

Although the Defence Redemption Loan Sinking Fund now holds securities of the value of over a million and half dollars, the great majority of them are State loans, which will not be available for providing means to meet this loan at maturity.

Whilst I recommend the disposal of certain unproductive stocks and securities owned by the State, I should regard it as bad policy for the State to part with such investments as she has in the Washington Branch of the B. & O., as well as in the N. C. Road. These investments can hardly be improved on, and the promptness with which the amounts due the State are paid from said sources frequently relieves this department, of what under other circumstances, might be an embarrassing position.

It will be seen from the foregoing statements and the accompanying tables that the Treasury is in a sound and prosperous condition, and the time is rapidly approaching when the General Assembly may, by reducing the rate of taxation, somewhat lessen the burdens of the people without affecting the proper administration of this Department of the State government. If a less amount than is now realized will be sufficient to meet the interest on the State's debts, to augment gradually, and not too precipitately, its several sinking funds and to defray the ordinary expenses of the government, that less amount, and no more, should be levied and collected. The reduction when made ought, perhaps, to be progressive; that is to say, not all at once, but a certain proportion for the first fiscal year and another for the next, and so on, as the fuller development of the policy adopted by the present treasury officials shall demonstrate the extent to which that reduction may be safely and advantageously made.

The position taken by His Excellency in his message with reference to an immediate reduction in the rate of State taxes by the present General Assembly, is one which, with great deference and submission, I am unable to concur in. If, as I have stated, the present financial policy of this department will ultimately justify a reduction of State taxes, it can only be made in the future—though it is hoped in the near future. This seems to me to be apparent, not only from what has already been suggested in this report, but from the further important fact that the Acts of 1888 Chapter 201, and 1890, Chapter 305, authorizing the refunding of the loans therein referred to, and the issuing of new securities at a lower rate of interest, wholly failed to comply with the provisions of the Constitution, in this, that they omitted to provide for the creation of a sinking