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A Free People must have its foundation laid in an educated and enlightened constituency. Should a system of Common Schools be established in the present sound and reliable condition of the State finances, a portion of the surplus revenue could, with safety, be annually invested for the use of schools, and the interest upon it distributed to the Counties and the City of Baltimore on such basis as to the General Assembly might seem just and proper. Thus, in the course of years, without additional taxation, a fund might be accumulated which, added to that already existing, would be the pride and glory of the State, and a lasting benefit and blessing to her people.

The receipts on account of the Sinking Fund in the fiscal year, which ended the 30th of September, 1858, are manifested in *Statement E*, and appear to have been \$225,047.54; of which amount the sum of \$205,735.05 was the interest upon the stocks held by the State for the use and increment of the said Fund, and \$19,312.49 was surplus revenue transferred in accordance with section 1, chapter 360, of the Acts of Assembly of 1853. The sum of \$90,457.49 of these aggregate receipts was disbursed and invested for the use of the Fund; leaving uninvested and to its credit \$134,590.05.

The Sinking Fund, at the close of the preceding fiscal year, amounted to \$3,997,276.44, and it was increased during the year just closed to the sum of \$4,229,273.77.

STATEMENT F shows the character and amount of the stocks held by the Sinking Fund as of the 30th of September, 1858, and also the character and amount purchased for the use of the Sinking Fund from the 30th of September, 1857, to the 30th of September, 1858.

It will be observed that the purchase of stock for the Sinking Fund, has not been as extensive as in preceding years; this is owing to the scarcity of the stocks of the State in the market; and the Treasurer has found it absolutely impossible to purchase to any considerable extent, notwithstanding he has authorised the most liberal offers. This fact, though a high compliment to the credit of the State, has been unfavorable to the augmentation of the Sinking Fund.