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MEMORANDUM

DATE: February 17, 2003
TO: Assemblyman Joseph Hardy, M.D.
FROM: Linda Eissmann, ^{UE} Senior Research Analyst
Research Division
SUBJECT: Sale of State School Trust Lands

This memorandum responds to your inquiry about federal land granted to the State of Nevada and the sale of that land to benefit education. You also mentioned that the states of Arizona, Washington, and Wyoming might have fared better than Nevada in the sale of these lands and in generating funds to support education, and asked if that information is accurate. Finally, you asked how much money has been generated from the sale of the land in Nevada.

**WHAT ARE SCHOOL TRUST LANDS
AND HOW DO THEY BENEFIT EDUCATION?**

When its territory was formed in 1861, Nevada was offered sections 16 and 32 in each township by the Federal Government as land intended for educational purposes (sections are each 1 square mile, or 640 acres). These grants are found in Section 14 of *An Act to Organize the Territory of Nevada*, approved March 2, 1861.

Article 11, Section 3, of the *Constitution of the State of Nevada* pledges the proceeds of these lands for educational purposes:

All lands granted by Congress to this state for educational purposes, all estates that escheat to the state, all property given or bequeathed to the state for educational purposes, and the proceeds derived from these sources, together with that percentage of the proceeds from the sale of federal lands which has been granted by Congress to this state without restriction or for educational purposes and all fines collected under the penal laws of the state are hereby pledged for educational purposes and the money therefrom must not be

transferred to other funds for other uses. The interest only earned on the money derived from these sources must be apportioned by the legislature among the several counties for educational purposes, and if necessary, a portion of that interest may be appropriated for the support of the state university, but any of that interest which is unexpended at the end of any year must be added to the principal sum pledged for educational purposes.

Chapter LVII, *Statutes of Nevada 1864*, authorizes the sale of these "School Land Warrants" (now referred to as School Trust Lands), and requires that the money be deposited into the "State School Fund" (now referred to as the Permanent School Fund). These lands are considered assets of the Permanent School Fund, and are required by the *Constitution of the State of Nevada* to be managed or disposed of to generate revenue for the Fund. A copy of Chapter LVII, *Statutes of Nevada 1964*, is attached for your reference.

HOW MUCH SCHOOL TRUST LAND DID NEVADA RECEIVE?

Following statehood, Nevada traded the offered school lands back to the Federal Government for the opportunity to select more desirable property. Nevada was largely unsettled at that time and it felt the state would benefit from the sale of selected lands in more favorable locations, rather than the specific sections provided by the Federal Government. By trading undesirable land for more desirable land, Nevada could encourage cultivation and settlement.

However, the trade resulted in Nevada receiving fewer acres of federal land for educational purposes than it was originally offered (3.9 million acres were originally offered; 2 million acres were granted). As a result, the state has not been able to generate the large amounts of money from remaining school trust lands for the State Permanent School Fund that many other Western states, who kept their full allotment of educational lands, have been able to generate.

Land has been sold over the years and the proceeds have been deposited in the Permanent School Fund. At this time, Nevada has less than 3,000 acres of School Trust Lands remaining.

WHAT IS THE CURRENT STATUS OF SCHOOL TRUST LAND IN NEVADA?

Nevada received about two million acres of school trust land at statehood, the majority of which has already been sold. The state has about 3,000 acres remaining. When sold, all money is deposited in the State Permanent School Fund, from which it is made available for the State's Distributive School Account.

Nevada Revised Statutes (NRS) 321.335 authorizes the Division of State Lands, State Department of Conservation and Natural Resources, to sell state land with the approval of the Board of Examiners and the Interim Finance Committee.

HOW MUCH HAS BEEN GENERATED FROM THE SALE OF SCHOOL TRUST LAND?

I have not yet obtained a total of the amount of funds that have been generated from the sale of these lands and deposited in the Permanent School Fund, but have made inquiries and hope to have the information shortly. However, according to Pam Wilcox, Administrator of the Division of State Lands (775/687-4363), the land was originally sold for only \$1.25 per acre in most areas and \$2.50 per acre in the "checkerboard" area that was sold for construction of the Transcontinental Railroad along what is now the Interstate 80 corridor in northern Nevada. In 1957, this was changed by the Legislature to require the sale of School Trust Lands at fair market value. According to Ms. Wilcox, in recent years land sales have totaled roughly \$1 million in some years.

