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810/1/76

APPROVED
OCT 1 - 1976

THE WHITE HOUSE

ACTION

WASHINGTON

Last Day: October 8

October 1, 1976

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

J. Cannon

SUBJECT:

H.R. 589 - Relief of the Santa Ynez Water Conservation District

Posted
10/2/76

Attached for your consideration is H.R. 589, sponsored by Representative Lagomarsino.

Archives
10/4/76

The enrolled bill would authorize the Secretary of the Interior to relieve the Santa Ynez River Water Conservation District of repayment of a reclamation project loan to the extent of \$1,120 annually.

A detailed description of the bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Kilberg), Brad Patterson and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 589 at Tab B.





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 28 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 589 - Relief of the Santa
Ynez Water Conservation District
Sponsor - Rep. Lagomarsino (R) California

Last Day for Action

October 8, 1976 - Friday

Purpose

Authorizes the Secretary of the Interior to relieve the Santa Ynez River Water Conservation District of repayment of a reclamation project loan to the extent of \$1,120 annually.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	Approval

Discussion

In 1960, the Santa Ynez River Water Conservation District received a Small Reclamation Projects loan from the Department of the Interior in the amount of \$3,800,000 to construct a water distribution system. The District repays this loan by means of an ad valorem tax levied against lands within its boundaries.

The Santa Ynez Indian Reservation is located within the boundaries of the 10,000-acre Santa Ynez River Water Conservation District. Although the 88-acre Indian reservation constructed its own water distribution system in 1970, the District water distribution system supplies all of the water used by the Indian reservation distribution system. Under this arrangement, the Santa Ynez Indians make the same payment per unit of water as do other users within the District, including maintenance and operation charges.

However, since the Indian reservation is Federal land, the District's ad valorem tax cannot be levied against these lands, and accordingly, non-Indian landowners are subsidizing part of the cost of the water distribution system that provides water to the Indian reservation. The Indian reservation's pro-rata share of the Small Reclamation Projects loan is about \$34,000, or \$1,120 annually over the remaining 30-year repayment period.

H.R. 589 would authorize the Secretary of the Interior to amend the repayment contract with the Santa Ynez River Water Conservation District to reduce by \$1,120 annually the amount due the United States. The enrolled bill would make the reduction effective on January 1 of the year following enactment, and it would remain in effect so long as the Indian reservation is in Federal ownership.

In reporting to the Congress, Interior opposed enactment of H.R. 589 on the grounds that the issue of payment by the Indians for their share of the District's water distribution system was a matter between the District and the Indians. The Department further noted that the District's original loan agreement with the United States contains no stipulations or reservations concerning prospective water service to the Indians.

However, in its attached enrolled bill letter, Interior takes a different view, and recommends approval based on the following arguments:

"The Bureau of Reclamation and the Bureau of Indian Affairs have both expressed the view that there are strong equitable reasons for

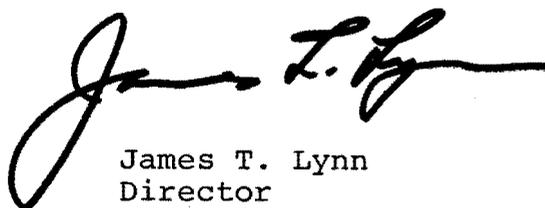


support of the bill. Because of the need for water by the Indian Band, the District agreed to provide the water to the reservation and to assume the responsibility for operation and maintenance of the lines on Federal land after their construction. Because of the economic status of the Band, the water rate for the Indians did not include a surcharge in lieu of taxes. This necessary conclusion, together with the tax exempt status of the reservation land, created an inequity. The Federal Government utilizes a portion of the District's water distribution system which is being entirely paid for by its non-governmental neighbors by way of tax assessments."

* * * *

"The cost of the bill is minimal. In light of the equities of this case and the lack of other specific authority, we favor approval of H.R. 589 to authorize the Secretary to provide the needed relief."

Although this Office continues to believe that Interior's initial position held considerable merit, on balance, we concur in the Department's recommendation for approval. We take this position in light of the bill's minimal cost to the Federal Government and because the circumstances in this case appear to be unique with little danger of establishing a precedent that could be repeated in the future.



James T. Lynn
Director

Enclosures





United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

SEP 27 1976

Dear Mr. Lynn:

This is in response to your request for the views of the Department concerning enrolled bill H.R. 589, "To authorize the Secretary of the Interior to provide relief to the Santa Ynez River Water Conservation District due to delivery of water to the Santa Ynez Indian Reservation lands."

