library aid statewide

What really makes the loan program special is that 100% of the interest paid on the loans is returned to Wisconsin communities in the form of library aid to public schools. Annual distributions supplement local property taxes by providing school districts with an additional source of funding. That is why BCPL is known as “The Statewide Lender That Pays Local Dividends!”

In 2024, BCPL distributed a record \$65 million across all 421 Wisconsin public school districts. The funding was

*Continued on page 28*



Continued from page 27

used to purchase computers, software, iPads, books, magazines, and other library materials. For most schools, this is the only money available for those items.

Investment earnings from the three smaller trust funds managed by the BCPL (accounting for just 3% of its portfolio) are distributed to the Universities of Wisconsin to pay for various scholarships and educational programs.

### ► **Modernizing investments, retaining a commitment to Wisconsin**

Although BCPL has broadened its investment parameters in recent years to diversify its trust assets, investing in Wisconsin communities remains a significant share of its portfolio and an important part of the day-to-day operations.

To this day, BCPL is actively investing in Wisconsin communities through direct loans and bond purchases. Some communities may never realize the role BCPL has played



in financing their project. Even when local governments do not use the State Trust Fund Loan Program, BCPL has often invested in their community by buying municipal bonds. BCPL is one of the largest public lenders in Wisconsin.

On any given day, hundreds of millions of dollars are invested in loans and bonds issued by Wisconsin local governments.

### ► **The short story**

All told, BCPL manages over \$1.5 billion in trust funds, almost 80,000 acres of trust lands, and an archive of historic land records. BCPL does all this with a staff of 9.5 full-time employees. With the investment of the trust funds, the lending program, and the library aid distributions, BCPL takes great pride in making a difference in every community in the state, including yours. ■

*Adapted from an article originally submitted by the Wisconsin County Treasurers Association for the May 2020 Wisconsin Counties. Updated by the Wisconsin Counties managing editor in July 2024, with assistance from the Board of Commissioners of Public Lands.*