As soon as I am able to determine the amount generated from the sale of the land, I will forward that information to you.

HAVE OTHER STATES REALIZED GREATER BENEFIT FROM SCHOOL TRUST LANDS?

It appears other states have realized greater benefit from the School Trust Lands granted to them by the Federal Government. There are several reasons that may explain this.

First, as previously mentioned, Nevada's trade for acreage in more desirable locations resulted in the state receiving about 50 percent of the acreage originally offered. As a result, Nevada has not been able to generate the large amounts of money from the sale or management of these lands as other Western states were able to do.

Second, in Nevada the School Trust Lands have been sold over time, with proceeds benefiting the Permanent School Fund. In some states, however, the state has retained ownership of the land. Rather than selling it, the state leases it for a variety of purposes, with ongoing revenue benefiting education in those states. For example, the *Constitution of the State of Idaho* requires that the state Board of Land Commissioners manage state lands to provide long-term financial revenue. The *Constitution of the State of Colorado* requires that state trust lands be managed for the purpose of securing the optimum possible revenue for educational purposes.

And finally, depending upon the provisions of federal law at the time of statehood, some Western states were granted four sections of land, rather than the two sections offered to Nevada. Grants of federal land to the states for educational purposes originally began with Ohio's statehood in 1803. At that time, federal law provided grants of one section (section 16)

of land. Federal law was subsequently changed and by the year of Nevada's statehood each state was granted two sections (16 and 32) of land. Sometime thereafter, the federal law was again changed and states were offered four sections of land.

As a result, states that gained statehood after Nevada were granted more acres. Arizona, Washington, and Wyoming became states after Nevada, and it is possible they received more acreage.

APPLE INITIATIVE

Utah's Action Plan for Public Lands and Education (APPLE) Initiative (promoted by the President of the Utah Senate, Al Mansell), is supported by the Council of State Governments (CSG)-West. The CSG-West Executive Committee adopted the initiative as a policy position on July 19, 2002, at the CSG-West annual meeting at Lake Tahoe, Nevada. A copy of the position is attached for your reference.

The basis of the initiative is the fact that the Federal Government owns a significant percentage of land within the Western states. According to initiative sponsors, federal land ownership hurts Western states' capacity to fund education. Since federal land ownership is not likely to change in the foreseeable future, the initiative seeks to address the financial impact of current federal land policies placed on Western states.

The initiative focuses on four sources for additional funding for public education:

1. Revenue promised at statehood for each state's Permanent School Trust Fund that has never been paid;
2. Lost property tax revenue, which is one of the primary funding sources for public education;
3. Lost natural resources royalties and rents; and
4. Better aggregation of school trust lands to increase the revenue that is derived from them to help fund public schools.

The research shows that Western states would receive one-time revenue of \$14.1 billion from the Federal Government, and \$6.4 billion in annual revenue from property tax and royalties. According to CSG-West, Nevada's share of the pie is one-time revenue of \$1.453 billion and \$355 million in annual revenue.

House Joint Resolution (H.J.R.) No. 14 of the Utah Legislature supports the APPLE Initiative by urging Congress to appropriate just compensation to the State of Utah for the impact of federal land ownership on the state's ability to fund public education. As of last week,

H.J.R. 14 has passed the House and Senate of the Utah Legislature. A copy of the resolution is enclosed for your reference.

CONCLUDING REMARKS

I trust this information answers your inquiry. I will give you the information about the money raised from the sale of School Trust Land as soon as I am able to locate it. Otherwise, please contact me at (775) 684-6825 if I can assist you further.

LE/ck:W31699

Enc.

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MEMORANDUM

DATE: February 18, 2003
TO: Assemblyman Joseph Hardy, M.D.
FROM: Linda Eissmann, Senior Research Analyst^{LE}
Research Division
SUBJECT: Revenue from Sale of School Trust Land

You asked for information about the amount of money generated from the sale of School Trust Lands and deposited in the Permanent School Fund. The State Controller's Office was able to give us revenue information for the past five fiscal years:

FY 1998	\$ 401,046
FY 1999	693,364
FY 2000	4,224,758
FY 2001	2,889,995
FY 2002	4,975,686

As always, please contact me if I can assist you further at 775/684-6825.

