

MAINE STATE LEGISLATURE

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AUGUSTA, MAINE

STATE OF MAINE

REPORT

on the

STATE TRUST FUNDS

By Governor WM. TUDOR GARDINER

AUGUSTA, MAINE

1932

TRUST FUNDS OF THE STATE OF MAINE

Shortly after taking office in 1929 I requested the State Auditor, Mr. Elbert D. Hayford, to make a report on the State Trust Funds. This was printed as Senate Document No. 149 of that year. The report reviewed briefly the history of various trust funds and indicated that there was a discrepancy of over \$900,000 in the amount with which the State was charged as Trustee for various purposes and the amount of securities and investments held to represent these funds. As Mr. Hayford stated in that report, "The state and many of its cities and towns had fallen into the unbusinesslike method of expending their trust funds and then raising by general taxation the annual interest on same to meet the conditions of the trust."

In 1923 at the suggestion of Governor Baxter Mr. Hayford drafted a law which would require all such trust funds to be covered by actual investments. Objection arose from some municipalities which had depleted their trust funds and the bill failed of passage. The act was rewritten, however, with terms applicable only to future trust funds coming into the hands of the State or municipalities. This became Chapter 222 of the Public Laws of 1923. By the end of 1928, 38% of the State's trust funds were actually invested.

Mr. Hayford's report traces the origin of some of these funds back to colonial days.

I transmitted Mr. Hayford's report commending for the consideration of the Legislature the question of such a policy as would permit the gradual restoration of the trust funds. Under the provisions of the state inheritance tax and the participation of the State in the federal inheritance tax occasionally we receive some very large receipts in the course of a given year. It is never safe to rely on these amounts until the tax is actually due and payable. The conservative practice has been followed of budgeting only the amount that may be reasonably expected in any given year. Whenever the excess amounts to a good deal over the budget figures the surplus revenue of the State is greatly augmented. This seemed a proper source from which restoration might be made and the Legislature accepted my sug-

gestion in passing Chapter 189 of the Laws of 1929, providing that when in any year inheritance tax receipts exceeded \$1,000,000 the excess should be applied to the restoration of the trust funds.

In 1930 a small restoration was made under the terms of this Act and in 1931 sufficient funds were received so that complete restoration was subsequently accomplished, the total amount of cash returned to the funds under the Act being \$1,017,540.75.

In order that the greatest care might be exercised in restoring these funds the Attorney General's Department was asked to prepare a report on the matter. Attorney General, Clement F. Robinson, engaged Mr. Frank I. Cowan of Portland who made a most painstaking study of the matter and rendered a report September 11, 1931, with a supplemental report dated August 4, 1932, both of which are on file in the Treasurer's office, and in the Attorney General's office, where they may be consulted for reference.

In the course of Mr. Cowan's examination he found some difficulty in locating deeds of property for the State and the suggestion was made that all deeds should be deposited in some one office. The policy was later inaugurated of classifying and filing all state deeds in the office of the Forest Commissioner.

Attention was called to the fact that farm loans had been made as investments for the Lands Reserved for Public Uses Fund and it was pointed out that this was not only a fund from which credit was being extended to farmers but was also a trust fund that was being invested. I have elsewhere advanced a recommendation that the granting of such farm loans cease. The fund is now invested and the receipt and consideration of applications for loans, in view of the very small amounts that may be available with which to grant loans, makes the operation of the Act too expensive for the benefits accomplished.

Mr. Cowan also recommended provision for a safe vault in the State House. Funds have not been available for this purpose and it is deemed advisable to keep the securities in bank vaults. The report also makes the suggestion that advantages would accrue if all the trust funds of the State could be lumped together in one fund, the particular details of each trust being taken care of as a bookkeeping matter.

The examination clarified the terms of legacies and gifts made

for various special purposes at various state institutions, and is accompanied by extracts from various statutes regarding the trusts.