We recommend that the President approve H.R. 589.

H.R. 589 would allow the Secretary to relieve the Santa Ynez River Water Conservation District of repayment of a small reclamation project loan, to the extent of \$1120 per year. In 1960 the District entered into a contract with the United States to repay a Small Reclamation Projects loan of about \$3,800,000, which was used to construct a distribution system. The distribution system was completed in 1965. The bill would compensate the District for repayment of the portion of the distribution system attributable to the Santa Ynez Indian Reservation. The District usually obtains funds for the loan by the ordinary means of tax assessment, but because the lands involved are Federally owned it cannot assess the Indian reservation. The loan was originally for a term of 40 years, and has 30 years left to run.

The Santa Ynez Indian Reservation is located within the boundaries of the 10,000 acre Santa Ynez River Water Conservation District. There are some 15 Indian families living on the 88-acre reservation. The District is a member unit of the Santa Barbara County Water Agency, the contracting entity on the Cachuma Project. The project is located near Goleta in southern Santa Barbara County, California. The District is also paying the United States for water supplied from the Cachuma project.

The District is providing water for domestic use by the Indians through a part of the water distribution system constructed with the loan funds. The Indian Health Service, a part of the Department of Health, Education, and Welfare, installed a distribution system within the reservation boundaries about five years ago.



The Santa Ynez Indians have made and will continue to make payments to the District for water delivered. This charge is to compensate the District for maintenance and operation costs, and for the District's payments to the United States for water. However, because the annual tax assessment made against other District lands is not possible against the reservation lands, no equitable adjustment can be made to the District for the water distribution system without specific legislation.

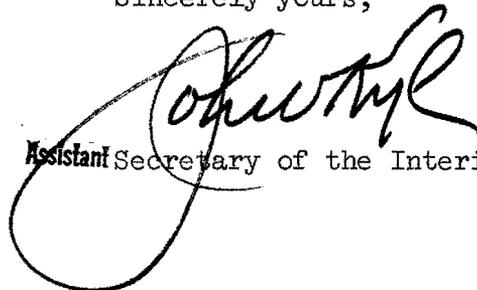
The cost of the District's distribution system amounts to approximately \$382 per acre over the balance of the repayment period which would be equal to about \$34,000 for the 88 acres of Indian land. This is slightly less than one percent of the loan and is the approximate amount the District would be credited under the proposed legislation.

The Bureau of Reclamation and the Bureau of Indian Affairs have both expressed the view that there are strong equitable reasons for support of the bill. Because of the need for water by the Indian Band, the District agreed to provide the water to the reservation and to assume the responsibility for operation and maintenance of the lines on Federal land after their construction. Because of the economic status of the Band, the water rate for the Indians did not include a surcharge in lieu of taxes. This necessary conclusion, together with the tax exempt status of the reservation land, created an inequity. The Federal Government utilizes a portion of the District's water distribution system which is being entirely paid for by its non-governmental neighbors by way of tax assessments.

The Leavitt Act (25 U.S.C. 386a), which authorizes and directs the Secretary of the Interior to adjust or eliminate reimbursable charges of the Government of the United States existing as debts against individual Indians or tribes of Indians for costs in connection with irrigation systems constructed for the benefit of Indians, is not specifically applicable in this case since the debt involved in this legislation was not specifically incurred by either the tribe or the individual Indian. However, the rationale of the Leavitt Act could be reasonably applied to this case.

The cost of the bill is minimal. In light of the equities of this case and the lack of other specific authority, we favor approval of H.R. 589 to authorize the Secretary to provide the needed relief.

Sincerely yours,



Assistant Secretary of the Interior

Honorable James T. Lynn
Director, Office of
Management and Budget
Washington, D. C.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 29

Time: 500pm

FOR ACTION: George Humphreys *GH*
Max Friedersdorf *MF*
Bobbie Kilberg *BK*

cc (for information):

Jack Marsh
Jim Connor
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 30

Time: 530pm

SUBJECT:

H.R. 589-Relief of the Santa Ynez Water
Conservation District

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

To: J. Johnston
9-29-76
4:30 p.m.