LE/ck:W31699-1

The APPLE Initiative



Action Plan for Public Lands & Education



Speaker Marty Stephens
Representative Tom Hatch
Representative Steve Urquhart

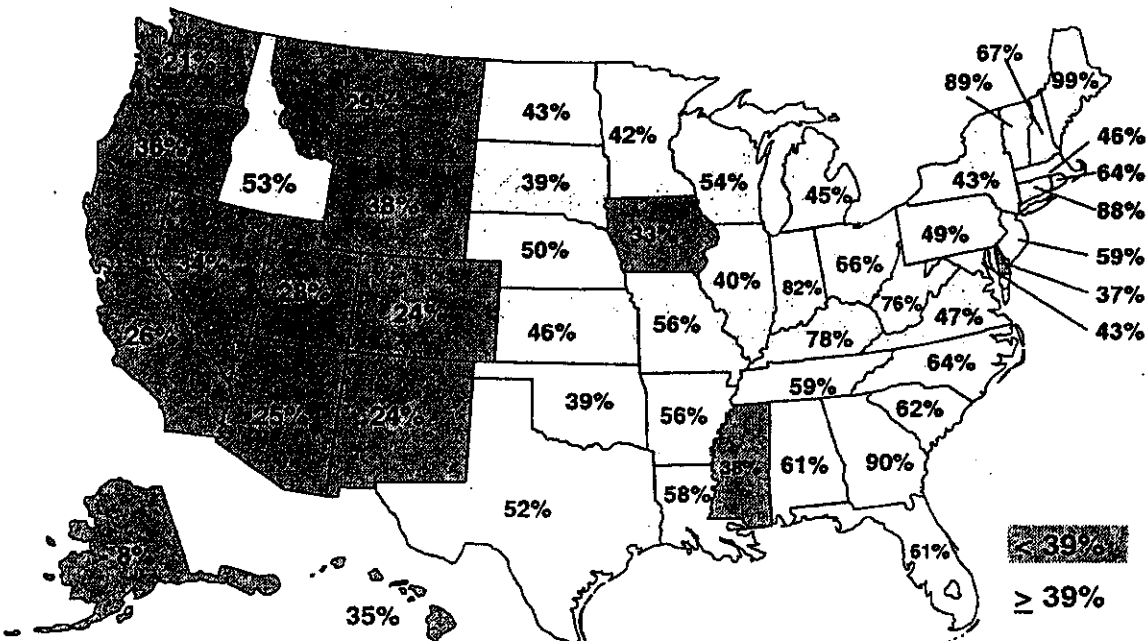
Utah House of Representatives

The West's Education Paradox

- Western states, as a group, are falling behind in education funding when measured in growth of real per pupil expenditures from 1979-98.
- 11 of the 12 states with the lowest real growth in per pupil expenditures are western states.

3

Percent Change in Expenditures Per Pupil 1979-98



Note: calculations use constant dollars

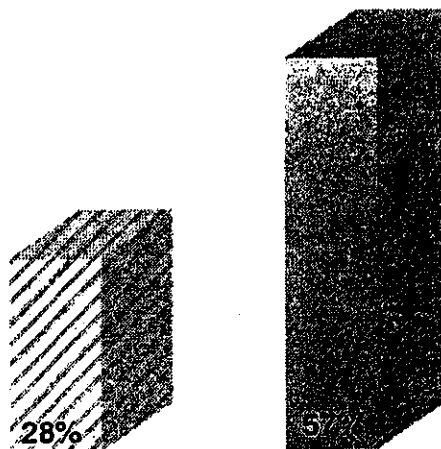
Source: U.S. Department of Education, National Center for Education Statistics

4

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- The growth rate of real per pupil expenditures in the 13 western states is less than half (28% vs. 57%) of that in the 37 other states.
-

