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Letter from the Secretary of the Treasury, transmitting, in response to the resolution of the Senate of December 19, 1889, a report of the Third Auditor relative to the Indian war claims of the State of California.

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LETTER

FROM

THE SECRETARY OF THE TREASURY,

TRANSMITTING,

In response to the resolution of the Senate of December 19, 1889, a report of the Third Auditor relative to the Indian war claims of the State of California.

JANUARY 15, 1890.—Referred to the Committee on Military Affairs and ordered to be printed.

TREASURY DEPARTMENT,
January 13, 1890.

SIR: I have the honor to acknowledge the receipt of the resolution of the Senate of December 19, 1889—

That the Secretary of the Treasury be, and he is hereby, authorized and directed to examine all vouchers, accounts, papers, and evidence which heretofore have been, or which hereafter may be, submitted to him in support of the war claims of the State of California against the United States, growing out of Indian hostilities and Indian disturbances in said State and upon the borders thereof, and therefrom ascertain and report to the Senate the total amount of all such claims, and also the amounts of money shown thereby to have been paid as principal and as interest thereon by the State of California, including the amounts of all liabilities by it incurred, and of all obligations by it assumed or issued therein but not paid by said State, including interest accruing upon money borrowed or upon obligations by it assumed or issued in payment or liquidation of the expenses incurred by said State in matters connected with said hostilities and disturbances; and also to report the authority of the State of California under which said expenditures so paid, liabilities so incurred, and obligations so assumed or issued were alleged to have been done; and also to report the amounts of money which have heretofore been paid by the United States as principal and as interest on account to said State and to any holders of the said obligations of said State, in partial payment of said claims; and also to report the amount of money claimed by the State of California to be still due it as principal and interest and payable by the United States on account of the matters herein recited.

In reply thereto, I have the honor to transmit herewith the report of the Third Auditor, dated the 13th instant, giving a full statement of these claims as shown by the records and coming within the knowledge of his office.

Respectfully, yours,

GEO. S. BATCHELLER,
Acting Secretary.

The PRESIDENT OF THE SENATE.

TREASURY DEPARTMENT,
 THIRD AUDITOR'S OFFICE,
 Washington, D. C., January 13, 1890.

SIR: I have the honor to return Senate resolution of December 19, 1889, relative to Indian war claims of the State of California, etc., which you referred to me December 21, 1889, for report.

Some of the information called for is not and could not well be within the official knowledge of any officer of the United States, and could be furnished only by the State. Upon the matters within the knowledge of this office I submit the following report:

EXPENSES SUPPRESSING INDIAN HOSTILITIES PRIOR TO JANUARY 1, 1854.

Acts August 5, 1854 (10 St., 582-583); August 18, 1856 (11 St., 91); June 23, 1860 (12 St., 104); July 25, 1868 (15 St., 175); and March 3, 1881 (21 St., 510.)

At the session of 1853-'54 the State applied to Congress, and by act August 5, 1854, the Secretary of War was authorized to examine and ascertain the amount of the expenses incurred and now actually paid by the State in the suppression of Indian hostilities prior to January 1, 1854, and to pay to the State the amount so ascertained, not to exceed \$924,259.65.

The State presented no claim under this act, hence the officers of the United States have no knowledge of the detail or the aggregate of such expenses. I understand that the State officials, upon learning that they would be required to present an itemized account, supported by vouchers, concluded not to file a claim, but to apply to Congress to change the programme.

To raise funds wherewith to defray said expenses the State had issued bonds running for a term of years, and bearing 7 and 12 per cent. interest, and sold them on the market. By act of August 18, 1856—evidently upon solicitation by the State—it was provided that the appropriation made by said act of 1854 should be applied to pay the holders of the bonds issued by the State on account of such expenses prior to January 1, 1854, the amount payable upon each bond to be indorsed by the State commissioners appointed under State law of April 19, 1856, etc.

Under this act the holders of bonds were paid, for principal and interest, an aggregate of \$915,897.49, leaving \$8,263.16 unexpended of the maximum, but that balance is no longer available, being in the "surplus fund." It is known to this office that some few bonds were not presented while yet the fund was available, but the entire number outstanding I can not state. Neither has this office official knowledge of the entire number of bonds sold by the State, its knowledge being necessarily confined to those presented for payment.

