

to the authority delegated to him and to see that he acts or has acted within its scope in making the title. But, on the other hand, Judge Curtis claimed that the state made a mistake when its legislature met in 1839, for the first time after the sale of the bonds; that at the commencement of this session only one quarter of the purchase-money had been paid over to the bank, and the legislature, knowing the fact, resolved:

That the sale of the bonds was highly advantageous to the state and the bank, and, in accordance with the injunctions of the charter,  
\* \* \* bringing timely aid to an embarrassed community.

The next legislature (1840) appointed a committee on the bank, but uttered nothing respecting the sale of the bonds. The state was wrong in waiting until 1842, when the Union Bank had failed, before it discovered the illegal acts of its agents, which acts had been virtually ratified by two successive legislatures.

The state also issued to the Planters' Bank, by acts passed December 16, 1830, and February 5, 1833, the sum of \$2,000,000. The laws issuing these amounts were passed according to the forms prescribed in the constitution, and no more objections seem to have been urged against their issuance. The railroad which was security for them utterly failed, and the Planters' Bank went into bankruptcy. The bonds went into default, and though not formally repudiated, as in the case of the Union Bank, were never received.

In a message from Governor Stone, read in the senate of Mississippi on the 9th of February, 1880, he says that shortly after the adjournment of the last legislature he received a communication from Edward Haslewood, esq., representing the holders of the Mississippi repudiated bonds in England, inclosing copies of a memorial addressed to the governor, the senators, and the representatives of the state of Mississippi, submitting a compromise proposition on behalf of said bondholders, embracing the following points:

1. Waiving all claim for the unpaid interest from the year 1840 to the last day of this year, say over \$13,000,000.
2. The state to issue new bonds of \$7,000,000, the original issue.
3. The new issue of bonds to bear graduated interest at 3 per cent. for the first year and upward for later years.
4. If deemed advantageous to the state, the said new issue of bonds to be received for any unoccupied land or lands belonging to the state at a certain rate.

A resolution was adopted in the senate providing for a joint committee, and containing the declaration that—

By the provisions of the present constitution the state is prohibited from ever legalizing these bonds, the clause, which was adopted in 1875 reading: "Nor shall the state assume, redeem, secure, or pay any indebtedness claimed to be due by the state of Mississippi to any person, association, or corporation whatsoever, claiming the same as owners, holders, or assignees of any bond or bonds known as the Union Bank bonds or Planters' Bank bonds."

The debt of Mississippi in 1880, exclusive of the Chickasaw school fund, amounting to \$815,229 11, upon which the state pays 8 per cent. interest, and of the repudiated bonds, amounted to \$379,485.

LOUISIANA.

There is little information obtainable of the early financial history of Louisiana. On the 11th day of March, 1861, the finance committee of the house of representatives of Louisiana submitted a report to that body, presenting a tabular statement of the public debt of the state for nearly every year from 1840 to 1861, inclusive. An analysis of these liabilities shows that the debt consisted of two classes: the debt proper, incurred for the uses of the state, and the debt due by the "property banks", the municipalities of New Orleans, and other objects of a similar character. The state executed her bonds in aid of the corporations mentioned in the latter class of debt, and thus became liable for the payment thereof. The state debt proper consisted of bonds issued for railroad companies, trust funds, and various loans to the state.

The following is the statement referred to. It will be noticed that the debt was decreased from \$23,309,246 in 1840 to \$10,099,074 in 1861:

1840.....	\$23,309,246 43
1844.....	21,433,523 03
1845.....	18,940,046 76
1846.....	16,669,022 70
1847.....	15,287,013 87
1848.....	14,874,021 49
1851.....	11,593,699 12
1852.....	11,766,407 44
1853*.....	9,841,937 41
1854.....	12,459,349 93
1855.....	12,768,736 35
1856.....	10,703,142 05
1857.....	10,600,779 93
1858.....	10,701,641 75
1859.....	10,023,903 58
1861.....	10,099,074 32

\* The cause of the slight difference between the amount here shown and that exhibited on page 554 is not known.

The debt of the state in 1861 (\$10,099,074 32) was composed of the following items:

Liabilities for property banks .....	\$5,398,533 33
Liabilities for municipality No. 2 .....	198,240 00
Debts proper, in bonds .....	3,978,000 00
Amount due on bonds issued to the Clinton and Port Hudson Railroad Company .....	9,000 00
Debts proper, in trust funds, payable on demand .....	515,300 99
Total .....	<u>10,099,074 32</u>

The report of the auditor of public accounts for the year ending December 31, 1865, shows a slight increase of the public debt during the interval from 1861 to 1866, mainly in the "debt proper", which at the above date stood at \$5,526,604. The other liabilities of the state amounted to \$5,655,773, making the total public debt \$11,182,377, as follows:

Liabilities for property banks .....	\$5,398,533 33
Liabilities for municipality No. 2 .....	198,240 00
Amount due on bonds issued to Clinton and Port Hudson Railroad Company .....	9,000 00
Amount due Louisiana state bank .....	50,000 00
Debts proper in trust funds, payable on demand .....	1,495,603 81
Debts proper in bonds maturing between the years 1867 and 1901 .....	4,031,000 00
Total .....	<u>11,182,377 14</u>

In 1866 the legislature authorized the issuance of bonds to defray the expense of constructing levees, and for this purpose bonds were executed to the amount of \$1,000,000. By an act of this legislature there were also issued bonds aggregating \$997,300 for the purpose of paying certain bonds and coupons past due. In 1867 there were issued bonds in the sum of \$4,000,000 for the further construction of levees, and in 1870 \$6,000,000 more were issued for this purpose. In 1869 there were issued \$500,000 in bonds for the state penitentiary and \$474,000 in aid of the Mississippi and Mexican Gulf ship-canal. The debt of the state on the 1st day of January, 1871, stood as follows:

Liabilities for property banks .....	\$4,838,933
Debts proper, in trust funds .....	868,195
Debts proper, in bonds .....	16,848,685
Certificates of indebtedness .....	33,815
Total debt .....	<u>22,589,628</u>

During the year 1871 the debt proper was still further increased by the execution of bonds to the amount of \$2,500,000, issued in aid of New Orleans, Mobile and Texas Railroad Company, and on the 1st day of January, 1872, according to the report of the auditor of public accounts, the total debt proper of the state amounted to \$20,188,800. In addition to this amount the state was liable for the payment of the bonds loaned to the various banks, which aggregated \$6,579,683. The miscellaneous debts of the state amounted to \$3,476,269, which, together with the amount of bonds issued under authority of acts of the general assembly prior to 1871 (\$11,489,000), made the total liabilities of the state \$41,733,752.

On the 25th of May, 1872, the general assembly passed an act providing for the registration and payment of state warrants and certificates of indebtedness, and creating a fund for the payment of the same; also abolishing the "redemption of the state-debt fund" and the free-school fund, and making provisions for the state to meet its obligations to the last-named fund abolished.

This act provides that there shall be registered in the office of the state treasurer all unpaid warrants and certificates of indebtedness issued by the auditor of public accounts in accordance with law, and which are payable out of the general fund, that were issued prior to the 1st day of January, 1872, or that may be issued at any subsequent date.

It is further enacted in section 2 of this act that the fund in the state treasury known as the "redemption of the state-debt fund" be abolished, and that all moneys, bonds, and other assets belonging to said fund at the time this act goes into effect shall be transferred by the state treasurer to the credit of a fund hereby created, and to be known as a fund for the redemption of the floating debt of the state due or created on or before December 31, 1871. Section 9 of this act provides that all warrants and certificates of indebtedness registered under this act and in accordance with its provisions, except such as may be exchanged for bonds, as provided elsewhere in the act, shall bear interest at the rate of 6 per cent. per annum from the date of their registry until paid.

The bonded debt proper of the state, January 1, 1873, amounted to \$21,801,800, classified as follows:

Bonds bearing 8 per cent. interest .....	\$3,720,000
Bonds bearing 7 $\frac{1}{2}$ per cent. interest .....	480,000
Bonds bearing 7 per cent. interest .....	500,000
Bonds bearing 6 per cent. interest .....	12,062,800
Bonds bearing 5 per cent. interest .....	39,000
Total .....	<u>21,801,800</u>

The above amount was increased during the year 1873 by the issue of \$701,000 in bonds, under authority of acts of the general assembly passed in 1869 and 1870. Bonds to the amount of \$72,000 were redeemed during the year, leaving the bonded debt proper, January 1, 1874, at \$22,430,800.

On the 24th day of January, 1874, an act was passed to provide for funding the obligations of the state by exchange for bonds, to provide for the principal and interest of said bonds, and to limit the indebtedness of the state. Section 1 of this act recited that for the purpose of consolidating and reducing the bonded and floating debt of the state the governor, lieutenant-governor, auditor, treasurer, secretary of state, and speaker of the house of representatives were authorized to issue bonds, known as the "consolidated bonds of the state of Louisiana", to the amount of \$15,000,000, or as much thereof as may be necessary, all payable 40 years from January 1, 1874, to bear interest at the rate of 7 per cent. When these bonds were all prepared and regularly signed, they were to be exchanged by the board of liquidation, composed of the persons above-mentioned, for all valid outstanding bonds of the state, and all valid warrants drawn previous to the passage of the act, at the rate of sixty cents in consolidated bonds for one dollar in outstanding bonds and all valid warrants. The act imposed a penalty upon any one using these consolidated bonds for any other purpose than that of exchange, as herein provided. The act also provided that the bonds and valid warrants outstanding at the time of passage of the act should, as fast as they were received in exchange for consolidated bonds, be canceled and destroyed by the board of liquidation.

In section 13 it is enacted that, prior to the year 1914, the entire state debt shall never be increased, directly or indirectly, beyond the sum of \$15,000,000, authorized to be issued under this act, it being the object and intent of this act to reduce and restrict the whole indebtedness of the state to a sum not exceeding \$15,000,000, and to agree with the holders of the consolidated bonds to be issued under this act that said indebtedness shall not be increased beyond said sum.

On this date (January 24, 1874) another act was passed proposing constitutional amendments, one of which was in relation to the consolidated bonds to be issued under the act above, declaring said bonds to be a valid contract between the state and the holder of the bonds. It also provides that the state debt shall never be increased beyond \$15,000,000.