5

Percent Change in Expenditures Per Pupil 1979-98



13 Western States Average



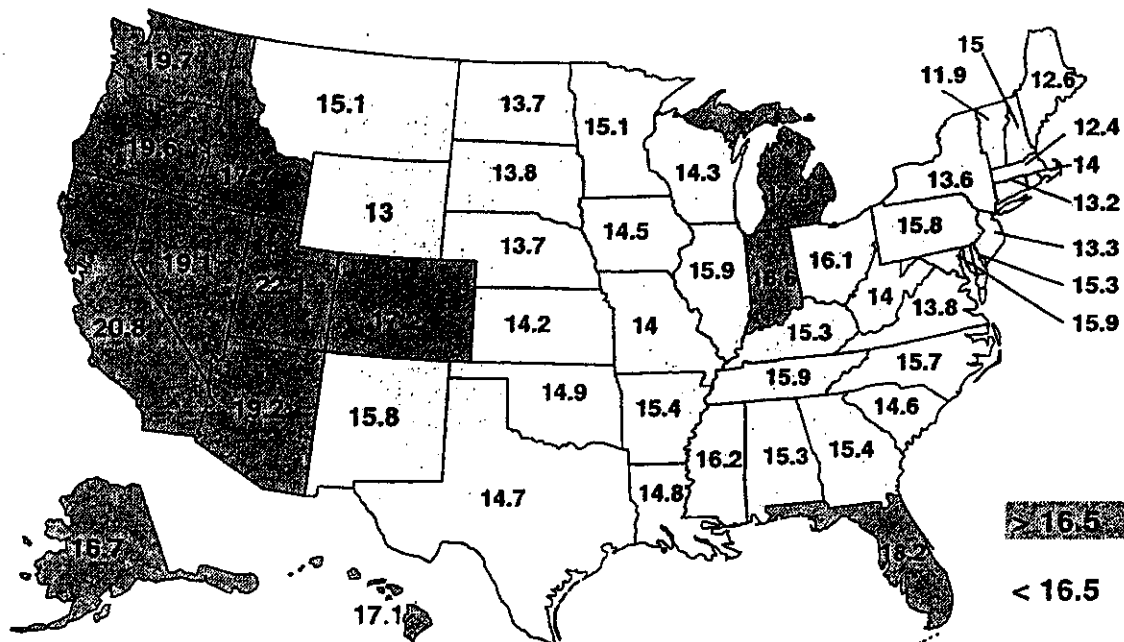
37 Other States Average

6

- One effect of less funding for public education in the west is higher pupil per teacher ratios.
- 10 of the 12 states with the largest per pupil ratios are western states.

7

Pupil Per Teacher Ratio 2000-01



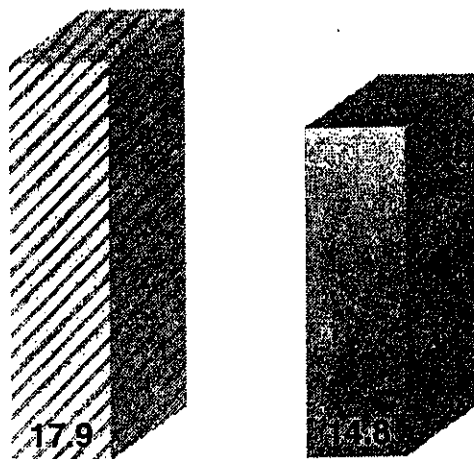
Source: U.S. Department of Education, National Center for Education Statistics

8

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- On average, the 13 western states have 3 more students per classroom than the 37 other states.
-

9

Pupil Per Teacher Ratio 2000-01



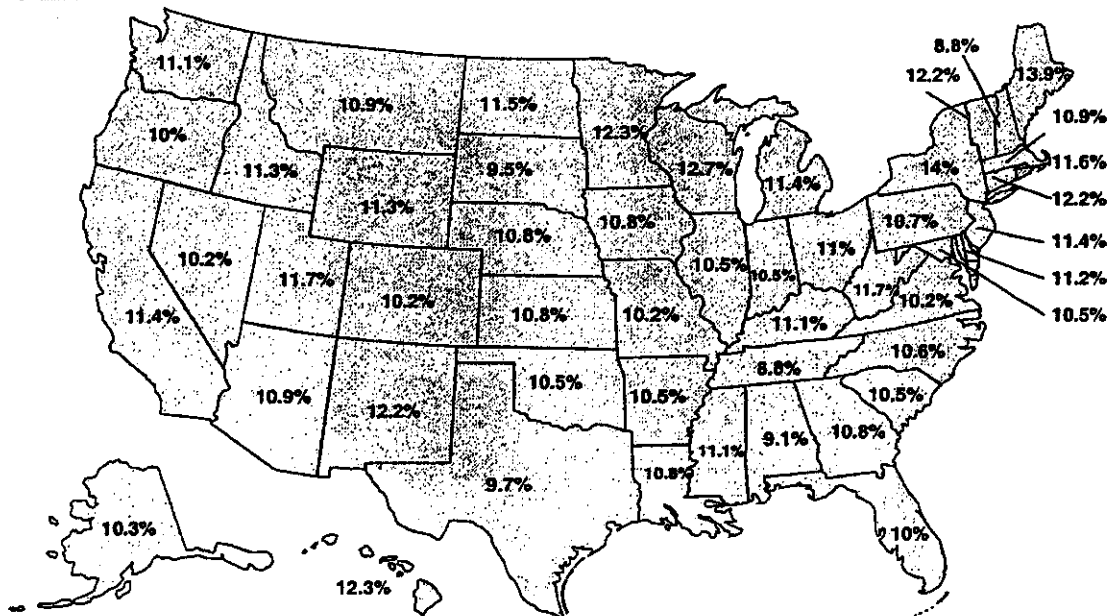
 13 Western States Average
 37 Other States Average