SEP 28 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 589 - Relief of the Santa Ynez Water Conservation District
Sponsor - Rep. Lagomarsino (R) California

Last Day for Action

October 8, 1976 - Friday

Purpose

Authorizes the Secretary of the Interior to relieve the Santa Ynez River Water Conservation District of repayment of a reclamation project loan to the extent of \$1,120 annually.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	Approval

Discussion

In 1960, the Santa Ynez River Water Conservation District received a Small Reclamation Projects loan from the Department of the Interior in the amount of \$3,800,000 to construct a water distribution system. The District repays this loan by means of an ad valorem tax levied against lands within its boundaries.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 29

Time: 500pm

FOR ACTION: George Humphreys
Max Friedersdorf
Bobbie Kilberg

cc (for information):

Jack Marsh
Jim Connor
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 30

Time: 530pm

SUBJECT:

H.R. 589-Relief of the Santa Ynez Water
Conservation District

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Recommend approval

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please

James M. Cannon

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 29

Time: 500pm

FOR ACTION: George Humphreys
Max Friedersdorf
Bobbie Kilberg

cc (for information):

Jack Marsh
Jim Connor
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 30

Time: 530pm

SUBJECT:

H.R. 589-Relief of the Santa Ynez Water
Conservation District

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*approved
Kilberg 9/30/76*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a
delay in submitting the required material, please

James M. Cannon

THE WHITE HOUSE

WASHINGTON

September 30, 1976

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M.L.F.*
SUBJECT: HR 589 - Relief of the Santa Ynez Water
Conservation District

The Office of Legislative Affairs concurs with the agencies
that the subject bill be approved.

Attachments

AUTHORIZING THE SECRETARY OF THE INTERIOR TO PROVIDE RELIEF TO THE SANTA YNEZ RIVER WATER CONSERVATION DISTRICT DUE TO DELIVERY OF WATER TO THE SANTA YNEZ INDIAN RESERVATION LANDS

SEPTEMBER 15, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HALEY, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany H.R. 589]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 589) to authorize the Secretary of the Interior to provide relief to the Santa Ynez River Water Conservation District due to delivery of water to the Santa Ynez Indian Reservation lands, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 1, beginning on line 3, strike out all after the enacting clause and insert in lieu thereof the following:

That the Secretary of the Interior is authorized to amend the repayment contract dated March 16, 1960, with the Santa Ynez River Water Conservation District, to reduce by \$1120, annually, the amount due the United States. The reduction is to commence with the payment due on January 1 of the year following passage of this Act and continue as long as all of the lands of the Santa Ynez Indian Reservation, as presently constituted, remain in Federal ownership.

PURPOSE OF LEGISLATION

The purpose of H.R. 589 by Mr. Lagomarsino is to authorize the Secretary of the Interior to enter into an amendatory contract with the Santa Ynez River Water Conservation District, Santa Barbara County, California. The amendatory contract will reduce the repayment obligation of the District in the amount of \$1,120 annually, representing the pro rata share of the District's obligation for water distribution service to the tax exempt lands of the Santa Ynez Indian Reservation.

BACKGROUND OF LEGISLATION

The Santa Ynez River Water Conservation District is a political subdivision organized under the laws of the State of California for the purpose of marketing municipal, industrial and irrigation water

supplies to the lands of the District. The District has a water service contract with the Bureau of Reclamation for a purchase of water from the Cachuma Project of the Bureau of Reclamation. Payments for water service are made through unit charges to all users.

Project water is distributed through distribution facilities constructed by the Conservation District by means of a reimbursable loan obtained from the Secretary of the Interior under the provisions of the Small Reclamation Project Act of 1956, as amended. Revenue for repayment of this indebtedness is raised by ad valorem taxes on the lands of the District. Within the District is the 88-acre Santa Ynez Indian Reservation. Service is provided to these lands by the Conservation District and internal distribution is effected to individual water users through facilities constructed by the Indian Health Service of the Department of Health, Education and Welfare, with grant funds and local donations. The District is unable to levy taxes against the Federally owned reservation lands and this creates a situation in which non-Indian landowners are, in effect, subsidizing distribution service to the Indian lands.

DISCUSSION OF LEGISLATION

H.R. 589 will redress the situation above described by amending the repayment contract for the Small Reclamation Project loan to reduce the annual amortization payment by the amount of \$1120 annually, for so long as all of the lands of the Indian Reservation remain in Federal ownership. The Committee on Interior and Insular Affairs recommends that the reduced amount be adjusted at such time as any or all of the Federally owned lands become privately owned.