Subsequent to the first report when various boards of institutional trustees were abolished other trust funds that should properly have been in the custody of the State Treasurer were transferred to the State. Council Order No. 98, dated March 2, 1932 recites the policy that has been adopted with reference to the administration of funds relating to the institutions. The Order reads as follows:

“Whereas public spirited and generous citizens have from time to time given or bequeathed funds to various state institutions, which have been of great benefit in supplementing the work of the State, and it seems desirable to have a uniform method of handling such funds, it is hereby Ordered, That

1. Unless expressly directed by the donor of a fund, the income only is to be used and no expenditure shall be made from capital.

2. Wherever the donor has expressed any indication of the purposes of the gift, the income shall be spent in accordance with such suggestion.

3. In the absence of any express direction, the income of any fund may be applied for such purposes as will best promote the health, welfare, and happiness of the inmates of the institution, and shall be available for expenditure for such purposes as are ordinarily regarded as beyond the province of regular state expenditures.

4. In the case of each institution for which such funds may be held, the Treasurer of State, with the approval of the Commissioner of Finance and the Commissioner of Health and Welfare, is authorized to pay over to the superintendent of the institution concerned at convenient times the whole or any part of the income of the funds, to be expended in the discretion of the superintendent, subject to the approval of the Commissioner of Health and Welfare; the funds placed in the hands of the superintendent for this purpose to be accounted for and subject to audit.”

It would seem that the establishment of this definite policy should reassure those who may be benefactors of our institutions or our institutional inmates. It has now been definitely

established that trust funds left with the State shall be preserved with integrity and the machinery has been standardized for carrying out the exact wishes of the donor.

Mr. Cowan's supplemental report recited the fact that all State Trust Funds had been restored and that the income was being used in accordance with the expressed wishes of the donors so far as they could be ascertained.

A statement is appended of the various trust funds with their investments and their amounts as of the beginning of the current fiscal year.

I believe the state may well take pride in the fact that it has now preserved its integrity as a Trustee and that all the funds are specifically invested. It is not to be forgotten that inasmuch as these investments earn income the necessity for legislative appropriation has been reduced by the extent of the income received.

At different times different statutes have been passed fixing different rates of interest on some of the trust funds. For the most part such determinations were made when the funds were non-existent and the interest was made available only by legislative appropriation. Mr. Hayford in his report summarizes the situation as follows:

"We now pay six per cent interest to the organized plantations on their reserved lands funds but our investments in farm loans and state bonds made out of this fund earn only five per cent and four per cent, respectively. The part of the lands reserved fund known as the unorganized townships fund by the provisions of the law earn only four per cent, which interest is annually credited to the equalization fund. These varying rates of interest should not exist, in my opinion. The difference between what the investments in these funds earn and the amount the state pays is included in the tax levy. Manifestly the state should not be obligated to pay over more interest than these funds earn."

I believe that this correctly states the policy that should be followed and I think there is much merit in Mr. Cowan's suggestion that for trust management purposes the funds should be held in common unless some donor has made it clear that he desires a specific and identifiable investment for his gift, or where the State has received a gift in securities not suitable for

inclusion in any merged investment. As to the merged funds, each of them would have instead of a specific investment an equitable participation, each one pro rata as its principal would stand to the total of the principals of the funds, in the general investments. The income of the general investments could be held in a single account until appropriate times when the funds would be credited with income at a set rate which might be determined conservatively at a figure somewhat below the actual rate earned, any balance being carried to a reserve account to provide for lean years, the funds retaining their pro rata interest in the reserve. Profits and losses on general investments sold might be carried to another reserve account in which the funds would have the same pro rata interest or liability as the case might be. The individual funds, particularly the smaller ones would undoubtedly profit by such a practice, having the advantages of diversification of investment. The advantages of investment administration would also be a factor of real importance. Such an investment policy has been followed with notable success by Harvard College in the administration of its trust funds. It would seem that the same policy might be applied with equal advantages in the case of these public funds.