There were old bonds funded in 1874 amounting to \$1,403,700, for which there were issued new consolidated bonds, under the funding bill, to the amount of \$842,220. New bonds were also issued, amounting to \$109,635, for \$182,725 of old warrants. The bonded debt, old and new, January 1, 1875, was \$21,978,955, which amount was reduced during the succeeding year to \$18,472,444 by the exchange of old bonds, for the new consolidated bonds, under the act of January 24, 1874.

The following table exhibits the amount and classes of bonds outstanding January 1, 1874, previous to the passage of the funding bill:

Relief of state treasury .....	\$750,000
New Orleans, Jackson and Great Northern Railroad Company .....	884,000
New Orleans and Nashville Railroad Company .....	441,000
New Orleans, Opelousas and Great Western Railroad Company .....	650,000
Vicksburg, Shreveport and Texas Railroad Company .....	298,000
Baton Rouge, Grosse Tête and Opelousas Railroad Company .....	160,000
Expenses of building levees .....	1,000,000
Expenses of building levees .....	4,000,000
Work on levees (special levee bonds) .....	2,960,000
Purpose of paying certain debts .....	} 978,800
Purpose of paying certain debts .....	
Purpose of paying certain debts .....	
Free school fund .....	529,000
Seminary fund .....	136,000
Mississippi and Gulf Ship-Canal Company .....	480,000
Louisiana state penitentiary .....	500,000
North Louisiana and Texas Railroad Company .....	1,122,000
Relief of P. J. Kennedy .....	134,000
Floating debt .....	2,950,000
Boeuf and Crocodile Navigation Company .....	80,000
New Orleans, Mobile and Chattanooga Railroad Company .....	750,000
New Orleans, Mobile and Texas Railroad Company, act of 1869 .....	875,000
New Orleans, Mobile and Texas Railroad Company, act of 1871 .....	2,500,000
Mexican Gulf Railroad Company (past due) .....	3,000
Redemption of certificates of indebtedness .....	250,000
Total .....	<u>22,430,800</u>

In addition to the above bonded debt, there were outstanding warrants at that date to the amount of \$1,006,840. Of the bonded debt (\$22,430,800) there had been funded in new consolidated bonds, up to January 1, 1880, \$18,034,800.

The new constitution, adopted in convention at New Orleans July 23, 1879, contains the following ordinance relating to the state debt:

ARTICLE 1. *Be it ordained by the people of the state of Louisiana in convention assembled,* That the interest to be paid on the consolidated bonds of the state of Louisiana be, and is hereby, fixed at 2 per cent. per annum for five years from the first of January, eighteen hundred and eighty, 3 per cent. per annum for fifteen years, and 4 per cent. per annum thereafter, payable semi-annually; and there shall be levied an annual tax sufficient for the full payment of said interest, not exceeding three mills, the limit of all state tax being hereby fixed at six mills: *Provided,* The holders of consolidated bonds may, at their option, demand in exchange for the bonds held by them bonds of the denomination of five dollars, one hundred dollars, five hundred dollars, one thousand dollars, to be issued at the rate of seventy-five cents on the dollar of bonds held and to be surrendered by such holders, the said new issue to bear interest at the rate of 4 per cent. per annum, payable semi-annually.

ART. 2. The holders of the consolidated bonds may at any time present their bonds to the treasurer of the state or to an agent to be appointed by the governor—one in the city of New York and the other in the city of London—and the said treasurer or agent, as the case may be, shall indorse or stamp thereon the words "interest reduced to 2 per cent. per annum for five years from January first, eighteen hundred and eighty, 3 per cent. per annum for fifteen years, and 4 per cent. per annum thereafter": *Provided,* The holder or holders of said bonds may apply to the treasurer for an exchange of bonds, as provided in the preceding article.

ART. 3. *Be it further ordained,* That the coupon of said consolidated bonds falling due the first of January, eighteen hundred and eighty, be, and the same is hereby, remitted, and any interest taxes collected to meet said coupon are hereby transferred to defray the expenses of the state government.

*Be it further ordained, and it is hereby ordained by this constitutional convention,* That the foregoing provisions and articles relative to the consolidated debt shall not form a part of this constitution, except as hereinafter provided, as follows:

At the election held for the ratification or rejection of this constitution it shall be lawful for each voter to have written or printed on his ballot the words, "For ordinance relative to state debt," or the words, "Against ordinance relative to state debt;" and in the event that a majority of the ballots so cast have indorsed on them the words, "For ordinance relative to state debt," then the said foregoing provisions and articles of this ordinance shall form a part of the constitution submitted if the same is ratified, and if a majority of the votes so cast shall have indorsed on them the words, "Against ordinance relative to state debt," then said provisions and articles shall form no part of this constitution.

This ordinance was submitted to the people with the new constitution, and was ratified by a large majority.

#### TEXAS.

It is difficult to obtain a correct history of the debt of the republic and the state of Texas. In April, 1837, according to the report of Henry Smith, secretary of the treasury, the debt of the republic of Texas was \$570,163 44. In November, 1837, it had increased to \$1,090,986 45; September 30, 1838, to \$1,187,525 32. In 1839 it had reached \$3,102,083 35; in 1840, \$5,485,502 28; in 1841, \$7,704,328 17. Though a thorough search has been made, no other statement can be found from which to form a table of the public debt of a later date than September, 1841, until the report of the auditor of 1850-51. Gouge, in his *Fiscal History of Texas*, says:

Probably both government and people had become tired of thinking about what they could not pay. Very little appears to have been added to the capital of the debt after 1841, for the very good reason that the credit of Texas was by that time so exhausted that she could borrow no more.

The increase between that time and the final settlement, in 1851, was chiefly owing to increments of interest, and to the bringing in of old claims not before presented. On the 20th of March, 1848, an act was passed by the legislature, entitled "An act to provide for ascertaining the debt of the late republic of Texas". The result of this inquiry divided the debt of the republic into three classes. In the auditor's report each of these classes of claims was carefully examined, and after the value received in each case by the state had been taken into consideration the value, or what the state would pay on them, was estimated. The ostensible value of the first class of liabilities, including interest, up to 1850, was \$8,587,132 92; the value assigned them, \$3,817,321 64. The ostensible amount of the claims of the second class was \$962,445 12; the value assigned them, \$892,767 63. The ostensible value of the third class of claims was \$97,675 10, for which the full amount was allowed. The following is a recapitulation of the ostensible amounts of the three classes of Texas securities and the value assigned to each:

Class.	Ostensible amount.	Value assigned.
Amount of first class.....	\$8, 587, 132 92	\$3, 817, 321 64
Amount of second class.....	962, 445 12	892, 767 63
Amount of third class.....	97, 675 10	97, 675 10
Total.....	9, 647, 253 14	4, 807, 764 37

From the foregoing statement it will be perceived that the entire amount of claims filed, including interest on all liabilities stipulated to bear interest, amounted to \$9,647,253 14, to which was assigned the value of \$4,807,764 37. The state authorities justified this reduction on the ground that the state had not received full value for its securities. For example, to the engraved interest-notes there was assigned an average value of 40 cents on the dollar. These notes were issued under the provisions of the same act as the printed bills, and took their place. About the time of the first issue of these notes (the spring of 1838) this species of the government paper commenced depreciating, so that when the act of 19th of January, 1839, prohibiting their further issue, went into operation they were worth

out about 40 cents on the dollar. To the treasury notes not bearing interest, generally known as "red-backs", was assigned an average value of 25 cents on the dollar. These notes superseded the engraved interest-notes above referred to, and the first issue of them was made during the spring of 1839, when they were worth about 37½ cents on the dollar. They continued depreciating, so that in 1841 the government was compelled to pay them out at from 12 to 15 cents on the dollar. The value assigned them was claimed to be equitable, as an average, both to the government and the holders. In this way the various funds and stocks were examined and adjusted.

When Texas became a state of the Union the United States possessed itself of a portion of the resources [customs] which had been pledged to give a credit to the securities of the republic of Texas, and hence it became necessary for the government of the United States to make equitable compensation for the diversion of these resources from the purposes to which they were so pledged. This view seems to have been taken by Congress in the passage of the Texas "boundary bill". It was provided in that bill that, in consideration of certain concessions of Texas, the United States—

Shall pay to the state of Texas ten millions of dollars in a stock bearing 5 per cent. interest, and redeemable at the end of fourteen years, the interest payable half yearly at the treasury of the United States.

But it also provided that—

No more than five millions of said stock shall be issued until the creditors of the state holding bonds and other certificates of stock of Texas, for which duties on imports were specially pledged, shall first file at the treasury of the United States releases of all claims against the United States for or on account of said bonds or certificates, in such form as shall be prescribed by the Secretary of the Treasury and approved by the President of the United States.

By the report of the comptroller, made on the 29th of August, 1850, it appears that the ostensible or face value of the whole amount of the public debt, principal and interest, was \$12,322,443 04; the assigned value, \$6,818,798 40. This left to the state of the \$10,000,000 to be received from the United States, after paying the entire debt, upward of \$3,000,000. That portion of the debt for which the revenue and customs were specially pledged amounted only to \$868,000 ostensible value, or \$611,784 50 assigned value. At the close of 1851 the whole amount of the principal of the debt of Texas was \$8,700,305 11; unpaid interest, \$3,735,677 37; total, \$12,435,982 48. This debt was estimated by Texas in specie as follows:

Principal.....	\$4,965,394 15
Interest .....	1,881,928 08
Total.....	<u>6,847,322 23</u>

At the close of 1856 the comptroller of the state of Texas, in a report, gives the following picture of the finances of that state. He says:

The state is out of debt, with a surplus of over a million of dollars in the treasury, a permanent 5 per cent. school fund of two millions of dollars, an unappropriated public domain estimated at 100,000,000 of acres, which, if judiciously used, would subserve all the purposes of internal improvements required by the state, and a tax lighter than is imposed on any other people, and which is adequate to all the wants of the government. The aggregate amount of taxable property is very nearly \$150,000,000, being an increase of \$22,500,000 over the previous year.