10

- **Why do western states have:**
 - higher pupil per teacher ratios; and
 - lower real growth in per pupil expenditures?
- **Is it because western states tax less than other states?**

11

State and Local Taxes As A Percent of Personal Income 1998-99



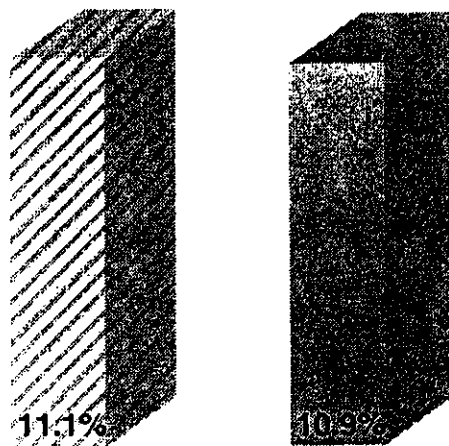
Source: U.S. Bureau of the Census

12

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- Western states' state and local taxes as a percent of personal income are as high or higher than other states.
-

13

State and Local Taxes As A Percent of Personal Income 1998-99



13 Western States Average

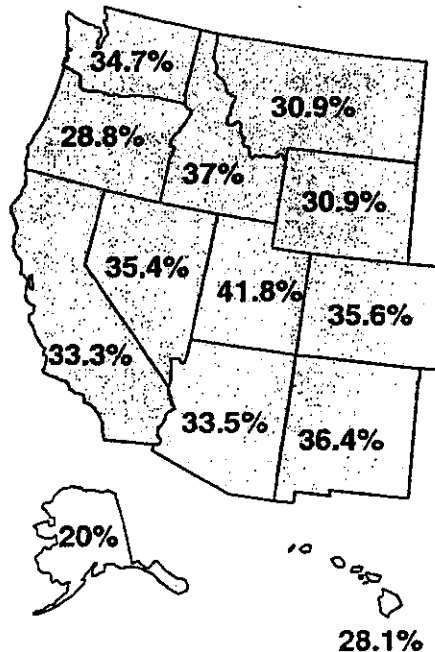
37 Other States Average

14

- Are western states spending fewer tax dollars on public education than other states?

15

Percent of State Budget Allocated To Public Education



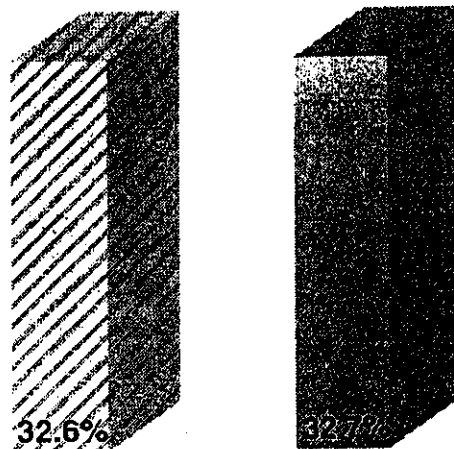
Source: Census Bureau - State Government Finance 2000

16

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- Western states' commitment to education is equal to that of other states.
-

