

MAINE STATE LEGISLATURE

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FIFTY-THIRD LEGISLATURE.

HOUSE.

No. 99.

STATE OF MAINE.

HOUSE OF REPRESENTATIVES, }
February 12, 1874. }

WHEREAS, The State Sinking Funds are dangerous machinery to run, and are no longer necessary to maintain the State bonds at par: therefore,

Ordered, That the Committee on Financial Affairs inquire whether the laws creating the Sinking Funds may not be repealed with advantage to the interests of the State and without injustice to our creditors, and report by bill or otherwise.

Read and passed. Sent down for concurrence.

S. J. CHADBOURNE, *Clerk.*

IN SENATE, February 13, 1874.

Read and concurred.

SAMUEL W. LANE, *Secretary.*

REPORT.

The Committee on *Financial Affairs*, to which was referred an Order directing them to inquire whether the laws creating the *Sinking Funds* may not be repealed with advantage to the State and without injustice to her creditors, have had the same under consideration and ask leave to *Report*, that such *legislation* is *inexpedient*.

Although your Committee unanimously entertain the opinion thus expressed, they may be pardoned for not dismissing the topic in the summary formula allowable on less important subjects; for we have some reason to believe that the history of our Sinking Funds is not as accurately understood, if as well remembered, as the origin of the several loans which gave occasion for them.

Of course, it is not yet forgotten by any of our people that the debts of the State for which the Sinking Funds of 1865 and 1868 were established grew out of the Rebellion of 1861-1865, which entailed an amount of losses and sacrifices which startles us to-day as a measure of the proportions of that memorable struggle. Of the debt incurred within that brief period of four years, or resulting from an assumption by the State of a portion of the municipal war debts, amounting to \$7,716,900.00, more than half was for loans made for the payment of bounties to soldiers, and of aid to families rendered necessitous by the absence of their protectors in the field; and upwards of \$3,000,000 of that debt was contracted to reimburse municipal war debts of the several cities, towns and plantations of the State. Surely no debt could be more sacred in its origin, and every duly authorized pledge of the faith of the State to provide means for the punctual payment of obligations thus incurred should be held to be inviolable. If one of the conspicuous States of the Union, in an evil hour, has been betrayed into a disregard of solemn engagements to her creditors, that is not an example for Maine to follow; nor is it likely to become so, so long as we remember also the somewhat peculiar sanction on which the principle of both our Sinking Funds may be said to rest;

for they are identical in principle and substantially the same in terms.

Allow us briefly to advert to the manner in which the Sinking Fund of 1868 came to be a law. The Act to authorize the "Municipal War Loan," so called, was approved March 7, 1868, and was coupled with specific and complete provisions for a Sinking Fund for the extinguishment of that Loan. But neither Loan nor Sinking Fund could have ever had the force of law but for an amendment of the constitution submitted to the people and ratified by them at their annual meeting in September of that year. The legislature which proposed the Amendment required the simultaneous publication in every county of the State, not only of the Resolves containing the proposed Amendment, but of the entire Act which contained the appropriate provisions for the Loan and for the Sinking Fund; so that full knowledge of both was thus to be brought home to the people before they acted on the question. Their approval of the amendment thus submitted to them would necessarily carry with it, therefore, a recognition and conscious approval of the Sinking Fund section also, which was a pledge of a yearly tax and the accumulations of interest thereon as a Sinking Fund, to be held, invested and applied to the payment of the Loan contemplated, at maturity. The *annual* tax, as specified in the Act, was to be "such a sum as, invested year by year, will meet the payment of said bonds at their maturity." The Amendment received the hearty ratification of the people, and under the conditions and circumstances of its adoption must be regarded as unmistakable evidence of the popular approbation of our Sinking Funds.

But, independently of any peculiar popular sanction, the intrinsic wisdom of the Sinking Fund principle cannot, we think, be questioned upon due reflection. The practical operation of it is, by an annual tax of less than one mill on the dollar of the State valuation, to pay off the principal of our war debt as it falls due, thus enabling the people by gradual approaches, year by year, to meet and cope with a mass of debt which otherwise might prove disheartening. To leave this debt to stand undiminished until maturity would be to prolong the burdens of taxation indefinitely; for new loans would be the only alternative, followed by an endless recurrence of annual taxes to meet accruing interest.

Since the Sinking Fund of 1865 was established we have paid from its accumulations the debt of \$800,000, which matured in

1871, and there is now standing to the credit of both funds enough to pay \$475,000, which will mature in 1880, and \$525,000 which will become due in 1883. In thus providing, by this moderate annual tax, for the heavy remainder of the war debt, not to be due until 1889, the people are not likely to feel the effort of paying it, any more than they have felt it in the past five years; and when we reach the period of 1889 (when nearly \$6,000,000 of indebtedness will become due), it will be found that this annual tax of but nine-tenths of a mill on the dollar of the State valuation, with its compounded accumulations, will have amounted to a sum sufficient to liquidate the whole.

In concluding this Report we may be pardoned for referring to the example of the mother Commonwealth, which stands pre-eminent among the States for financial skill and untarnished name. Massachusetts has Sinking Funds attendant upon at least six of her various loans, and her enviable credit in the moneyed centres of the world is doubtless largely due to this feature of her financial policy.

All which is respectfully submitted.

Per order.

J. H. WILLIAMS.

STATE OF MAINE.

HOUSE OF REPRESENTATIVES, }
February 25, 1874. }

Reported from the Committee on Financial Affairs, by Mr. NORTH, and on his motion ordered to be printed.

S. J. CHADBOURNE, *Clerk.*