According to the auditor's statement for April 15, 1872, the total of the debt of Texas was then \$2,288,482. At the close of the next year, according to the governor's message, the total indebtedness of Texas was \$1,662,998 78— an amount which the governor said could be paid off by a tax for a single year at less than a half of 1 per cent. on the taxable value of the property in the state.

From Governor Coke's message to the legislature, dated February 10, 1874, inclosing a report from the comptroller, it appears that the audited state debt at that time was \$1,668,131, of which \$486,800 was floating debt, \$174,000 in bonds held for the Agricultural and Mechanical College, and \$327,074 due in New York, for which bonds of the state had been deposited as collateral. In addition to this, the school fund of the state held \$537,008 in the bonds of the state. There was further an unadjusted railroad claim for subsidy, not exceeding \$3,000,000.

To the constitutional convention the comptroller reported that the state had loaned \$1,816,500 to various railroad companies, and that the interest on the loans which had accrued up to May 1, 1870, was funded. On the whole amount the companies were paying 6 per cent. interest and 1 per cent. for a sinking fund. The amounts loaned, and those then owing, were as follows:

Railroads.	Original loan.	Now owing.
Houston and Texas Central .....	\$450,000	\$504,472 38
Washington County .....	68,000	93,910 98
Galveston, Harrisburg and San Antonio .....	420,000	588,025 47
Houston Tap and Brazoria* .....	300,000	.....
Texas and New Orleans.....	430,500	588,871 47
Southern Pacific .....	150,000	200,885 90
Total .....	<u>1,810,500</u>	<u>2,008,766 20</u>

\* This road defaulted in its payments and was sold by the state.

The land grants to various roads had been as follows:

	Acres.
San Antonio and Mexican Gulf .....	238,720
Houston and Texas Central .....	4,769,280
Houston Tap and Brazoria .....	512,000
Washington County .....	245,120
Texas and New Orleans .....	1,228,800
East Texas .....	287,720
Memphis, El Paso and Pacific .....	321,280
Southern Pacific .....	368,640
Texas and Pacific .....	1,763,840
Galveston, Houston and Henderson .....	611,840
Houston and Great Northern .....	2,311,040
International .....	2,572,800
Waco and Northwestern .....	481,280
Galveston, Harrisburg and San Antonio; Buffalo Bayou, Brazos and Colorado .....	1,760,840
Indianola .....	179,840
Rusk .....	79,360
Columbus Tap .....	49,280
Gulf, Western Texas and Pacific .....	302,720
<b>Total</b> .....	<b>18,084,400</b>

This statement includes all the land for which certificates have been issued from the state land office. In 1876 the new constitution of Texas was adopted, and in it important provisions were inserted respecting the future financial policy of Texas. Section 49 of article 3 of the new constitution provides as follows:

No debt shall be created by or on behalf of the state, except to supply casual deficiencies in the revenue, repel invasion, suppress insurrection, defend the state in war, or pay existing debt; and the debt created to supply deficiencies in the revenue shall never exceed in the aggregate, at any one time, two hundred thousand dollars.

The constitution also precludes the state from loaning or giving its credit to any corporation or individual. Sections 50 and 51 provide:

The legislature shall have no power to give or to lend, or to authorize the giving or lending of the credit of the state in aid of or to any person, association, or corporation, whether municipal or other, or to pledge the credit of the state in any manner whatsoever for the payment of the liabilities, present or prospective, of any individual, association of individuals, municipal or other corporation whatsoever.

SEC. 51. The legislature shall have no power to make any grant, or authorize the making of any grant of public money to any individual, association of individuals, municipal or other corporation whatsoever: *Provided*, That this shall not be so construed as to prevent the grant of aid in case of public calamity.

The bonded debt of the state, August 31, 1875, was \$4,644,596; August 31, 1876, \$5,412,382; August 31, 1878, \$5,571,117.

The assessed value of property has increased from \$208,000,000 in 1872 to \$318,000,000 in 1880.

The small debt of the state, and the promptness with which her annual interest is paid, have placed Texas bonds in the front rank of state securities.

Bonded debt of Texas, August 31, 1880 .....	\$5,566,928
<b>Purposes:</b>	
Refunding old debt .....	2,843,920
Funding floating debt .....	994,000
Schools (bonds issued to university and school funds) .....	537,008
<b>Miscellaneous:</b>	
Frontier defense bonds .....	\$692,000
Revenue deficiency bonds .....	500,000
	<b>1,192,000</b>
<b>Total</b> .....	<b>5,566,928</b>

Rates of interest: 4 per cent., \$4,620; 5 per cent., \$1,333,941; 6 per cent., \$2,042,367; 7 per cent., \$2,186,000.

ISSUE.		MATURITY.	
1864 .....	\$320,367	1891 .....	\$575,000
1866 .....	216,641	1899 .....	4,620
1870 .....	692,000	Subsequent to 1900 .....	4,450,300
1871 .....	575,000	* Unspecified .....	537,008
1874 .....	994,000		
1876 .....	1,647,000		
1879 .....	1,121,920		
<b>Total</b> .....	<b>5,566,928</b>	<b>Total</b> .....	<b>5,566,928</b>

\* These bonds matured January 1, 1879, but have not yet been paid and canceled by the state.

ARKANSAS.

Arkansas was admitted as a state into the Union in 1836. Though her territory was large, her population was small and generally in indigent circumstances. There were but little over 50,000 inhabitants, possessing an aggregate wealth of not more than \$15,000,000. In common with the other states, the land excitement had seized upon the inhabitants of Arkansas, and, in addition to this, the most valuable portion of the lands fell into the hands of non-resident speculators, precluding the purchase by actual settlers and retarding the development of the country. Almost immediately after the admission into the Union as a state two banks were chartered by the legislature, the Bank of the State of Arkansas and the Real Estate Bank. In order to procure a capital fund on which to base their operations bonds of the state to the amount of \$2,827,000 were sold, for the redemption of which the faith of the state was pledged. Thus a heavy debt, with accumulating interest, was fastened upon the state during the first year of its existence. The management of these institutions was unfortunate, and a few years afterward the banks were placed in liquidation by an act of the legislature. The surplus revenue which had been distributed to Arkansas by the United States was used as a portion of the capital fund of the State Bank, and subsequently to defray the ordinary expenses of the state government. The seminary fund, together with the proceeds of 500,000 acres of land, given to the state for internal improvement purposes, was divided among the counties.

The total amount of unredeemed state bonds, with interest due thereon, October 1, 1852, was as follows :

Amount issued to Bank of the State of Arkansas.....	\$1,558,621 00
Real Estate Bank bonds, and accruing interest.....	2,381,750 00
This institution also owed on 500 hypothecated bonds in the hands of James Holford.....	122,389 77
And accrued interest, amounting to.....	88,610 23
Total.....	<u>4,151,370 00</u>

From this time on, until the beginning of the war, but little can be said in relation to the state debt. Railroads were constructed, and the state aided them by subscriptions to a small amount. On October 1, 1868, the amount of unredeemed bonds issued to the State Bank and the Real Estate Bank, including interest, was \$4,993,503 19; and on April 6, 1869, an act funding the state debt was passed by the legislature, by the terms of which new bonds were to be issued, one-half to be dated July 1, 1869, and the other half January 1, 1870, payable 30 years after date, with interest at 6 per cent. per annum. In passing this act the bonds hypothecated by the Real Estate Bank were included in the adjustment.

The history of this part of the debt is as follows :

On September 7, 1840, the Real Estate Bank pledged \$500,000 in bonds to the New York Trust and Banking Company, expecting to receive thereon \$250,000, but obtaining in reality only the sum of \$121,336 59. This bank, being at the time deeply indebted and in failing circumstances, transferred the bonds to one Holford, who received them in payment of a debt of \$350,000. It was contended on behalf of the state that inasmuch as the law provided that these bonds should not be put upon the market at less than their par value, although they were in the hands of an innocent third party, the state was not bound to pay them.

In the same year acts were passed loaning the credit of the state to the Little Rock and Fort Smith Railroad Company and to the Arkansas Central Railroad Company. The legislature also provided for the building of levees, and to pay for the construction thereof issued bonds. Some of the bonds which were issued to the Real Estate and State Banks were held by the United States government in trust for the Smithsonian Institution and for the Chickasaw Indians, and when the banks of the state failed to pay the interest due thereon the government retained the 5 per cent. due the state on account of the land sales and applied it to the payment of interest.

The following statement of the state indebtedness is taken from the message of Governor Hadley, delivered January 6, 1873:

Amount of funded debt 6 per cent. bonds.....	\$3,050,000
Amount of old debt not funded.....	2,365,748
Amount of levee bonds, swamp-land scrip, etc., outstanding.....	2,146,649
Amount of auditor's warrants and treasurer's certificates outstanding, about.....	1,100,000
Total.....	<u>8,662,397</u>
Bonds issued to railroads.....	<u>4,950,000</u>

On the 30th of September, 1878, the undisputed bonded debt for which the state was directly liable was \$3,193,500, and the accumulated interest \$2,264,050, making a total of \$5,457,550.

The amount of bonds issued in aid of railroads, including interest, was \$7,135,298 76; levee bonds, including interest, \$2,855,488 98; and the 6 per cent. funding bonds of 1870, known as the Holford bonds, including interest, \$1,787,120. The railroad aid bonds and the levee bonds were, by the supreme court of the state, decided to have

been illegally issued, and therefore void. The decision was based upon a technicality. The constitution of the state provides that every act which creates liability or makes an appropriation shall be passed by a majority of two-thirds of each house of the legislature, and the vote thereon shall be taken by yeas and nays and entered upon the journal. This formality seems to have been omitted, and upon that, and that alone, the decision was rendered. The equities of the bondholders were not taken into consideration. An amendment to the constitution was proposed and submitted to the people on the 6th day of September, 1880, which, in effect, would have been a repudiation of these bonds. The amendment is as follows:

ARTICLE XX. The general assembly shall have no power to levy any tax or make any appropriations to pay either the principal or interest, or any part thereof, of any of the following bonds of the state, to wit: Bonds issued under an act of the general assembly of the state of Arkansas, entitled "An act to provide for the funding of the public debt of the state", approved April 6, A. D. 1869, and numbered from four hundred and ninety-one to eighteen hundred and sixty, inclusive, being the "funding bonds" delivered to F. W. Caper, and sometimes called "Holford bonds", or bonds known as railroad aid bonds, issued under an act of the general assembly of the state of Arkansas, entitled "An act to aid in the construction of railroads", approved July 21, A. D. 1868, or bonds called "levee bonds", being bonds issued under an act of the general assembly of the state of Arkansas, entitled "An act providing for the building and repairing the public levees of the state, and for other purposes", approved March 16, A. D. 1869, and the act entitled "An act to amend an act entitled 'An act providing for the building and repairing of the public levees of this state'", approved March 23, A. D. 1871; and any law providing for any such tax or appropriation shall be null and void.