I have been frequently asked if there should not be apprehension that in succeeding years some administration might not openly or covertly encroach upon the trust funds so that the money would again become dissipated. I feel quite certain that there is no danger of this. Present day provisions for auditing and modern standards of administrative responsibility will take care of the matter. Any attempt to withdraw any of the trust funds would be very shortly discovered and publicity in public matters is an ever-present safeguard.

I am confident that the trust funds will remain intact and I hope that the possibility still remains that generous citizens may from time to time, by gift or by will, add to the funds for the benefit of the State or its unfortunate citizens. It has been a pleasure to have a part in this notable step for the restoration of these funds of the State.

Jan. 2, 1932.

Wm Tudor Gardner

Governor.

STATEMENT OF
TRUST FUNDS AS OF JULY 1, 1932

AUGUSTA STATE HOSPITAL

Coburn Fund, 6 mos. Time Deposit Bath Trust No. 2890.....	\$50,000.00	
Helen A. Gilman Legacy, Skowhegan Sav. Bank, Book No. 34187....	1,000.00	
Joseph H. Williams Legacy, Piscataquis Sav. Bank, Book 16701....	1,000.00	
Drew Bequest, Augusta Savings Bank, Book No. 65758.....	500.00	
Orne Amusement Fund, Am. Tel. & Tel. Bond No. 5053.....	1,000.00	
Robie Library Fund, Certf. Stock 1st Nat. Bank Portland No. 1078.	2,000.00	
Col. Black Fund, Certf. Stock 1st Nat. Bank Portland No. 1784.....	2,000.00	
McLellan & Black Fund, Augusta Sav. Bank, Book No. 65864.....	1,273.44	
		\$58,773.44

BANGOR STATE HOSPITAL

Robie Amusement Fund, Certf. Stock 1st Nat. Bank Portland No. 1078		2,000.00
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UNIVERSITY OF MAINE

Coburn Fund,

∞	6 mos. Time Deposit Federal Trust Waterville No. 157.....	\$50,000.00	
	6 mos. Time Deposit Washburn Trust No. 278.....	25,000.00	
	6 mos. Time Deposit State Trust No. 25.....	25,000.00	100,000.00

Land Grant Fund

6 mos. Time Deposit York Nat. Bank, Saco None.....	25,000.00	
10 mos. Time Deposit Presque Isle Nat. Bank No. 864.....	25,000.00	
6 mos. Time Deposit Aroostook Trust, Caribou No. 7069.....	20,000.00	
6 mos. Time Deposit Caribou Nat. Bank No. 3213.....	20,000.00	
6 mos. Time Deposit Ft. Fairfield Nat. Bank No. 1341.....	5,000.00	
6 mos. Time Deposit Frontier Trust, Ft. Fairfield No. 454.....	20,000.00	
Br. Augusta Trust, Winthrop, Sav. Dept. Book No. 9506.....	3,300.00	
		118,300.00

Carleton Fund

Salt Lake & Ogden Ry. Bond No. 1131.....	1,000.00	219,300.00

CENTRAL MAINE SANATORIUM

John Prescott Fund, City of Biddeford Bond No. 37.....	1,000.00	
Valora Chase Fund, 1st Nat. Granite Bank Savings Dept. Book No. 5200.....	812.02	1,812.02