COMMITTEE AMENDMENTS

The Committee on Interior and Insular Affairs adopted one amendment, striking all after the enacting clause and substituting a new text. The amendment, in addition to clarifying the purpose of the bill, makes it clear that the reduction in payments will be adjusted at such time any or all of the Federally owned lands become privately owned.

COST

If H.R. 589 is enacted before January 1, 1976, the estimated cost for the remainder of the contract term will be \$33,600. This sum represents the Committee estimate required to be presented by the Rules of the House.

INFLATIONARY IMPACT

H.R. 589 involves no expenditures of funds by the United States, but merely reduces Federal revenues by \$1120 per year—thus the impact is distinctly minimal if any.

COMMITTEE RECOMMENDATION

The Committee on Interior and Insular Affairs, on the basis of a voice vote, recommends that the bill H.R. 589, as amended, be enacted.

EXECUTIVE COMMUNICATION

The report of the Department of the Interior on H.R. 589, dated June 5, 1975, is set forth below in its entirety:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., June 5, 1975.

HON. JAMES A. HALEY,
Committee on Interior and Insular Affairs, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department concerning two bills, H.R. 589 and H.R. 6622.

H.R. 589 is a bill, "To authorize the Secretary of the Interior to provide relief to the Santa Ynez River Water Conservation District due to delivery of water to the Santa Ynez Indian Reservation lands." H.R. 6622 is a bill, "To provide for repair of the Del City aqueduct, a feature of the Norman Federal reclamation project, Oklahoma."

We have reviewed the proposed bills; we favor the enactment of H.R. 6622, and we do not favor enactment of H.R. 589.

H.R. 589 would allow the Secretary to relieve the Santa Ynez River Water Conservation District of repayment of a small reclamation project loan, to the extent of \$1,120 per year. In 1960 the District entered into a contract with the United States to repay a Small Reclamation Projects loan of about \$3,800,000, which was used to construct a distribution system. The distribution system was completed in 1965. The bill would compensate the District for repayment of the portion of the distribution system attributable to the Santa Ynez Indian Reservation. The District usually obtains funds for the loan by the ordinary means of tax assessment, but because the lands involved are Federally owned it cannot assess the Indian reservation. The loan was originally for a term of 40 years, and has 30 years left to run.

The Santa Ynez Indian Reservation is located within the boundaries of the 10,000 acre Santa Ynez River Water Conservation District. There are some 15 Indian families living on the 88-acre reservation. The District is a member unit of the Santa Barbara County Water Agency, the contracting entity on the Cachuma Project. The project is located near Goleta in southern Santa Barbara County, California. The District is also paying the United States for water supplied from the Cachuma project.

The District is providing water for domestic use by the Indians through a part of the water distribution system constructed with the loan funds. The Indian Health Service, a part of the Department of Health, Education, and Welfare, installed a distribution system within the reservation boundaries about five years ago.

The Santa Ynez Indians have made and will continue to make payments to the District for water delivered. This charge is to compensate the District for maintenance and operation costs, and for the District's payments to the United States for water. However, because the annual tax assessment made against other District lands is not possible against the reservation lands, no equitable adjustment can be made to the District for the water distribution system without specific legislation.

The cost of the District's distribution system amounts to approximately \$382 per acre over the balance of the repayment period which would be equal to about \$34,000 for the 88 acres of Indian land. This is slightly less than one percent of the loan and is the approximate amount the District would be credited under the proposed legislation.

The Administration has opposed enactment of H.R. 589. It has taken a position that the matter of payment by the Indians for the

distribution system is a matter between the District and the Indians. The original loan agreement between the District and the United States contains no reservations or stipulations regarding prospective water service to the Indians.

H.R. 6622 would authorize the Secretary to amend its contract of September 5, 1961 with the Central Oklahoma Master Conservancy District to adjust the District's repayment obligations by an amount equal to the costs incurred by the District for excessive repairs to the aqueduct. The contract is for 50 years with 40 years of repayment obligation left. The aqueduct was Federally constructed under an agreement with the District whereby the District would maintain and operate it thereafter.

During the time the six-mile-long Del City pipeline has been in service, approximately nine years, 84 breaks have occurred. The pipeline, a concrete pressure pipeline, is similar to pipelines which are being operated successfully on several other projects within the Southwest Region.