The amendment failed to become a law, as it did not receive a majority of all the votes cast at the election.

The outstanding bonded debt of the state, September 30, 1880, exclusive of railroad aid debt, was \$2,813,500, as follows:

Six per cent. bonds of 1838, issued to the State Bank .....	\$108,000
Five per cent. bonds of 1837, issued to the State Bank .....	22,000
Six per cent. bonds of 1838, lettered "a", issued to the Real Estate Bank .....	530,000
Six per cent. bonds of 1838, lettered "c", issued to the Real Estate Bank .....	45,000
Six per cent. funding bonds of 1869 .....	810,000
Six per cent. funding bonds of 1870 (exclusive of Holford bonds) .....	625,000
Ten per cent. ten-year bonds of 1874 (principal and interest) .....	261,500
Six per cent. bonds of 1874 (Loughborough bonds, principal and interest) .....	412,000
Total .....	<u>2,813,500</u>

#### TENNESSEE.

There is little to be said in regard to the debt of Tennessee prior to October, 1832, when the state subscribed \$500,000 to the capital stock of the Union bank, and issued bonds therefor.

The Bank of the State of Tennessee was chartered in 1838, and under a provision of that charter \$2,500,000 in bonds were issued to form part of the capital stock of the bank. The bank was a state institution, having no private stockholders. The state also, at different times, issued bonds to railroad and turnpike companies in aid of the construction thereof, and for the purpose of securing the prompt payment of interest and the extinguishment of the debt first mortgages were executed to the state.

The state steadily pursued this policy, and the interest on the bonds was promptly paid until the war of the Rebellion was in progress.

The total amount of bonds outstanding in 1861 was about \$18,000,000. In that year the state also issued \$3,000,000 of 8 per cent. bonds for the "defense of the state", which debt was declared void, as having been contracted in aid of the Rebellion.

Governor Brownlow, in his message to the legislature in April, 1865, stated the debt of Tennessee, exclusive of \$3,000,000 in 8 per cent. bonds for the defense of the state, at \$3,894,666 66, bearing an annual interest of \$212,388 25. He further stated that in addition to this the state had issued bonds for the purpose of internal improvements, and had largely indorsed the bonds of railroad companies, thus incurring an additional indebtedness of something more than \$16,000,000, and that in order to preserve the credit of the state unimpaired it was believed that these bonds and the annual interest of \$1,185,048 25 must be provided for. A portion of the state debt proper was already due, \$66,666 66 having matured in 1861; \$61,250, in 1862; \$177,750, in 1863; and \$58,500, in 1864.

The following statement is taken from the comptroller's report made in October, 1865:

State bonds loaned to railroad companies .....	\$14,006,000
Interest due on same .....	3,769,507
City of Memphis and railroad company's bonds indorsed by state .....	2,207,000
Interest due on same .....	550,680
State debt proper .....	3,894,666
Interest due on same .....	840,553
Total state liability, actual and contingent .....	<u>25,277,406</u>

The item of \$2,207,000 is for bonds issued by the city of Memphis in aid of the Memphis and Little Rock Railroad Company, indorsed by the company and then by the state.

The revenues of the state at this time (1865) were small and insufficient to pay current expenses and the interest on the debt. A great portion of the railroad companies to whom bonds were issued did not pay the interest, and the state credit consequently suffered.

These delinquent roads were from time to time sold, and the proceeds applied to the payment of the bonds.

An act was passed November 23, 1865, providing for the issue of 6 per cent. bonds, to be dated January 1, 1866, and to mature on January 1, 1892, for the purpose of paying off all past-due bonds and interest, as well as those to become and fall due January 1, 1866, and those to become due in the year 1867, issued or indorsed by the state prior to the so-called act of secession, passed May 6, 1861.

On February 16, 1866, an act was passed to wind up and settle the business of the Bank of Tennessee, and it was put in liquidation. The act provides for the collection of debts, and that the directors should studiously refuse to receive and exclude all issues of said bank made after May 6, 1861; also, all issues signed by G. C. Torbett. The act declares all such issues void. The officers of the bank had taken all the assets of the institution during the rebellion; but they were recaptured, and the specie was invested in 7-30 bonds, amounting to \$618,250, and this amount was placed in the hands of the treasurer of the state, in trust for the school fund. The act above referred to provides that, out of the assets of the bank, the sum of \$1,500,000 belonging to the school fund should be first paid, and the remaining assets should be divided *pro rata*.

On January 18, 1866, bonds to the amount of \$3,408,000 were authorized to be issued to railroad companies, as follows:

Memphis and Ohio Railroad Company .....	\$300,000
Memphis, Clarksville and Louisville Railroad Company .....	400,000
Edgefield and Kentucky Railroad Company .....	115,000
Manchester and McMinnville Railroad Company .....	346,000
Nashville and Northwestern Railroad Company .....	300,000
Mississippi and Tennessee Railroad Company .....	50,000
East Tennessee and Virginia Railroad Company .....	300,000
Knoxville and Kentucky Railroad Company .....	250,000
Winchester and Alabama Railroad Company .....	372,000
East Tennessee and Georgia Railroad Company .....	250,000
Mississippi Central Railroad Company .....	200,000
Memphis and Charleston Railroad Company .....	300,000
Rogersville and Jefferson Railroad Company .....	100,000
Nashville and Chattanooga Railroad Company .....	125,000
Total .....	<u>3,408,000</u>

The bonds were to bear date January 1, 1866, and be payable January 1, 1892, and the roads were to pay the interest and deposit with the state 4 per cent. annually as a sinking fund. Under similar provisions, the further sum of \$2,550,000 was loaned to several other companies by an act passed December 10, 1866.

For the purpose of providing for the payment of interest and bonds due, and to become due within three years from the passage of the act, an act passed on March 13, 1868, authorized the board of finance (governor, secretary of state, comptroller, treasurer, and president of the state bank) to borrow money, at a rate of interest not to exceed 9 per cent., by the sale or pledge of state bonds, the sale of bonds to be at not less than par. Two members of the board refused to act (secretary of the state and comptroller). Governor Brownlow, in his message to an extra session of the legislature held on July 27, 1868, stated that the want of harmony in the councils of the board, and certain charges made by the retiring members, had caused a failure in negotiating the loan to meet the July interest, and had injured the credit of the state. The first act passed at that session was entitled "An act to regulate the state finances".\* The act is prefaced by a long preamble, setting forth the causes of the debt and failure to pay, deprecating the failure to negotiate the loan to meet the July interest, and providing for the issuing of coupon bonds, falling due on January 1, 1900, in payment of all bonds of the state falling due in 1868, 1869, and 1870.† The comptroller was authorized to borrow money at 6 per cent. to pay the interest now or hereafter to become due, and, if necessary, to pledge the bonds of the state. The faith and credit of the state was pledged for the repayment of money thus borrowed.‡

In 1869 (July 1) the total amount of bonds issued and loaned to railroad companies or indorsed by the state, interest funded and interest due, was \$34,127,524 07, and in addition to this the state assumed the claims of the United States against the Edgefield and Kentucky railroad for \$130,804 58, and against the Memphis, Clarksville, and Louisville railroad for \$380,756 24. The state debt proper was \$3,473,159 66, and the unpaid interest thereon was \$1,100,000; making a total of \$4,573,159 66. The amount loaned to turnpike and other companies, including interest, was \$647,060, and \$37,200 to the agricultural bureau, making the total \$39,896,504 55.

\* Acts special session, 1868, p. 15.

† The act is silent as to interest.

‡ The act of March 13, 1868, was repealed.

An act was passed in 1869, and amended in 1870, providing that railroad companies to whom bonds of the state had been loaned might cancel their obligation to the state with bonds of any series or number, except the bonds issued to the "Mineral Home Railroad Company" and to "the insurance company of the valley of Virginia". The state thus, as stated by Governor Brown, in his message in 1871, made "an unmistakable declaration to the world that all other bonds issued under the semblance of law are regarded as obligatory upon the state". Under this act over \$8,000,000 of bonds were retired and canceled.

The governor estimated that after exhausting all other sources the balance of the bonded debt, including interest to January 1, 1872, was about \$19,493,173 66. The floating debt at this time was \$1,668,417 27, and the current expenses of the state government about \$600,000.

This estimate was based upon the following figures:

Entire indebtedness of the state, including the floating debt and interest on the bonded debt, to January 1, 1872, after deducting the amount of indorsed bonds which are solvent, together with bonds and coupons paid in, is.....	\$32,152,156 19
Deduct the indebtedness of solvent roads that pay interest, with interest added to January 1, 1872.....	5,776,533 76
Leaving a balance of .....	26,375,622 43
Deduct from this the balance due from purchasers of delinquent roads.....	\$4,714,032
And estimated value of unsold delinquent roads .....	500,000
Making in all.....	5,214,032 00
Leaving balance of debt .....	21,161,590 43
Deduct floating debt.....	1,668,417 27
Total.....	19,493,173 16

There had been issued up to that time in aid of twenty-six turnpike roads bonds amounting to \$1,317,356 60. Only six of these roads were paying any dividend, and the other twenty, which had cost the state \$864,062 60, were yielding no revenue.

The comptroller's report of the same year estimated the net debt on the 1st of January, 1872, to be \$19,961,590 93.