Forward

\$281,885.46

WESTERN MAINE SANATORIUM

Brought Forward

\$281,885.46

	—K00449000			
John Prescott Fund, 4th Liberty Loan Bond—K00005460.....			1,000.00	
Brown Co. Fund, Certif. Stock Brown Co. No. 0283.....			1,200.00	
Unused Bal. from Old Commission, Br. Merrill Trust Milo, Sav. Dept. Book No. 7551.....			3,334.80	
Charles A. Frost Fund, Gardiner Sav. Inst. Book No. 47673....			9,474.74	
Levi M. Stewart Trust Fund				
City of Cambridge Mass. Ry. Bond	No. 4539.....	5,000.00		
Portland Terminal Bond	No. 4372/3...	2,000.00		
Indianapolis Water Co. Bonds	No. 1928/32..	5,000.00		
State of Maine High & Bridge Bonds No. 7989/91	No. 7993/94..	5,000.00		
State Loan Co. Bonds	No. 224/8....	5,000.00		
Hancock Co. Hancock-Sullivan Bridge Bonds	No. 78/82....	5,000.00		
Republic of Cuba Bonds	No. M22136/40	5,000.00		
Southern Pacific Co. Bonds	No. 45337/41.	5,000.00		
Pittsburgh & West Va. Ry. Bonds M. C.	No. 2502/6...	5,000.00		
Penna. Ry. Bonds	No. 34833/7..	5,000.00		
Canadian Nat. Ry. Reg. Bond	No. RM917/21	5,000.00		
Commonwealth Mass. (Water Loan Bonds) Reg.	No. E1841...	5,000.00		
Commonwealth Mass. (South System) Reg	No. E3852...	5,000.00		
Commonwealth Mass. (Cambridge Station) (Subway Loan) Reg.	No. E13/14..	10,000.00		
City of Ellsworth, Maine Bonds	No. 31/35....	5,000.000	75,000.00	90,009.54

STATE MILITARY AND NAVAL CHILDREN'S HOME (Administration Acct.)

Galesburg Ry. & Lt. Co. Bond	No. 488/491..	4,000.00		
Portland R. R. Co. Bond	No. 1166/7...	2,000.00		
Topeka Ry. & Co. Co. Bond	No. 49.....	500.00		
Leadville Water Co. Bond	No. 166.....	1,000.00		
United Public Utilities Bond	No. D883	500.00		
1st Liberty Loan Bonds No. 00077216	No. 00077217.	2,000.00		
Augusta Trust Co. Sav. Dept. Book	No. 22722....	2,721.62	12,721.62	

STATE MILITARY AND NAVAL CHILDREN'S HOME (Children's Acct.)

Commonwealth of Australia Bond	No. 66098....	1,000.00		
Cedar Rapids Mfg. & Pr. Co. Bond	No. 6600.....	1,000.00		
Mississippi River Pr. Co. Bond	No. M12774..	1,000.00		
Western Union Tel. Co. Bond	No. M21739..	1,000.00		
4th Liberty Loan Bond	No. G00997657	1,000.00		
Bath Savings Inst. Book	No. 33275....	552.79		
Bath Savings Inst. Book	No. 7311.....	957.55		
1st Nat. Bank, Bath, Sav. Dep. Book	No. 2104.....	2,498.09	9,008.43	

Forward

\$393,625.05

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		<i>Forward</i>	\$393,625.05
STATE SCHOOL FOR GIRLS			
Augusta Hopkins Legacy, Piscataquis Sav. Bank	No. 16702....	1,000.00	
Peter Lane Legacy, Piscataquis Sav. Bank	No. 16703....	1,156.65	
Eliza Mustard Legacy, Piscataquis Sav. Bank	No. 16704....	3,912.50	
Nellie F. Shaw Legacy, Piscataquis Sav. Bank	No. 16705....	4,750.00	
Jennie F. Godfrey Fund, Augusta Trust Dept.	No. 21348....	893.00	11,712.15
STATE SCHOOL FOR BOYS	\$700.00		
INDIGENT DEAF, DUMB AND BLIND	600.00		
Isaac Sanford Legacy, Piscataquis Sav. Bank	No. 16706....		1,300.00
POWNAL STATE SCHOOL			
Joseph C. Greene Fund, Augusta Trust Co. Sav. Dept. Book	No. 22688....		6,000.00
JORDAN FORESTRY FUND			
Piscataquis Savings Bank, Book	No. 16707....		1,000.00
HOULTON ACADEMY, Skowhegan Sav. Bank Book	No. 34183....		2,000.00
FOXCROFT ACADEMY, Skowhegan Sav. Bank Book	No. 34184....		1,000.00
HEBRON ACADEMY, Skowhegan Sav. Bank Book	No. 34185....		1,000.00
SCHOOL DISTRICT-MADISON, Skowhegan Sav. Bank	No. 34186....		1,000.00
MADAWASKA TRAINING SCHOOL			
Phillips Savings Bank Book	No. 1090....		5,000.00
MAINE SCHOOL FOR THE DEAF			
Sweat Fund, 1st Nat. Bank, Portland, Sav. Dept.	No. 13402....	2,754.67	
Barton Fund, 1st Nat. Bank, Portland, Sav. Dept.	No. 10348....	684.05	
Swan Fund, Canal Nat. Bank, Portland, Sav. Dept.	No. 203....	924.66	
Whidden Fund, Portland Nat. Bank, Sav. Dept.	No. 24183....	250.37	
Davies Fund, Portland Nat. Bank, Sav. Dept.	No. 24182....	209.37	
Sweat Fund, Portland Nat. Bank, Sav. Dept.	No. 24181....	1,561.32	6,384.44
		<i>Forward</i>	\$430,021.64

