

A bond of the State bearing interest at the rate of three and a quarter per cent. per annum, free from taxes, would to-day bring a premium, so that we need not hesitate, to provide for the exchange of this debt in the manner I have indicated, and thus secure a saving to the treasury in interest, of some seventy-five or one hundred thousand dollars annually.

#### REDUCTION OF STATE TAXES.

In my first annual report of the fiscal affairs of the State, sent to the Governor on the 5th day of January, 1885, I not only promised a reduction of the State debt but also a reduction in State taxes.

Although three years only have passed since then, I am now prepared to make such an exhibit, of the condition of the treasury, as will allow a reduction in the tax rate.

#### THE EXHIBIT.

During the past three years, the treasury officers have called in and paid all the Maryland Hospital and Deaf and Dumb Bonds, authorized by the Acts of Assembly of 1872, Chap. 236, 1874, Chap. 42, and 1876, Chap. 263, amounting to the sum of \$590,000.00.

These bonds although in the sinking funds, are now practically redeemed and it only requires Legislative direction, to cancel them, and thereby take off the tax of one and one-half cents in the one hundred dollars, imposed by the laws creating these several loans.

The remaining Deaf and Dumb Loan authorized by the Act of 1870, Chap. 422, of \$100,000.00 has been refunded.

After the cancellation of the Maryland Hospital and Deaf and Dumb Bonds now in the sinking fund, there will remain available bonds of the State in the sinking fund, for the redemption of the Treasury Relief Loan, to the amount of \$331,317.45. A transfer of the Baltimore & Ohio Bonds amounting to \$366,000.00 (that are in the sinking funds for the redemption of the Mary-