On March 17, 1873, an act was passed funding the state debt. It provided for the funding of all outstanding legally issued bonds of the state of Tennessee due or to become due before January 1, 1874, as well as all past-due coupons and those maturing on said day, by the issue of 6 per cent. coupon bonds, to be styled the "new series of funding bonds", redeemable, at the option of the state, after July 1, 1884, and due and payable on the 1st day of July, 1914, bearing 6 per cent. interest, payable semi-annually in New York or in Nashville, at the option of the owners of the bonds to be funded.

The act further provided that no coupons of bonds now due should be paid other than those falling due on and after July 1, 1874, except coupons of bonds held by educational institutions of the state. The faith, honor, and credit of the state were pledged for the redemption of the bonds, for providing a sinking fund for that purpose, and for the prompt payment of interest. The act expressly prohibits the funding of any debt created between May 6, 1861, and April 3, 1865, or of any bonds known to have been stolen; it also provided that, at the option of the state, bonds maturing between July 1, 1874, and July 1, 1884, shall be fundable in like manner. It further provided for the issue of a certificate of indebtedness to the school fund in the sum of \$2,512,500, bearing 6 per cent. interest, payable semi-annually. The act made it the duty of the treasurer to set apart so much of the revenues as might be required to pay interest on the bonds, and to be used exclusively for that purpose; but this provision was repealed by an act passed February 5, 1875.\*

On January 15, 1877, the following joint resolution was adopted by the legislature and approved on February 12, 1877:

*Resolved, &c.*, That the comptroller and treasurer of state are hereby instructed to suspend all further payments of interest on state bonds until otherwise ordered (except that they will continue to pay as heretofore the interest on so many of said bonds as are at this time owned by the educational institutions within the state).†

On January 16, 1879, a joint resolution was adopted, which provides that no compromise or adjustment of the state debt shall be made which provides that coupons be made receivable for taxes.

Under these several acts a considerable portion of the debt of the state was funded from time to time.

On December 19, 1876, the debt of the state was as follows:

Funded and registered bonds .....	\$22,812,400
Amount of bonds belonging to East Tennessee University .....	396,000
Liabilities of the state as indorser .....	1,347,000
Floating debt, including interest due and to become due January 1, 1877.....	2,217,816
	26,773,216
The assets and resources were.....	5,263,772
	21,509,444

\* Acts 1875, chap. 1.

† Acts 187, p. 240.

No interest had been paid since July 1, 1875. The governor, in his message in 1877, stated that the revenues being insufficient, and the state being unable to borrow, except upon very harsh terms, the interest demanded being so exorbitant, it was determined by the executive officers to let the payment go by default, relying upon the future revenues of the state. No money had been borrowed since June, 1875. In December, 1876, a proposition was made by some of the bondholders to appoint a commission for the purpose of adjusting the debt "on a basis honorable to the state and equitable to the creditors". The commission was appointed, but no results were reached. The amendment of the constitution adopted in 1866, as well as several acts of the legislature since that time, provided that the issue of the Bank of Tennessee made since May 6, 1861, was unconstitutional and void. The Supreme Court of the United States, however (in 1878), in the case of *Keith vs. Clark* (97 U. S. S. C. reports, 454), decided otherwise unless it could be shown that they were issued for the purpose of aiding the Rebellion. This of course increased the debt and materially reduced the revenue, as the "new issue", or Torbett bills, were made receivable for taxes,

On December 19, 1878, the total amount of outstanding bonds was .....	\$20, 221, 300
The amount of bonds indorsed by the state.....	1, 308, 000
Interest past due and becoming due January 1, 1879.....	4, 056, 802
	25, 586, 102
Outstanding warrants.....	99, 720
	25, 685, 822
The assets and resources of the state were:	
Due by purchasers of delinquent roads.....	\$164, 150
Uncollected taxes 1878.....	209, 926
Cash on hand.....	478, 346
	852, 422
Total debt, actual and contingent.....	24, 833, 400

The funding act of 1873 was repealed on March 26, 1879. At that session of the legislature an act was passed proposing that the following-described bonds, purporting to be the bonds of the state of Tennessee, with the accumulated interest thereon, be settled and funded in the coupon bonds of the state at the rate of 50 cents on the dollar upon their face value, bearing interest at the rate of 4 per cent. per annum until paid; said bonds to be in denominations as follows: One-third at from \$5 to \$100, one-third at from \$100 to \$500, one-third at \$1,000, falling due at the end of 30 years, but redeemable and renewable at the pleasure of the state, the interest on said bonds being due and payable on the 1st day of January of each and every year at the capitol of the state, at Nashville, in the treasurer's office, the bonds referred to being known and designated as follows:

Capitol bonds.....	\$493, 000
Hermitage bonds.....	35, 000
Agricultural bonds.....	18, 000
Union Bank bonds.....	125, 000
Bank of Tennessee bonds.....	214, 000
Bonds issued to the various turnpike companies.....	741, 000
Hiwassee railroad.....	280, 000
East Tennessee and Georgia Railroad Company.....	144, 000
Memphis and Lagrange Railroad Company.....	68, 000
Ante-war railroad bonds.....	8, 583, 000
Post-war railroad bonds.....	2, 638, 000
Funded under act of 1866.....	2, 246, 000
Funded under act of 1868.....	569, 000
Funded under act of 1873.....	4, 807, 000

The act further provided how effect should be given to the same, but as the proposition was never consummated it is deemed unnecessary to give the details. During the last session of the legislature an act\* was passed providing

\*AN ACT to compromise and settle the bonded indebtedness of the state of Tennessee. Passed April 5, 1881. Approved April 6, 1881.

SECTION 1. *Be it enacted by the general assembly of the state of Tennessee,* That all the legally issued bonds of the state of Tennessee, except the bonds issued for the permanent school fund, and except the bonds held by the University of Tennessee and by educational and charitable institutions in this state, evidence of the ownership of which was on file in the comptroller's office on the 1st day of January, 1880, and all outstanding coupons thereon up to and including those falling due on the 1st day of July, 1881, be capitalized and funded into coupon bonds of the state, to be styled "the compromise bonds of the state of Tennessee".

SEC. 2. *Be it further enacted,* That for each and every legally issued bond of the state of Tennessee, or coupons, presented to the funding board hereinafter provided for under the provisions of this act, there shall be issued a bond or bonds for an amount equal to the principal of said bond so presented, together with the past-due interest thereon. Said bonds authorized to be issued under the provisions of this act shall be dated on the first day of July, eighteen hundred and eighty-one, and shall be payable ninety-nine years after their date, but the same shall be redeemable by the state at any time after the expiration of five years from their date, at the pleasure of the state; shall bear interest at the rate of three per cent. per annum, payable semi-annually, on the first days of January and July, in the city of New York; shall have coupons of interest attached to each of said bonds; and for the punctual payment of the principal and interest of said bonds the faith, credit, and honor of the state is hereby solemnly pledged.

SEC. 3. *Be it further enacted,* That the coupons on said compromise bonds, on and after their maturity, shall be receivable in payment

for the settlement, dollar for dollar, of the bonds and unpaid interest in new 3 per cents, with tax-receivable coupons, redeemable after five years and payable in 1899. The following is a statement of the debt of Tennessee on January 3, 1881:

Bonded debt of state.....	\$20,991,700
Issued for railroads.....	\$12,808,700
Issued for turnpikes.....	225,000
Issued for banks.....	148,000
Issued for Hermitage.....	35,000
Issued for agricultural bureau.....	11,000
Issued for Capitol.....	94,000
Issued for funding floating debt.....	7,101,000
Unspecified.....	569,000
<b>Total.....</b>	<b>20,991,700</b>
Bearing 6 per cent.....	20,330,700
Bearing 5½ per cent.....	17,000
Bearing 5 per cent.....	644,000
<b>Total.....</b>	<b>20,991,700</b>

ISSUE.		MATURITY	
Previous to 1860.....	\$8,271,700	Overdue.....	\$684,000
1860.....	1,501,000	1892.....	9,567,700
1861.....	582,000	1898.....	3,991,000
1866.....	3,605,000	1900.....	1,463,000
1867.....	756,000	Subsequent to 1900.....	4,880,000
1868.....	1,269,000	Unspecified.....	94,000
1869.....	110,000	1890.....	312,000
1870.....	17,000		
1873.....	4,880,000		
<b>Total.....</b>	<b>20,991,700</b>	<b>Total.....</b>	<b>20,991,700</b>
Floating debt of state.....			6,448,731
Indorsed railroad bonds.....			1,137,000

for all taxes and debts due the state, except for taxes for the support of the common schools and for the payment of the interest upon the common school fund, and said coupons shall show upon their face that they are so receivable.

SEC. 4. *Be it further enacted,* That said bonds shall be in denominations of fifty dollars, one hundred dollars, five hundred dollars, and one thousand dollars. That is, there shall not be less than five per cent. of the whole amount in bonds of the denominations of fifty dollars; five per cent. of the denomination of one hundred dollars; and ten per cent. of the denomination of five hundred dollars; the remainder to be of the denomination of one thousand dollars (to be pro-rated by the funding board hereinafter provided), as to said board may seem just and equitable between those who may present their bonds and coupons to be funded under this act. But the funding board may issue bonds of the smaller denominations aforesaid, to any amount in excess of the amounts hereinbefore stated, if the holders of the bonds and coupons who present them to be funded so desire.

SEC. 5. *Be it further enacted,* That the secretary of state, comptroller, and state treasurer shall constitute a board to be designated a funding board, any two of which shall constitute a quorum for the transaction of any and all business for which said board was created. Said board may sit or hold meetings for the transaction of the business created by this act, at such times and places as they may deem wise and proper, to enable holders of Tennessee bonds and coupons to fund the same under the provisions of this act.

SEC. 6. *Be it further enacted,* That when any of the legally issued bonds of the state, or coupons outstanding and unpaid, are presented to said funding board for funding under the provisions of this act, they shall examine and audit the same, and, if found to be genuine, shall prepare a compromise bond or bonds, as may be necessary for the purpose, and when said bond or bonds have been signed by the governor and countersigned by the secretary of state, and the great seal of the state of Tennessee is affixed thereto, and the original bond or bonds have been registered in the comptroller's office and a full memorandum of the same made by the comptroller, and the same signed by the party receiving the compromise bond or bonds, said board shall deliver said compromise bonds to the party entitled to receive them, taking full and ample receipts therefor from the party so receiving. But in funding under the provisions of this act the state shall not receive or account for any portion of a bond or coupon in excess of the bond demanded, and if the amount of the bond or coupons presented to be funded be less by a fractional part of a coupon the party applying may pay the same in currency.