PENOBSCOT INDIAN FUND		<i>Forward</i>	\$430,021.64
6 mos. Time Deposit Augusta a/c Skowhegan Tr.	No. 1135.....	5,000.00	
6 mos. Time Deposit Houlton Trust	No. 1057.....	20,000.00	
6 mos. Time Deposit Limestone Trust	No. 68.....	15,000.00	
6 mos. Time Deposit Mars Hill Trust	No. 284.....	15,000.00	
6 mos. Time Deposit Presque Isle Nat. Bank	No. 870.....	5,000.00	
6 mos. Time Deposit Presque Isle Nat. Bank	No. 871.....	15,000.00	
6 mos. Time Deposit Van Buren Trust	No. 537.....	10,000.00	
Br. Augusta Trust Co. Winthrop Sav. Dept. Book	No. 9507.....	3,092.44	88,092.44

PASSAMAQUODDY INDIAN FUND

Br. Merrill Trust Co. Milo Sav. Dept. Book	No. 7575.....		24,553.74	
Town of Rumford Bonds	No. 25/34....	Par \$10,000	9,800.00	
City of Portland, City Hall Bonds	No. 706	No. 579.....	" 2,000	1,995.00
City of Cranston, R. I., Bonds	No. 136/150....		" 15,000	14,832.00
Commonwealth of Mass. Bonds, Reg.....			" 20,000	20,298.60
Town of Old Orchard Bonds Nos. 47/48 50/60 62/63.....			" 15,000	15,301.80
6 mos. Time Deposit Newport Trust Co.....				10,000.00
Br. Augusta Trust Winthrop Sav. Dept. Book	No. 9508.....			2,784.91
Augusta Savings Bank, Book	No. 65877....			38,694.78
		<i>Forward</i>		138,260.83
				\$656,374.91

