

The pertinent wording of Subsection 303(1) is as follows:

The term "Federal property" means real property which is owned by the United States or is leased by the United States, and which is not subject to taxation by or leased from the United States by any State or any political subdivision of a State or by the District of Columbia. Such term includes real property which is owned by the United States and leased therefrom and the improvements thereon, even though the lessee's interest, or any improvement on such property, is subject to taxation by a State or a political subdivision of a State or by the District of Columbia. Such term also includes, (A) except for the purposes of Section 6, real property held in trust by the United States for individual Indians or Indian tribes which is subject to restrictions on alienation imposed by the United States. . . .

In accordance with this provision, the Office of Education has deducted from the gross entitlement computed for any school district the shared revenue payments and taxes on private improvements on all property defined as Federal for the purposes of the Act, when such funds were received by a district and available for school purposes. While the wording of the statute may not have been entirely clear for all types of situations that existed, it was felt that such deductions were in accordance with the intent and purpose of the Act.

In two recent court cases, *United States v. Apache (Arizona) County High School District* and *United States v. Pawhuska (Oklahoma) School District*, the U.S. District Court ruled that certain deductions should not have been made. Both cases arose because the school district did not initially report the receipt of other Federal payments as defined in the Act, and for specified years they were paid their full entitlement under Public Law 874 without making deductions. When a field review discovered that such Federal payments had been received by the district but not reported to the Office of Education, the applications for the years in question were reprocessed and the amount that should have been deducted was determined to be an overpayment. Efforts to get the two school districts to repay the overpayment were unsuccessful, and the cases were turned over to the courts for collection.

In each case, the overpayment resulted from receipt by the school district of taxes on private improvements constructed under a lease on lands owned by an Indian tribe but subject to restrictions on alienation. In each case, the court ruled that the wording of Section 303(1) above, as it defines Federal property for the purpose of the Act, did not cover taxes paid on private improvements constructed under a lease on land owned by an Indian tribe but subject to restrictions on alienation, because this was not a lease of property owned by the United States.

The purpose of the amendment is to clarify this ambiguity by specifying that all taxes and other Federal payments made with respect to any property considered to be Federal for the purposes of the Act should be deducted from the gross entitlement of the school district. We feel that this amendment carries out the spirit and intent of Public Law 874, of not making duplicate payments from two different sources to the same school district for the same purpose. It will clarify the administrative problem and uncertainty that now exists in these situations. It is expected that the amendment will save an estimated \$2 million a year which has been deducted in the past in these situations. It is requested that the amendment be made effective for the current fiscal year.

Amendment to Public Law 815

The Office of Education, along with the Bureau of Indian Affairs of the Department of the Interior, is reviewing the operation of Section 14 of Public Law 815, which deals with the problems of school districts which provide free public education for Indian children who reside on Indian reservations. Specific amendments to this section will be forwarded to the Congress at a later date.

Mr. QUIE. Could we also have the names of the people from the Office of Education in the record?

Chairman PERKINS. Yes, sir.

(The names referred to follow:)

The Commissioner was accompanied by: J. Graham Sullivan, Deputy Commissioner of Education; R. Louis Bright, Associate Commissioner for Research; Nolan Estes, Associate Commissioner for