SEC. 7. *Be it further enacted,* That as soon as practicable after the passage of this act there shall be prepared, under the direction of the governor and the funding board, a sufficient number of well engraved bonds to take up and fund all the unpaid bonds and coupons of the state, and upon each coupon of the bonds so prepared the signatures of the treasurer and comptroller shall be engraved, and the said coupons shall be numbered with the number of the bond to which they are attached, and shall state on their face when they fall due and the amount of interest due on each. The cost of engraving and preparing said bonds and coupons shall be paid out of the treasury upon the warrant of the comptroller, based upon the certificate of the governor.

SEC. 8. *Be it further enacted,* That the funding board is authorized to demand and receive as compensation for their services in carrying out the provisions of this act the sum of two dollars for each bond of the denomination of one thousand dollars, one dollar and fifty cents for each bond of the denomination of five hundred dollars, and one dollar for each of all other denominations, to be paid by those receiving the compromise bonds, as provided by this act.

KENTUCKY.

At the close of 1845 the state debt of Kentucky was as follows :

Five per cent. bonds, payable 35 years after date .....	\$165,000
Five per cent. bonds, payable 30 years after date .....	450,000
Six per cent. bonds, payable 30 years after date .....	3,579,000
Six per cent. bonds, payable 6 years after date .....	100,000
Six per cent. bonds, payable .....	84,000
Money borrowed from the Bank of Louisville .....	30,000
<b>Total</b> .....	<b>4,408,000</b>

Kentucky owned at this time \$1,270,000 of the stocks of the several banks of the state.

The interest on the state debt was paid regularly in the city of New York, and the receipts of the sinking fund progressed in a satisfactory manner. The chief sources of revenue were turnpike tolls and the Kentucky river, the former in 1845 yielding nearly \$25,000, and the latter \$17,244.

The debt seems to have changed but little in the next few years.

At the close of 1851 the total debt was \$5,724,370 82; or, exclusive of the unredeemable bonds held by the board of education, \$3,811,092 81. Much the larger portion of this unredeemable school-fund debt bore 5 per cent. interest, only \$67,500 being at 6 per cent. To pay the debt the state had the following resources, if they could be applied to that purpose:

Stock of the Bank of Kentucky .....	\$939,000 00
Stock of Northern Bank of Kentucky .....	290,000 00
Stock of the Bank of Louisville .....	40,600 00
Stock of the Southern Bank of Kentucky .....	150,000 00
Stock of the Lexington and Frankfort railroad .....	150,000 00
Bonds of the Louisville and Frankfort Railroad Company .....	76,420 25
<b>Making in all</b> .....	<b>1,646,020 25</b>

The state had, in addition, \$2,694,239 93 stock in turnpike roads, supposed to be worth 25 or 30 cents on the dollar, besides her investments in rivers, etc.

By 1853 the debt had been changed only slightly. At the close of 1859, according to Governor Magoffin's message to the legislature, Kentucky was in a highly prosperous condition. Its taxable property was \$493,409,363, an increase over the previous year of \$28,480,550. The balance in the treasury in October was \$136,463, nearly all of which belonged to the sinking fund. This fund, devoted to the payment of the principal and interest of the state debt, amounted to \$758,283. The debt itself at this date was \$5,479,244, including the bonds held by the board of education. To offset this the stocks in various works of internal improvement, and in banks owned by the state, together with the balance in the treasury belonging to the sinking fund, were estimated at \$7,751,577. The banks of the state, the governor said, were well managed, and he deemed it a matter of just pride that in the revulsion of 1857 none of them suspended specie payments.

In October, 1863, the debt, including a military loan of \$1,130,000, was \$5,815,234. Of this \$3,303,402 was due to individuals, \$1,381,832 to the board of education, and \$1,130,000 to the board of Kentucky.

The following table shows the changes in the amount of the debt, by issues and redemptions yearly, from October 10, 1859, to October 10, 1865 :

Amount outstanding October 10, 1859 .....	\$5,479,244
Six per cent. military loan certificates, 1861 .....	\$1,795,000
Six per cent. military loan certificates (act February 18, 1864) .....	417,000
Six per cent. loans from school fund, being unexpended county distributions .....	219,113
	<b>2,431,113</b>
Redeemed prior to October 10, 1861 .....	750,010
Redeemed in 1861, military loan .....	\$310,000
Redeemed in 1861, original debt .....	9,000
	<b>319,000</b>
Redeemed in 1863, military loan .....	355,000
Redeemed in 1863, original debt .....	35,000
	<b>390,000</b>
Redeemed in 1864, military loan .....	1,130,000
Redeemed in 1865, original debt .....	67,000
	<b>2,656,010</b>
<b>Total outstanding October 10, 1865</b> .....	<b>5,254,347</b>

The public debt of Kentucky at the close of the fiscal year 1864-'65 amounted to \$5,254,347, and is thus accounted for:

Acts authorizing the several issues.	Parties and institutions to which issued.	Date of—		Rate per annum.	Amount—	
		Issue.	Maturity.		Issued.	Outstanding.
Various.....	Six years' bonds and interest improved railroad scrip, \$609,500.	Various.....	Due.....	6		\$402
February 28, 1835.....	Bank of Kentucky*.....	May 25, 1835.....	1865.....	5	\$100,000	14,000
February 28, 1835.....	Prime, Ward & King.....	August 1, 1835.....	1865.....	5	100,000	85,000
February 29, 1836.....	Northern Bank of Kentucky*.....	April 25, 1836.....	1866.....	5	100,000	95,000
February 29, 1836.....	Bank of Kentucky.....	June 1, 1836.....	1866.....	5	50,000	9,000
February 23, 1837.....	War Department.....	April 1, 1837.....	1867.....	5	165,000	165,000
March 8, 1843.....	John Tilden, agent to sell.....	September 2, 1843.....	1868.....	5	100,000	79,000
February 16, 1838.....	American Life Insurance and Trust Company.....	July 1, 1838.....	1868.....	6	1,250,000	999,000
February 22, 1839.....	Contractors on public works.....	April 22, 1840, to February 19, 1841.....	1870-'71.....	6	33,000	27,000
February 21, 1840.....	Northern Bank of Kentucky.....	November 4, 1840.....	1870.....	6	235,000	188,000
February 21, 1840.....	Bank of Kentucky.....	November 4, 1840.....	1870.....	6	180,000	151,000
February 21, 1840.....						
February, 1841.....						
March 3, 1842.....	Contractors, and in exchange for six years' bonds.....	April 8, 1841, to April 1, 1842.....	1871-'72.....	6	1,741,000	1,422,000
March 11, 1843.....						
March 2, 1844.....						
March 1, 1844.....	Holder of Lexington and Ohio railroad bonds.....	January 1, 1865.....	1880.....	6	150,000	
February 22, 1846.....	Holder of six years' bonds and others.....	October 7, 1846, to June 15, 1848.....	1861-'63.....	6	70,000	
	Total amount held by the public and by institutions.....				4,274,000	3,234,402
		August 9, 1840.....	1870.....	6	24,000	24,000
		January 6, 1840.....	1870.....	6	21,500	21,500
		January 1, 1840.....	1870.....	6	22,000	22,000
		January 18, 1840.....	1875.....	5	500,000	500,000
		January 22, 1840.....	1875.....	5	170,000	170,000
		January 22, 1840.....	1875.....	5	180,000	180,000
		December 23, 1848.....	At pleasure.....	5	308,268	308,268
		July 5, 1850.....	do.....	5	101,002	101,002
		July 1, 1863.....	do.....	6	276,175	276,175
					1,602,945	1,602,945
					1,795,000	1,795,000
					417,000	417,000
					8,088,945	5,254,347
						299,198

Marked thus (\*) indicates that the principal and interest are payable in Kentucky; all others are payable in New York.

Against the above debt the state owns property of various descriptions and other assets valued in the aggregate at \$7,638,494. These are described as follows:

Stock in internal improvements.....	\$4,830,475
Stock in banks and railroads.....	1,562,820
Loan to revenue debt, \$100,000, and interest, \$9,000.....	109,000
Surplus in treasury October 10, 1865.....	435,697
Five per cent. legal-tender notes on deposit in New York.....	100,000
Loan to military fund.....	200,000
Deposit to credit of sinking fund October 10, 1865.....	400,502

Total property and assets owned by the state..... 7,638,494

The above assets constituted the sinking fund—a fund provided for the payment of interest on the state debt as it fell due and of the principal at maturity. The resources of this fund were as follows: (1) tax on bank stock, etc.; (2) dividends on bank stock owned by the state; (3) dividends on state stocks in turnpike roads, and profits on works of internal improvement; (4) lease of penitentiary; (5) fifteen cents revenue tax; (6) tax on brokers' and insurance offices; (7) interest on loan to keeper of penitentiary; (8) proceeds of the Commonwealth Bank and stock in old Bank of Kentucky; (9) redemption of forfeited lands and escheats; (10) interest on (\$74,579 50) L. & F. railroad bonds; (11) dividends on 2,178 shares L. & F. railroad stocks; (12) excess in treasury over \$10,000; (13) tax on playing-cards; (14) tax on billiard tables; (15) tax on railroad stocks; (16) taxes on railroad and express

companies; (17) tax of 6 per cent. per annum upon dividends of turnpike roads; (18) tax on insurance companies incorporated by the state; and (19) tax on oil companies, etc., \$100.

The total receipts by the sinking fund in 1864-'65 were.....	\$867, 300
Add balance in treasury October 10, 1864.....	20, 490
<hr/>	
Total resources.....	887, 790
Warrants paid from October 11, 1864, to October 10, 1865.....	557, 123
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Balance in treasury October 10, 1865.....	330, 667
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The warrants drawn in 1864-'65 were for the following purposes: Bank of America (for coupons), in New York, \$240,000; contingent expenses, \$1,516; interest on school bonds, \$81,465; interest on (home) state debt, \$30,142; loan to military fund, \$200,000, and reduction of state debt, \$4,000; total, \$557,123.

