IN THE SENATE OF THE UNITED STATES.

FEBRUARY 2, 1880.—Ordered to be printed.

Mr. Pendleton, from the Committee on Indian Affairs, submitted the following

REPORT:
[To accompany bill S. 1195.]

"The necessity for the passage of this bill is to be found in the fact that some of the five per cent. bonds of the United States, which were held by the Secretary of the Interior in trust for the Indian tribes, have been called in and paid by the Secretary of the Treasury, and under the law no authority exists for the investment of the money so realized.

The law of January 9, 1837, volume 5, page 185, Statutes at Large, Revised Statutes, 2096, provides:

The Secretary of the Interior shall invest in a manner which shall be in his judgment most safe, and beneficial for the fund, all moneys that may be received under treaties containing stipulations for the payment to the Indians, of interest on the proceeds of the lands ceded by them; and he shall make no investment of such moneys, or of any portion, at a lower rate of interest than five per centum per annum.

The law of September 11, 1841, volume 5, page 406, Statutes at Large, Revised Statutes, section 3959, provides that:

All funds held in trust by the United States, and the annual interest accruing thereon, when not otherwise required by treaty, shall be invested in stocks of the United States, bearing a rate of interest not less than five per centum per annum.

Under these laws large investments of Indian trust-funds were made in the bonds of the United States. On the 20th day of April, 1879, the Secretary of the Interior held, as trustee for several Indian tribes, United States 6-3% six per cent. bonds, amounting to $323,550, which were included in a call of bonds for redemption then recently made by the Secretary of the Treasury, interest ceasing April 24, 1879; also United States 10-40 five per cent. bonds, amounting to $86,400, which were included in a call for redemption, interest ceasing July 15, 1879.

The only five per cent. bonds then outstanding were the funded loan maturing in 1881. They commanded a high premium. The investment in them would cause a loss to the principal of the trust fund. After their maturity there would be no bonds drawing a greater interest than four and one-half per cent. per annum. The Secretary of the Interior invested the funds arising from the payment of the called-in bonds in 4 per cent. bonds of 1877, as a mere temporary arrangement to save what interest he could until the authority proposed by this bill shall be conferred upon him.

The Secretary of the Interior on January 1, 1880, held bonds of the funded loan maturing in 1881 amounting to $2,188,000, which it is expected will soon be called in and paid. He also held bonds of the United States, maturing at a later day, to the amount of about $300,000.
The bill reported by the committee provides that the moneys arising from the three sources, viz., (1) the redemption of those United States bonds, (2) the sales of lands ceded by the Indians, (3) the sales of the four percent bonds of the United States recently bought as a temporary investment, shall be deposited in the Treasury and shall draw interest at the rate required by law. The alternative is the investment in stocks and bonds other than those of the United States.

This plan of keeping the trust funds is not new. Under various treaties and regulations, applicable only to specific cases, funds have been deposited in the Treasury at five per cent interest in lieu of investment, and are now held there to the amount of $1,741,841.01, paying an aggregate of interest annually to the amount of $387,067.17.

There is no diminution of principal by the payment of interest; there is no loss of interest; there is no such trouble as is caused by changes of investment.

The accompanying papers exhibit the necessity for a change in the law as proposed: The opinion of the present Secretary of the Interior, and of his predecessor; the wishes of the Indians who are interested; and the exact condition of all the Indian funds held by the Secretary of the Interior January 1, 1880.

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