

NORTH CAROLINA BONDS.

MARCH 5, 1884.—Referred to the House Calendar and ordered to be printed.

Mr. T. G. SKINNER, from the Committee on Indian Affairs, submitted the following

REPORT:

[To accompany bill H. R. 1154.]

The Committee on Indian Affairs, to whom was referred the bill (H. R. 1154) to authorize an exchange of North Carolina bonds now held by the United States Government, respectfully report:

The State of North Carolina, by authority of sundry acts of its general assembly, subscribed \$3,000,000 to the capital stock of the North Carolina Railroad Company, to be paid in coupon bonds, and bonds therefor were issued of the following dates and amounts, to wit:

Date of issue.	When due.	Amount.
January 1, 1853	January 1, 1883	\$500,000
July 1, 1853	July 1, 1883	500,000
January 1, 1854	January 1, 1884	500,000
July 1, 1854	July 1, 1884	130,000
January 1, 1855	January 1, 1885	370,000
April 1, 1855	April 1, 1885	1,000,000

All of those bonds were known as the North Carolina Railroad construction bonds, and constituted a lien upon the stock of North Carolina in said North Carolina Railroad Company.

The general assembly of North Carolina, on the 14th day of March, 1879, ratified an act entitled "An act to adjust and renew a portion of the State debt," being the said North Carolina Railroad construction bonds, of which \$2,795,000 were then outstanding, the said State having retired prior to that date \$205,000 of said bonds.

Of the said construction bonds the Government of the United States held at that time, and still holds, for the benefit of certain Cherokee Indians, the sum of \$146,000.

The commissioners appointed by authority of said act made a contract with many of the holders of said bonds, by which the said bondholders were to deliver up their said bonds and receive in place thereof new bonds of the State of North Carolina, bearing 6 per cent. interest, and payable forty years from the first day of April, 1879; the said bondholders rebating to the State \$240 on each \$1,000 of said bonds delivered for renewal, the new bonds to retain the first lien upon the stock of the State in said railroad company.

The said bonds, prior to the passage of the act of March 14, 1879, were selling in the markets at from 80 to 90 cents on the dollar, and the

new bonds that have been issued in renewal are worth in the markets 111.

Of the \$2,795,000 of said bonds, \$1,961,000 have been renewed upon the said terms.

The commissioners for North Carolina, on the 29th of October, 1883, submitted a proposition to the Secretary of the Interior for the exchange of said bonds held by the United States, upon the terms set out above, being the same which had been accepted by other holders of such bonds. In reply to which proposition the Hon. H. M. Teller, Secretary of the Interior, says in letter dated December 11, 1883 :

These conditions and requirements would entail a loss on the \$146,000 investment of of over \$36,000. As at present advised, if the matter presented no further obstacle, I do not think that it would be for the best interest of the service to accede to your proposition to exchange the old bonds for those of the new issue. The rebate of interest required is for the four years from 1878 to 1882. By reason of the default of the State in the regular and prompt payment of the interest on the bonds, Congress has for some time past made annual appropriations of the necessary amounts in order that the Indian tribes may not suffer, &c. After such appropriations by Congress all payments of back interest made by the States are covered into the Treasury to reimburse the United States. The interest due and remaining unpaid by the State is therefore virtually money due the United States.

In view of this fact, if the proposition were considered otherwise favorable, I am in doubt whether it would be proper for the Secretary of the Interior to exercise the powers conferred upon him by law for the investment of Indian trust funds, to make the exchange of bonds suggested, without the grant of special legislative authority therefor by Congress.

Your committee, differing from the opinion of the Secretary of the Interior, think that the exchange offered and provided for in this bill is advisable; because the market value of the new bonds—which by said proposition would be received in place of the old bonds—after allowing the rebate, is more than the market value of the old bonds now held by the United States, and the renewal of the debt relieves the United States of the necessity of resorting to the means of securing the stock of the State in the railroad company in redemption of the old bonds at maturity by expensive litigation, and keeps the \$146,000 of Indian funds safely invested for forty years, at a much larger rate of interest than other Indian funds are being invested by the United States, with a guarantee for prompt payment of this interest. Besides, the fact that more than two-thirds of the holders of these securities have already surrendered the old bonds and taken the new bonds in renewal thereof, upon the same conditions offered in this bill, shows that the business men of the country who are managing their own affairs consider the said exchange a good business transaction.

Your committee recommend that this bill be amended by striking out section three, and that the bill so amended do pass.