The following abstract from the report of the auditor for the fiscal year ending October 10, 1869, shows the extremely healthy financial condition of this state:

The public debt of the commonwealth on the 10th of October, 1868, amounted to.....	\$3, 626, 221
Add increase of school bonds, being amount of surplus school money, July 1, 1869.....	8, 956
<hr/>	
Making.....	3, 635, 177
During the fiscal year ending October 10, 1869, there were redeemed by the commissioners of the sinking fund state bonds amounting to.....	328, 000
<hr/>	
Amount of state debt October 10, 1869.....	3, 307, 177
Deduct the amount of bonds dedicated to the school fund and not redeemable.....	1, 648, 283
<hr/>	
Leaving the amount of the redeemable state debt, upon the 10th of October, 1869.....	1, 658, 894
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This consists of—

Six per cent. bonds which have matured and are outstanding.....	\$35, 394
Five per cent. bonds due and outstanding.....	10, 000
Six per cent. bonds maturing in 1870 and 1872.....	1, 137, 500
Military bonds maturing in 1895.....	316, 000
Five per cent. bonds maturing between 1871 and 1873.....	160, 000
<hr/>	
Total.....	1, 658, 894
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If, therefore, the loan made by the commissioners of the sinking fund to the revenue proper of \$840,849 55 was returned, the balance in the treasury, of cash on hand, upon the 10th of October, 1869, would be \$1,259,335 50, which sum, if applied to the extinguishment of the outstanding indebtedness of the commonwealth, would reduce the state debt, exclusive of the school bonds not redeemable, to \$399,558 50.

To meet this indebtedness the commissioners of the sinking fund hold resources.....	\$1, 287, 853 46
Deducting redeemable state debt.....	399, 558 50
<hr/>	
Excess of resources of sinking fund over the redeemable state debt.....	888, 294 96
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The following table presents an analysis of the bonded debt of the state as it stood October 10, 1880:

Bonded debt of state.....	\$1, 858, 008
<hr/>	
Issued for railroad.....	394
Issued to Bank of Kentucky.....	5, 000
Issued for war purposes.....	174, 000
Issued for refunding.....	1, 000
Issued for schools (held by board of education).....	1, 677, 614
<hr/>	
Total.....	1, 858, 008
<hr/>	
Five per cent.....	5, 000
Six per cent.....	1, 853, 008
<hr/>	
Total.....	1, 858, 008
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ISSUE.		MATURITY.	
Previous to 1860 .....	\$6,394	Overdue .....	\$6,394
1864 .....	174,000	1894 .....	174,000
1879 .....	1,677,614	Payable at pleasure of legislature .....	1,327,000
		Unspecified (bonds issued in 1879). (See section 9, article 1, chapter 18 of general statutes) ..	350,614
Total .....	1,858,008	Total .....	1,858,008

The school bonds, as has been stated heretofore, are unredeemable; the fund is inviolate; and the 6 per cent. semi-annual interest due the school fund is provided for out of the revenue placed to the credit of the sinking fund annually.

The resources of the sinking fund are as follows:

Balance in the treasury October 10, 1880 .....	\$87,526 22
Four hundred and six shares of stock in Bank of Louisville, worth, as per quotation .....	39,788 00
Stock in turnpike roads, estimated worth .....	500,000 00
Total estimated resources .....	627,314 22

### WESTERN STATES.

The following table presents the fluctuations of state debt in the western states from 1839 to 1880. The figures for 1839 were taken from an official document appended to the Congressional Globe of the Twenty-sixth Congress, first session. Those for 1841 are from the Cost Johnson report, heretofore mentioned, and give the bonded and floating debt, though it will be observed that the western states had no floating debt at that period. The column for 1853 is mostly made up from the reports of state auditors and governors; that of 1860 is taken from various state documents, and the figures for 1870 and 1880 represent, respectively, the census figures for those years. When the fact of the increase of population and the general progress of these states is taken into consideration, it will be seen that the state debts of this section of the country bear very lightly compared with what they did forty years ago:

Western states.	1839.	1841.		1853.		1860.		1870.		1880.	
		Funded.	Other.	Funded.	Other.	Funded.	Other.	Funded.	Other.	Funded.	Other.
Ohio .....	<i>a</i> \$6,101,000	<i>b</i> \$10,924,123		<i>c</i> \$15,218,129		<i>d</i> \$16,927,634		<i>e</i> \$9,732,078		\$6,476,805	
Indiana .....	<i>a</i> 11,890,000	<i>b</i> 12,751,000		<i>d</i> 7,712,880		<i>d</i> 10,179,267		<i>f</i> 4,107,507		<i>g</i> 4,998,178	
Illinois .....	<i>a</i> 11,600,000	<i>b</i> 13,527,292		<i>d</i> 17,000,000		<i>d</i> 10,277,161		<i>e</i> 4,890,987		( <i>h</i> )	
Michigan .....	<i>a</i> 5,340,000	<i>b</i> 5,611,000		<i>e</i> 2,359,551		<i>d</i> 2,214,235	<i>d</i> \$102,093	<i>e</i> 2,385,023		905,150	
Wisconsin .....		<i>i</i> 200,000		<i>d</i> 100,000				<i>e</i> 68,200	<i>j</i> \$2,183,857	11,000	<i>j</i> \$2,241,057
Iowa .....				<i>k</i> 55,000		<i>l</i> 322,295	<i>d</i> 29,637	<i>l</i> 534,498		<i>l</i> 370,435	
Minnesota .....						<i>m</i> 250,000	<i>m</i> 68,636	<i>m</i> 350,000		<i>m</i> 2,565,000	
Missouri .....	<i>a</i> 2,500,000	<i>b</i> 842,261		<i>c</i> 802,000		<i>n</i> 25,952,000		<i>n</i> 17,866,000		<i>n</i> 10,259,000	
Kansas .....								<i>o</i> 1,341,075	<i>o</i> 251,331	1,181,075	
Nebraska .....						<i>d</i> 4,000	<i>d</i> 48,960	<i>p</i> 36,300	<i>p</i> 211,000	499,267	
Colorado .....											212,814
Nevada .....								<i>g</i> 500,000	<i>g</i> 142,894	56,400	18,096
Oregon .....								<i>e</i> 100,583		356,508	154,868
California .....				<i>r</i> 2,997,488	<i>r</i> 269,812	<i>r</i> 3,824,000		<i>s</i> 3,311,500	<i>s</i> 117,527	<i>s</i> 3,403,000	
Total .....	87,481,000	43,855,676		46,245,048	269,812	69,950,792	249,326	45,290,606	2,906,609	87,082,718	2,627,735

*a* App. Cong. Globe, 26th Cong., 1st sess., page 90. *b* House Rep. No. 290, 27th Cong., 3d sess. *c* Report of state auditor. *d* Governor. *e* Ninth Census. *f* Ninth Census; inclusive of bonds to the amount of \$3,734,268 held by educational funds. *g* Inclusive of bonds to the amount of \$3,904,788 held by educational funds. *h* October 1, 1880, the bonded debt of Illinois was \$231,059. In 1881 this was all paid except \$23,600 not presented. *i* This amount is estimated, as the exact amount could not, at that time, be determined by the local officials. *j* In 1870 \$2,183,800, and in 1880 \$2,241,000 of the floating debt were owed to trust funds. *k* Secretary of state. *l* In 1860 \$122,296, in 1870 \$234,498, and in 1880 \$245,435 were owed to trust funds. The amount of the war and defense loan shown in the report of the state auditor for October 1, 1879, is \$300,000, but the amount here included as authorized by letter from the auditor is only \$125,000. *m* The authority for 1860 is the governor; for 1870, the Ninth Census. In the years immediately preceding 1860 bonds were issued in aid of railroads to the amount of \$2,275,000. Recognition of this indebtedness was refused by the state until 1881. The debt shown for 1860 and for 1870 is not inclusive of this sum, but that shown for 1880 is inclusive. *n* The authority for 1860 is the governor; for 1870, the Ninth Census. The amounts shown for 1860, 1870, and 1880 are not inclusive of the Hannibal and Saint Joseph railroad debt, amounting to \$3,000,000, but are inclusive of \$900,000 owed to the school fund, which is held in trust by the state. *o* The authority for 1870 is the Ninth Census and the state auditor. Inclusive of state bonds held by the sinking and educational funds, amounting in 1870 to \$468,375, and in 1880 to about \$700,000. *p* Ninth Census; the entire funded debt in 1870 was held by the school fund. *q* Ninth Census; the funded debt is inclusive of bonds to the amount of \$53,000 held by the "irreducible school fund". *r* State comptroller. *s* The authority for 1870 is the Ninth Census. How much, if any, of the bonded debt in 1853 and 1860 was held by the several school funds is unknown, but in 1870 \$1,191,000, and in 1880 \$2,600,000 was so held.

## OHIO.

The construction of public works in Ohio commenced in 1825, in which year, on the 4th of July, the ceremony of breaking ground for the National road west of the Ohio took place at Saint Clairsville. On the same day ground was broken at Licking Summit for the Ohio canal by Governor Clinton, of New York, and Governor Morrow, of Ohio. The face of the country, abounding as it did in lakes and extensive marshes, was well calculated to afford an ample supply of water, and was highly favorable to the construction of canals. The Ohio canal was projected to connect the Ohio river at Portsmouth with lake Erie, at a spot on which the city of Cleveland has grown up. This canal was finished in 1832, at an expense of \$4,244,539. The Miami canal commences on Main street, Cincinnati, and runs 65 miles to Dayton, on Mad river. This canal was begun in 1820, and opened 44 miles to the Miami river in 1827, at a cost of \$457,669. The remaining portion, to Dayton, was then put under contract, and finished in 1829. At the session of 1828 Congress granted 500,000 acres of land in aid of the Ohio canals on the condition that they should be completed in seven years, and, in addition, an amount equal to one-half of five sections in width on each side of the Miami canal for the benefit of the Miami extension to lake Erie. These two grants were equal to nearly 800,000 acres. This was on condition that the canal should be begun in five years and completed in twenty years; otherwise, the state should be bound to pay the United States the price of the land. This condition was subsequently removed, and the state sold the land.

