

Brief History of Nevada School Trust Lands

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). Sometime after Nevada statehood, federal law was changed and some western states were granted four sections of land, rather than the two sections offered to Nevada.

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 1864-5*, 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 (PSF)]. These lands are considered assets of the PSF, and are required by the *Constitution of the State of Nevada* to be managed or disposed of to generate revenue for the Fund. *Nevada Revised Statutes* 321.335 authorizes the Division of State Lands, State Department of Conservation and Natural Resources, to sell State land at fair market value with the approval of the Board of Examiners and the Interim Finance Committee.

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 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. The trade resulted in Nevada receiving fewer acres 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 PSF that many other western states, who kept their full allotment of educational lands, have been able to generate. When sold, all money is deposited in the State Permanent School Fund, and made available for the State's Distributive School Account. The majority of the original 2 million acres has already been sold. By 2006, the State had about 3,000 acres remaining.

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EXHIBIT D Senate Committee on Nat Resources

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