The Central Oklahoma Master Conservancy District, which has operated the pipeline since May 2, 1966, has borne the cost of operation, with the exception of expenses incurred in repairing and assessing the numerous pipeline breaks. A total of 42 breaks during the 36-month warranty period and 32 additional breaks during the following 41½ months ending December 31, 1972, were repaired by the contractor at no expense to the District or to the United States. Pipeline breaks subsequent to 1972 have been repaired by the United States, in conjunction with research studies aimed at ascertaining causes of the breaks.

We have concluded that the pipeline breaks have been caused by several factors beyond the District's control, including unusual soil conditions. We cannot predict how far into the future the pipeline failures will continue. Based upon the historical record, however, we estimate that an average of six breaks will occur each year for some time in the future, and that the average annual cost of the repairs (approximately \$500/break) would be approximately \$3,000. The total future cost of pipeline repairs is not expected to exceed \$150,000 over the anticipated repayment period. The total estimated project cost, including \$685,323 interest during construction, is \$18,371,444. The total value of contracted repayment is \$11,978,000.

We do not believe that all of the anticipated breaks should be considered a routine operation, maintenance, and replacement responsibility. We recommend that future pipeline breaks be repaired by the District, as a part of its operation and maintenance program, with the District's costs for excessive repairs (as determined by the Secretary) credited toward its annual construction repayment obligation to the United States, as provided in the proposed bill.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

ROYSTON C. HUGHES,
Assistant Secretary of the Interior.

○

AUTHORIZING RELIEF TO THE SANTA YNEZ RIVER WATER CONSERVATION DISTRICT DUE TO DELIVERY OF WATER TO THE SANTA YNEZ INDIAN RESERVATION, CALIF.

SEPTEMBER 16, 1976.—Ordered to be printed

Mr. JACKSON, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany H.R. 589]

The Committee on Interior and Insular Affairs, to which was referred the act (H.R. 589) to authorize the Secretary of the Interior to provide relief to the Santa Ynez River Water Conservation District due to delivery of water to the Santa Ynez Indian Reservation lands, having considered the same, reports favorably thereon without amendment and recommends that the act do pass.

PURPOSE OF THE LEGISLATION

The purpose of H.R. 589 is to authorize the Secretary of the Interior to enter into an amendatory contract with the Santa Ynez River Water Conservation District, Santa Barbara County, California, in order to reduce by \$1,120 annually the District's repayment obligation to the United States for a loan pursuant to the Small Reclamation Project Act of 1956. The amount of reduced payment is commensurate with the District's share of the costs for distributing water to the tax exempt lands of the Santa Inez Indian Reservation.

BACKGROUND

The Santa Ynez Indian Reservation consists of 88 acres within the boundaries of the 10,000 acre Santa Ynez River Water Conservation District in Southern California about 25 miles northwest of Santa Barbara. The District, a duly constituted political subdivision pursuant to the State laws of California, has a water service contract with the Bureau of Reclamation for the purchase of water from the Bureau's Cachuma Project for purposes of marketing municipal, industrial, and irrigation water supplies.

In 1960, the Santa Ynez River Water Conservation District entered into a contract with the United States to repay a Small Reclamation Project loan of \$3,800,000 which was used to construct a water distribution system that was completed in 1965. In 1968, the Indian Health Service installed a water distribution system within the boundaries of the Santa Ynez Indian Reservation and because of the poor condition of local surface water supplies, the Conservation District agreed to furnish water to the reservation with the understanding that they would pay the same water service charges as the rest of the District water users. However, the District is not able to levy the annual tax assessment on the Indian Reservation Lands for the purpose of paying the Small Projects Loan as it does on other District lands because of the Reservation's status in Federal ownership.

H.R. 589 would provide that the amount of the annual payment by the District be reduced by the amount of the project costs which would be allocable to serving the needs of the Santa Ynez Indian Reservation. The cost of the District's distribution system is approximately \$382 per acre over the balance of the repayment period. This would amount to about \$32,480 for the 88 acres of land within the Reservation; or, about \$1,120 per year, which is the amount that would be credited to the District's debt pursuant to H.R. 589.

LEGISLATIVE HISTORY

A hearing to take public and Administration testimony on H.R. 589 was held before the Energy Research and Water Resources Subcommittee of the Senate Committee on Interior and Insular Affairs on August 26, 1976. Previously, on July 24, 1975, Senators Cranston and Tunney had introduced a Senate companion measure, S. 2179, which had been referred to the Senate Committee on Interior and Insular Affairs.

