



Land for Education: Funding Schools the Old-Fashioned Way by Dick Clark

When people think of major landowners in Nebraska, they might first think of folks like the Bixby family, twentieth-century owners of the historic Spade Ranch that once comprised half a million acres in Nebraska's Sheridan and Cherry Counties.¹ They might think of the Wells family, with their 149,000 acres spread across six counties, or the Monahans with their 130,000 acres of ranch land.² Most would not think of Nebraska's Board of Educational Lands and Funds (BELF), but the Board is trustee for 1.272 million acres,³ or about 2.5 percent of the land in the entire state. Revenue from school trust lands generated more than \$36 million in revenues for the fiscal year that ended on June 30, 2012.⁴ BELF real estate holdings are valued at around a billion dollars.⁵

This land is what remains of almost 3 million acres reserved for the support of common schools and other public purposes in an initial federal land grant to the Nebraska Territory in 1864⁶ and as a condition of Nebraska's statehood in 1867. Like other states admitted to the union in this period, sections 16 and 36 of each township were reserved for this purpose by Congress.⁷ The history of federal land grants for the support of education goes back far further than Nebraska pioneer days, and such grants actually predate the United States Constitution. Under the Articles of Confederation, the Continental Congress passed two major pieces of legislation that included provision of land to fund local schools: the General Land Ordinance of 1785 and the Northwest Ordinance of 1787.⁸

¹ "Spade Ranch." Nebraska State Historical Society. [URL: http://www.nebraskahistory.org/publish/markers/texts/spade_ranch.htm]

² "100 Largest Landowners in the United States." *The Land Report*. Fall 2013. [URL: http://fayranches.com/sites/default/files/2013_land_report_100_sponsored_by_fay_ranches.pdf]

³ "68th Biennial Report: 2010–2012." Bureau of Educational Lands and Funds. September 30, 2012. p. 4. [URL: <http://belf.nebraska.gov/pdf/belf2010-12.pdf>]

⁴ *Ibid.*, p. 5.

⁵ *Ibid.*

⁶ "Historical Note: Board of Education Lands and Funds." Nebraska State Historical Society. [URL: http://nebraskahistory.org/lib-arch/research/public/state_finding_aids/bd_ed_landfunds.pdf]

⁷ BELF, p. 4.

⁸ Culp, Peter W., Diane B. Conradi, and Cynthia C. Tuell. *Trust Lands in the American West: A Legal Overview and Policy Assessment*. Lincoln Institute of Land Policy and the Sonoran Institute. 2005. [URL: <http://www.lincolninst.edu/subcenters/managing-state-trust-lands/publications/trustlands-report.pdf>]

Before the Constitution was ratified in 1789, the national government did not have the authority to levy taxes, and so its revenues were limited to money requested by the national government from the states, borrowing from foreign governments, and income from the massive tracts of land over which the United States claimed ownership. Revolutionary spending had been significantly enabled by monetary inflation, leading to the expression “worthless as a continental [dollar],” but the depreciated value of the national government’s money greatly diminished this manner of financing government spending.⁹ As a result, the Congress increasingly used land grants as the means for financing public projects, especially education.¹⁰

In Nebraska, federally granted lands were set aside for common schools, the university, a penitentiary, and other public purposes.¹¹ Most of the land granted for state purposes was rapidly disposed of, with almost half sold by 1873, and the rest by 1878.¹² Sales of agricultural land began in 1880, and nearly a third of the 48,893 acres of saline lands at the disposal of the state legislature were used for construction of the normal school in Peru, a model farm, a mental institution in Lincoln, the University, or sold as Lincoln city lots.¹³

Nebraska’s 1875 Constitution created the Board of Educational Lands and Funds and made it responsible for “the general management of all lands set apart for educational purposes.”¹⁴ Pursuant to policy first enacted via legislation in 1897, a perpetual leasing system was established to allow the board to consistently generate revenue for schools.¹⁵ After years of failed attempts to repeal the 1897 law and enable the sale of these school trust lands, the law was finally repealed in 1937.¹⁶ Although trust lands are occasionally sold, it is still the general policy of the state to lease these lands in order to generate ongoing funding for education. At the beginning of 2001, some of the property leased out by BELF became subject to property taxes, with BELF collecting the taxes from lessees and then remitting them to the local taxing authority.¹⁷

Today, the vast public lands entrusted to BELF generate revenue for schools primarily through agricultural leases and mineral leases. Agricultural rentals are far and away the biggest source of revenue from the trust lands, but some income is also derived from natural gas, wind projects, and rare minerals.¹⁸ The Keystone XL project has so far resulted in \$474,000 going to BELF from TransCanada to pay for easements along the proposed route of the pipeline in Keya

⁹ Woods, Thomas E. “The Revolutionary War and the Destruction of the Continental.” Ludwig von Mises Institute. October 11, 2006. [URL: <http://mises.org/daily/2340>]

¹⁰ Culp *et al.*, p. 2.

¹¹ Nebraska State Historical Society.

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ Neb. Const. art. VIII, sec. 6. (1875)

¹⁵ Nebraska State Historical Society.

¹⁶ *Ibid.*

¹⁷ BELF, p. 5.

¹⁸ *Ibid.*

Paha, Holt, and Antelope Counties.¹⁹ While mineral rights leases are a comparatively small portion of total revenues, the October 2012 auction of these leases by BELF brought in more than \$1.3 million.²⁰ Combined with agriculture leases and bonuses, as well as property tax remitted by BELF, school trust lands produce a modest but significant part of overall education funding. In 2012, the last year for which a full report is available, BELF funding in Douglas County alone exceeded \$12 million.²¹ While these dollars are dwarfed by education funding from property taxes and from state aid, taxpayers and policymakers alike should remember that not all public services have to be paid for through taxes.

¹⁹ Duggan, Joe. “A \$474K boost: Keystone XL will pay off for Nebraska’s public schools — even if pipeline isn’t built.” *Omaha World-Herald*. September 5, 2014. [URL: http://www.omaha.com/news/nebraska/a-k-boost-keystone-xl-will-pay-off-for-nebraska/article_c978622f-0c9b-5b2a-9499-e718ffb4a7fc.html]

²⁰ Olberding, Matt. “Oil production, exploration continue in Nebraska; boom unlikely.” *Lincoln Journal-Star*. March 24, 2013. [URL: http://journalstar.com/business/local/oil-production-exploration-continue-in-nebraska-boom-unlikely/article_e4b68019-9d7a-52bc-83bb-ccf3ac607004.html]

²¹ BELF, pp. 18–19.