PERMANENT SCHOOL FUND

Forward

\$656,374.91

Farmers Nat. Bank, Houlton, Sav. Dept. Book	No. 7280.....		13,819.66
Guilford Trust Co., Sav. Dept. Book	No. 6605.....		30,752.89
State of Vermont Bonds Nos. 6338/9, 7013/4, 7188/9, 7363/4, 7538/9, 7712/3, 7887/8, 8062/3, 8250/1, 8425/6		Par \$20,000	20,400.00
City of Lewiston	No. 41/60....	" 20,000	20,442.00
City of Boston Bonds, Reg.	No. 4130.....	" 50,000	53,352.34
Westchester Co., N. Y., Bonds, Reg.	No. 741/90...	" 50,000	52,183.50
New York City Bonds No. 3118R/31R, No. 7009W/14W.....		" 20,000	18,900.00
Erie County, N. Y., Bonds	No. 315/34...	" 20,000	20,275.00
Town of Madawaska, Me., Bonds No. 15/18	No. 7/12.....	" 10,000	10,026.40
City of Portland Bonds	No. 79/108...	" 30,000	29,460.60
City of Biddeford Bonds	No. 36.....	" 1,000	1,020.00
City of Philadelphia Bonds No. 1418/27	No. 3233/47..	" 25,000	26,187.50
City of New York Bonds No. 12851/8, 12879/90	No. 12894/8..	" 25,000	25,625.00
Delaware County, Pa., Bonds	No. 387/406..	" 20,000	20,484.40
Luzerne County, Pa., Bonds	No. 1969/88..	" 20,000	20,252.00
City of Saco Bonds, No. 155/7 \$1000, No. 158/61 \$500, No. 162/4 \$1,000, No. 165/68 \$500		" 10,000	10,545.00
Walpole, Mass., Bonds	No. 101/25...	" 25,000	25,195.50
City of Dover, N. H., Bonds	No. 174/83...	" 10,000	10,391.70
City of Brewer Bonds	No. 21/40....	" 20,000	20,538.00
State of Rhode Island Bonds	No. 331/355..	" 25,000	26,360.00
Town of Winslow Bonds	No. 111/120..	" 10,000	10,312.00
City of Providence, R. I., Bonds No. 1736/50	No. 1701/05..	" 20,000	20,754.00
Coos County, N. H., Bonds	No. 131/55...	" 25,000	25,690.00
City of Peabody, Mass., Bonds, Nos. 4-20-50-15-16	No. 71/75....	" 10,000	9,700.48
State of Maine High. & Br. Bonds No. 7141/5	No. 20274/8..	" 10,000	9,862.50
City of Portland, Perm. Imp. Bonds, 1930	No. 84/88....	" 5,000	4,902.50
Town of Norway Bonds	No. 4.....	" 1,000	992.50
City of Portland High School Bonds No. 516/9	No. 521/3/4..	" 7,000	6,982.50
City of Bangor Bonds No. 131/40	No. 171/80...	" 20,000	20,664.00
Br. Augusta Trust Co. Winthrop Sav. Dept.	No. 9509.....		822.65

12

566,894.62

Forward

\$1,223,269.53

		<i>Forward</i>	June 30, 1932	\$1,223,269.53
LANDS RESERVED FOR PUBLIC USES				
	Millinocket Trust Co.	Book No.12515.....	22,000.00	
	People's Ticonic Nat. Bank, Waterville	“ “ 11776.....	5,920.00	
	Maine Savings Bank, Portland	“ “ 86199.....	5,480.00	
	Norway Savings Bank	“ “ 20309.....	11,000.00	
	York National Bank, Saco	“ “ 3725.....	5,590.00	
	Lincoln Trust Co.	“ “ 6626.....	5,920.00	
	Farmers National Bank, Houlton	“ “ 7458.....	28,360.00	
	Houlton Trust Co.	“ “ 10491.....	56,440.00	
	Danforth Trust Co.	“ “ 2310.....	11,000.00	
	Augusta Savings Bank	“ “ 64776.....	5,040.00	
	Gardiner Savings Bank	“ “ 47715.....	5,060.00	
	York County Savings Bank, Biddeford	“ “ 33424.....	22,000.00	183,800.00
			<hr/>	
	State of Maine Highway & Loan Bonds			
	Issue of Nov. 1, 1925, Nos. 10691/10712, 10753/10774, 10815/36, 10877/98, 10939/60, 11001/22, 11063/84, 11125/26, 11187/90.....	Par value \$160,000	160,000.00	
	State of Maine War Loan Bonds Issue of May 1, 1917, Nos. 16/35		20,000	20,000.00
	State of Maine War Loan Bonds, Issue of May 1, 1917, Nos. D98, D100 (Cancelled in error) 2 @ \$500			1,000.00
	Farm Lands Mortgage Loan Notes.....		469,712.06	
			<hr/>	
				834,512.06
				1,223,269.53
				<hr/>
		TOTAL		\$2,057,781.59