H.R. 589 was introduced in the House of Representatives on January 14, 1975, and passed the House on October 6, 1975.

COMMITTEE RECOMMENDATION AND TABULATION OF VOTES

The Senate Committee on Interior and Insular Affairs, in open business session on September 8, 1976, by unanimous vote of a quorum present recommends that the Senate pass H.R. 589.

COST AND BUDGETARY CONSIDERATION

Pursuant to section 401 of the Congressional Budget Act of 1974, the Congressional Budget Office prepared a five-year estimate of the costs associated with H.R. 589. The cost estimate assumes that the legislation will be enacted during the transition quarter and the effective date of the reduced payment would be January 1, 1977.

Fiscal year:	Revenue foregone
1977	\$1,120
1978	1,120
1979	1,120
1980	1,120
1981	1,120

In accordance with section 252(a) of the Legislative Reorganization Act of 1970, the Committee provides the following estimate of costs. If H.R. 589 is enacted prior to January 1, 1977, the estimated costs for the remainder of the contract term will be \$32,480.

EXECUTIVE COMMUNICATIONS

The pertinent legislative reports and communications received by the Committee from the Department of the Interior setting forth Executive agency recommendations relating to H.R. 589 are set forth below:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., August 25 1976.

HON. HENRY M. JACKSON,
Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department concerning H.R. 589 as passed by the House, a bill, "To authorize the Secretary of the Interior to provide relief to the Santa Ynez River Water Conservation District due to delivery of water to the Santa Ynez Indian Reservation lands."

We have reviewed the proposed bill and we do not favor enactment of H.R. 589.

H.R. 589 would allow the Secretary to relieve the Santa Ynez River Water Conservation District of repayment of a small reclamation project loan, to the extent of \$1120 per year. In 1960 the District entered into a contract with the United States to repay a Small Reclamation Projects loan of about \$3,800,000, which was used to construct a distribution system. The distribution system was completed in 1965. The bill would compensate the District for repayment of the portion of the distribution system attributable to the Santa Ynez Indian Reservation. The District usually obtains funds for the loan by the ordinary means of tax assessment, but because the lands involved are Federally owned it cannot assess the Indian reservation. The loan was originally for a term of 40 years, and has 30 years left to run.

The Santa Ynez Indian Reservation is located within the boundaries of the 10,000 acre Santa Ynez River Water Conservation District. There are some 15 Indian families living on the 88-acre reservation. The District is a member unit of the Santa Barbara County Water Agency, the contracting entity on the Cachuma Project. The project is located near Goleta in southern Santa Barbara County, California. The District is also paying the United States for water supplied from the Cachuma project.

The District is providing water for domestic use by the Indians through a part of the water distribution system constructed with the loan funds. The Indian Health Service, a part of the Department of Health, Education, and Welfare, installed a distribution system within the reservation boundaries about five years ago.

The Santa Ynez Indians have made and will continue to make payments to the District for water delivered. This charge is to compensate the District for maintenance and operation costs, and for the District's payments to the United States for water. However, because the annual tax assessment made against other District lands is not possible against the reservation lands, no equitable adjustment can be made to the District for the water distribution system without specific legislation.

The cost of the District's distribution system amounts to approximately \$382 per acre over the balance of the repayment period which would be equal to about \$34,000 for the 88 acres of Indian land. This is slightly less than one percent of the loan and is the approximate amount the District would be credited under the proposed legislation.

The Administration has opposed enactment of H.R. 589. It has taken a position that the matter of payment by the Indians for the distribution system is a matter between the District and the Indians. The original loan agreement between the District and the United States contains no reservation or stipulations regarding prospective water service to the Indians.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

JOHN KYL,
Assistant Secretary of the Interior.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of Rule XXIX of the Standing Rules of the Senate, the Committee states that no changes in existing law would be made by H.R. 589, as ordered reported.

○

Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,
one thousand nine hundred and seventy-six*

An Act

To authorize the Secretary of the Interior to provide relief to the Santa Ynez River Water Conservation District due to delivery of water to the Santa Ynez Indian Reservation lands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior is authorized to amend the repayment contract dated March 16, 1960, with the Santa Ynez River Water Conservation District, to reduce by \$1,120, annually, the amount due the United States. The reduction is to commence with the payment due on January 1 of the year following passage of this Act and continue as long as all of the lands of the Santa Ynez Indian Reservation, as presently constituted, remain in Federal ownership.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*