17

Percent of State Budget Allocated To Public Education



13 Western States Average
37 Other States Average

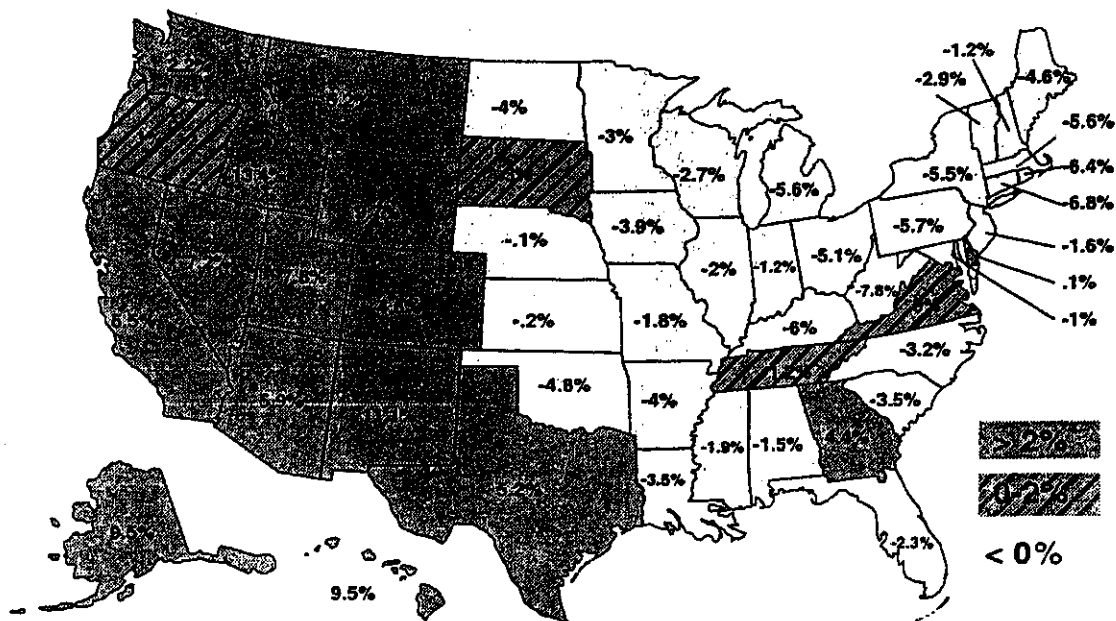
18

615 of 20

- To make matters worse, over the next ten years, enrollment is projected to be much higher in western states than in other states.

19

Percent Change in Projected Enrollment 2002-2011



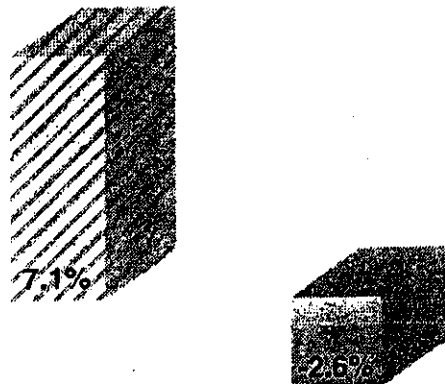
Source: U.S. Department of Education, National Center for Education Statistics

20

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- On average, western states enrollment growth is projected to increase dramatically while the other states projected growth rate actually decreases.
-