It thus appears that the Government proffered to the State reimbursement of all said expenses incurred prior to January 1, 1854, to be ascertained by the usual method of an account and vouchers; that the State preferred and asked that, in lieu of that mode, the Government assume payment of the bonds whereby the State had raised the fund with which to defray said expenses; and that Congress assented to the request. It should therefore be conclusively presumed that the assumption of the bonds was in fact a full and complete equivalent to a direct re-imbusement to the State; and the matter of said expenses prior to January 1, 1854, should be regarded as an account fully liquidated and finally closed.

On the great bulk of the bonds interest was paid by the United States

only to January 1, 1854, although the act assuming payment was not passed until nearly two years and eight months thereafter; but this loss of interest fell, of course, on the bondholders, and not on the State.

I understand that the maximum of \$924,259.65 (act of 1854) had been based upon a computation of interest only to January 1, 1854, and as that sum was not enlarged by the act of 1856, the fund would not suffice for any greater allowance of interest; at all events, the rule was adopted to pay interest only to January 1, 1854, and on that basis the great bulk of the payments were made.

A few bonds were presented which had been issued in 1854 and 1855; but it was held that they could not be paid without further legislation. I understand that the reasons for that conclusion were, that they had not entered into the estimate by the State upon which said maximum was fixed; also that the act of August 5, 1854, had been confined to expenses incurred and now actually paid. The act of June 23, 1860, provided for payment, from the unexpended balance, of "any outstanding and unpaid bonds and coupons" on account of the war debt of the State prior to the passage of the act of August 5, 1854, but bearing date subsequent to January 1, 1854. Under the clause above quoted it was considered that allowance of interest on the bonds thus provided for could not be restricted to January 1, 1854; hence on such bonds interest was paid to July 1, 1860.

On the part of the State it has been represented that it had not completed the auditing of said expenses when it applied to Congress at the session of 1853-54, and that its computation of \$924,259.65 was only partial, and based on the auditing as far as then accomplished; that the aggregate of such bonds issued by the State much exceeded said maximum; also that the State itself had redeemed and now holds a large number of the bonds.

If Congress should deem proper to make provision for the payment of any such bonds now outstanding, it would seem just that the State should stand upon the same footing with individual holders. And in the event of such further legislation, it is highly important that Congress make some very specific provision to govern the matter of interest. The Government may perhaps not deem proper to pay 12 or 7 per cent. interest for long periods to holders who did not present their bonds when redemption thereof was proffered by the United States.

In connection with this subject, I invite attention to an elaborate report by the House Committee on War Claims, which will be found in House Report No. 1847, Forty-seventh Congress, second session.

EXPENSES SUPPRESSING INDIAN HOSTILITIES IN 1854, 1855, 1856, 1858 AND 1859.

[Act March 2, 1861, 12 Stat., 199.]

By said act the necessary amount, not to exceed \$400,000, was appropriated to re-imburse the State expenses incurred in sundry Indian expeditions in the years named. Presumably the State incurred no such expense in 1857; otherwise provision therefor would, no doubt have been included in the act.

Under this Act, there was found due and was paid to the State an aggregate of \$230,529.76.

HUMBOLDT INDIAN EXPEDITION OF 1861—CAPTAIN WEEK'S COMPANY.

[Act of June 27, 1882, 23 Stat., 111.]

I understand that the State presented to the Secretary of War, in 1887, a large and miscellaneous claim, covering a period of several years, and relating to volunteer service in the late war, Indian hostilities, guarding overland mail, etc. The Secretary of War extracted therefrom one item which seemed to come within the province of the above act referred to, viz, expenses of Captain Week's company in the Humboldt Indian expedition in 1861. The State claimed on this item \$38,323.74; but, on reducing the charges to rates paid by United States for like service, etc. (as required by said act), the aggregate found due the State was \$11,723.64; and that sum was paid from appropriation made in deficiency act of October 19, 1888. Only the papers relating to this one item came before this office; respecting the other matters embraced in said claim I have only the general and unofficial information above noted. I presume that the Secretary of War has reported, or will report thereon to the Senate, in pursuance of Senate resolution of February 27, 1889.

MODOC WAR, 1872-73.

[Act January 6, 1883; 22 Stat., 399.]

By section 2 of said act \$4,441.33 was appropriated to pay the State, and to citizens thereof, for arms, ammunition, supplies, transportation, and services of volunteer forces, as found due and reported by General Hardie to the Secretary of War, and specially reported by the Secretary of War to the House of Representatives. The amount found due and paid to the State was \$495.72. The residue was due to citizens \$3,945.61.

Very respectfully,

W. H. HART,
Auditor.

Hon. WILLIAM WINDOM,
Secretary of the Treasury.