21

Percent Change In Projected Enrollment 2002-2011



13 Western States Average

37 Other States Average

22



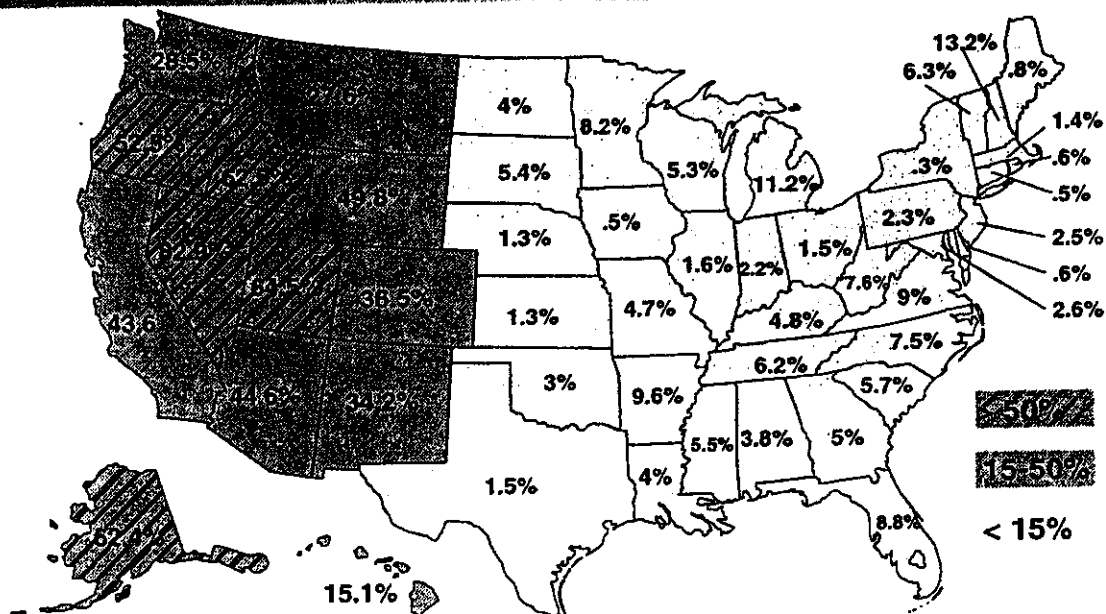
Summary Of The West's Education Paradox

- Despite the fact that western states:
 - tax at a comparable rate
 - allocate as much of their budgets to public education
- Western states nevertheless:
 - have higher pupil per teacher ratios
 - have lower real growth in per pupil expenditures
- And are projected to have higher enrollment

Why?

- **The problem lies at the feet of the federal government and the enormous amount of land it owns in western states.**
- **No state east of an imaginary vertical line from Montana to New Mexico has more than 14% of its land federally owned.**
- **No state west of that imaginary line has less than 27% of its land federally owned (with the exception of Hawaii).**
- **4 western states have more than 62% of their land federally owned (Alaska, Idaho, Nevada, & Utah).**

The Problem: High Percent of Federal Land Ownership In The West

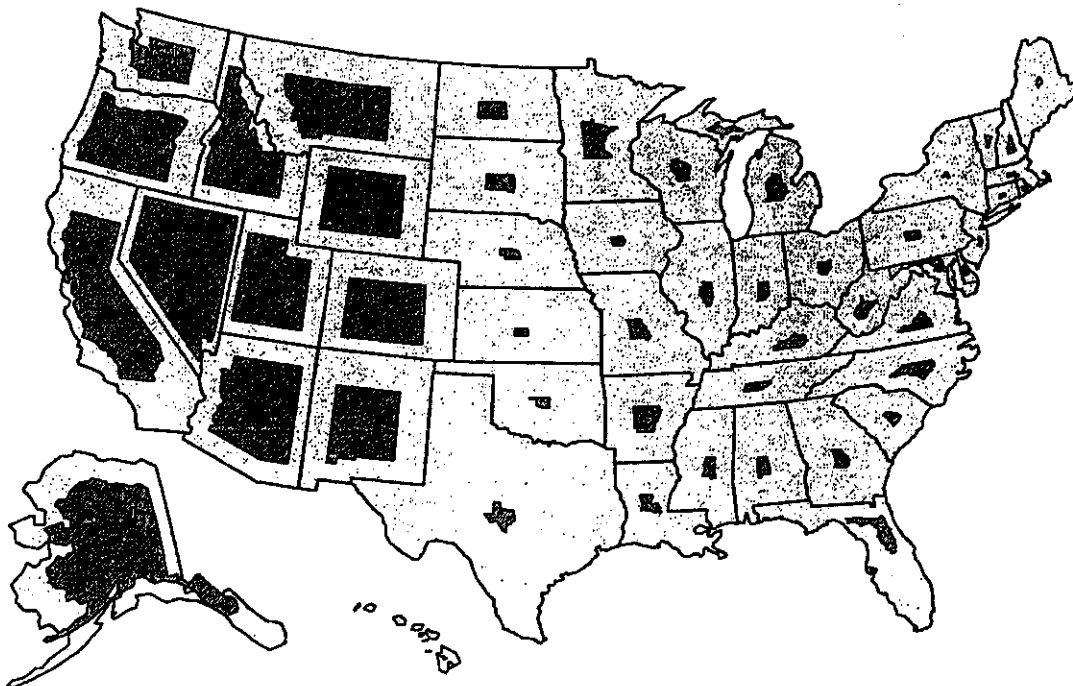


Source: U.S. Dept. of the Interior, Bureau of Land Management. Public Land Statistics 2000

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- This can also be shown pictorially
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27

Federal Land Ownership



28