Having thus early started internal improvements, it was not surprising that the state of Ohio, at the close of the year 1835, found itself in debt \$4,500,000. It was fortunate, however, at this time in having two canals, which had cost over \$5,500,000, in operation. The debt continued to increase, until in July, 1849, it had reached nearly \$19,000,000. The total number of miles of the Ohio canal and branches was 334, and of the Miami branch 66 miles. These canals were well constructed, and up to this period, when the debt seems to have reached its maximum, had been of vast service to the state, although they had never yielded a net revenue equal to 6 per cent. of the cost. At the session of 1832 no less than thirteen railroads were incorporated by this state, of which the chief was the Mad River railroad, to commence at Dayton and reach to Sandusky, on lake Erie—a distance of 170 miles. The connection from Cincinnati to Sandusky had been completed and was in operation. The others were the Pennsylvania and Ohio, the Milan and Newark, the Milan and Columbus, the Chillicothe and Lebanon, the Cincinnati and Indianapolis, the Indianapolis and Saint Louis, the Columbus and Sandusky, the Erie and Ohio, the Franklin and Wilmington, the Port Clinton and Lower Sandusky, and the Richmond and Miami.

In the summer of 1849 the following works were completed or in progress :

COMPLETED.	Miles.	Capital.
Little Miami.....	84.0	\$1,350,000
Mad River and Lake Erie.....	184.0	2,000,000
Mansfield.....	56.0	850,000
Total.....	274.0	4,200,000
IN PROGRESS.		
Xenia and Columbus.....	85.0	650,000
Cleveland and Cincinnati.....	184.5	2,250,000
Mansfield and Newark.....	60.0	800,000
Hancock and Findlay.....	18.0	200,000
Iron railroad.....	26.0	200,000
Dayton and Springfield.....	24.0	350,000
Greenville and Dayton.....	40.0	600,000
Total.....	387.5	5,050,000

The creation of these charters in 1832, with many others, stimulated the desire for government aid, and in the years of speculation, 1836-'37, the legislature passed a law to prosecute other undertakings; also to the effect that when one-half the stock of a turnpike or two-thirds of a canal or railroad should be taken by individuals, and the object of the work should be approved by the board of public works, the governor should be authorized, in the name of the state, to subscribe for the remainder. Under this law the state subscribed for the following works :

Statement of stocks held by the state and by individuals in turnpike companies, and the stocks held by the state in rail-road and canal companies, and the dividends paid to the state during the year ending on the 15th November, 1848.

Name of company.	Stock held by the state.	Stock held by individuals.	Total amount of stock.	Dividends paid the state.
TURNPIKE STOCK AND DIVIDENDS.				
Batavia Turnpike and Miami Bridge Company .....	\$30,250 00	\$30,750 00	\$61,000 00	\$1,243 20
Cincinnati and Harrison Turnpike Company .....	86,050 00	86,050 00	172,100 00	2,581 50
Cincinnati and Hamilton Turnpike Company .....	44,850 00	49,502 91	94,352 91	.....
Cincinnati, Columbus and Wooster Turnpike Company .....	75,800 00	75,800 00	151,600 00	3,790 00
Cincinnati, Lebanon and Springfield Turnpike Company .....	178,050 00	197,042 26	375,092 26	3,573 00
Cincinnati, Montgomery, Hopkinsville, Rochester and Clarksville Turnpike Company .....	52,400 00	06,429 23	118,829 23	631 86
Circleville and Washington Turnpike Company .....	71,905 00	85,385 00	157,290 00	.....
Colerain, Oxford and Brookville Turnpike Company .....	85,775 47	85,404 45	171,239 92	7,719 79
Dayton and Springfield Turnpike Company .....	55,450 00	55,450 00	110,900 00	831 75
Dayton and Covington Turnpike Company .....	31,480 09	39,137 94	70,618 03	.....
Dayton, Centreville and Lebanon Turnpike Company .....	49,557 37	49,557 37	99,114 74	989 00
Dayton Western Turnpike Company .....	66,900 00	58,176 04	125,076 04	.....
Great Miami Turnpike Company .....	82,835 24	57,199 89	140,035 13	.....
Goshen, Wilmington and Columbus Turnpike Company .....	102,725 00	119,050 00	221,775 00	.....
Hamilton, Springfield and Carthage Turnpike Company .....	33,450 00	39,350 00	72,800 00	.....
Hamilton, Rossville, Darrrtown, Oxford and Fairhaven Turnpike Company .....	49,742 20	59,944 22	109,686 42	1,602 15
Hamilton, Rossville, Summerville, Newcomb and Eaton Turnpike Company .....	49,925 00	50,100 00	100,025 00	.....
Marietta and Newport Turnpike Company .....	14,724 87	14,857 05	29,582 02	.....
Milford and Chillicothe Turnpike Company .....	172,000 00	163,000 00	335,000 00	.....
Ohio Turnpike Company .....	55,000 00	50,200 04	105,200 04	.....
Portsmouth and Columbus Turnpike Company .....	78,369 87	85,192 03	163,561 90	.....
Ripley and Hillsborough Turnpike Company .....	50,575 00	50,575 00	101,150 00	.....
Stebenville, Cadiz and Cambridge Turnpike Company .....	39,084 20	48,896 85	88,981 05	.....
Urbana, Troy and Greenville Turnpike Company .....	28,416 30	12,860 03	41,276 33	.....
Zanesville and Maysville Turnpike Company .....	292,850 00	303,408 95	596,258 95	.....
Jefferson, South Charleston and Xenia Turnpike Company .....	42,300 00	44,382 18	86,682 18	.....
Total .....	1,921,675 71	1,977,829 94	3,899,505 65	22,661 73
RAILROAD STOCKS.				
Mad River and Lake Erie railroad .....			293,050 00	.....
Mansfield and Sandusky City railroad .....			33,333 00	.....
Little Miami railroad stock, originally issued to the state .....			155,712 10	.....
Amount of dividends made in stock and scrip 1844, 1845, 1846, 1847, and 1848 .....				.....
Amount of railroad stocks held by state .....			482,095 10	.....
CANAL STOCKS AND DIVIDENDS.				
Cincinnati and Whitewater canal .....			150,000 00	.....
Pennsylvania and Ohio canal .....			420,000 00	8,400 00
Total .....			570,000 00	.....
Amount of turnpike, railroad, and canal stocks held by the state, and dividends .....			2,979,770 81	31,861 73

The financial condition of Ohio at this time is thus presented by a writer in *Hunt's Merchants' Magazine*,\* who says:

When Ohio, in the year 1825, commenced her system of improvements, she established a co-ordinate and coextensive system of taxation. The fifth section of the act of 1825 pledged for the payment of the interest and final redemption of the sums of money authorized to be borrowed by the act the net proceeds of the tolls collected on all the canals; second, the rents and profits of all works and privileges connected with or appertaining to the canals; also \$40,000 out of money then in the treasury and \$30,000 out of the revenues to be raised for 1825, and also the proceeds of a tax to be levied upon the assessed property of the state sufficient to meet the deficit, if any, between the amount of the funds mentioned and the aggregate of the interest for the years 1826-'27, and that for the year 1828 the tax should be sufficient to meet the interest and \$10,000 in addition; for 1829, \$20,000 in addition; for 1830, \$30,000 in addition; for 1831, \$40,000 in addition; for the year 1832, and each succeeding year until three years after the completion of the canals, the tax should yield \$40,000 annually above the sum of the interest, and for each year thereafter \$25,000 per annum excess over the interest, until the fund formed by these additional sums should be sufficient to redeem the principal of the loans created as they matured. It was made the duty of the state auditor to ascertain and levy each year the amount of tax necessary to produce the required sums. These provisions were extended to all subsequent loans, and the taxing power of the auditor repeatedly confirmed and prolonged.

Under this law Ohio went on in high credit, constructing her canals and obtaining premiums for her stocks, until the completion of the Ohio and Miami canals, in 1836. The extended system of improvement then undertaken involved large expenditures, with very little prospect of immediate returns. When, in the years 1839 and 1840, the suspension of the banks and difficulties in the general money market manifested themselves, Ohio, as well as many other states, including New York, were in the prosecution of schemes involving vast expenditures, while their stocks were sinking in credit under the increasing urgency for money. Ohio had expended large sums on her canals, loaned her credit to turnpike and other companies, as well as subscribed for stocks in them, under the law of 1836-'37, and she

owed large sums to contractors, while her ability to borrow was daily lessening. To abandon the works would involve great loss, and to disregard the claims of companies and the just demands of contractors was seemingly impossible.

By an act of March, 1841, the legislature appropriated \$2,301,625, the commissioners of the canal fund to borrow the money. Of this, \$981,000, to pay contractors and for the prosecution of the Wabash canal, was to be borrowed at any rate of interest; the remainder, for canals and subscriptions to stock, in a 6 per cent. stock, redeemable after 1860.

The commissioners found it impossible to borrow in New York, and equally so in London. In Ohio, however, were two banks, the Chillicothe Bank and the Franklin Bank of Columbus, whose charters were to expire January, 1843. These institutions naturally wished to avail themselves of the exigencies of the state to procure a renewal or extension of their charters, and they agreed to lend the state the first \$581,000, the sum due the contractors, and the \$500,000 wanted for the Wabash canal. The banks were to pay these loans in their own paper, and to receive payment back in cash in New York, in installments secured by Ohio 6 per cent. stock, at a margin of 20 per cent., with power to sell it on the best terms, at the risk of the state, to reimburse themselves. In case, however, the charters of the banks should not be renewed or extended, all the installments then unpaid were to be discharged December, 1842. There was also borrowed of the Bank of Wooster \$129,355 70 on pledge of stock, and further temporary loans were made to the extent of \$275,000 in New York, and of Baring Brothers \$133,200.

In March, 1842, a law was passed with a view to meet these difficulties. The first section authorized the commissioners to sell in New York as much 6 per cent. foreign stock as would realize \$500,000, to meet temporary loans, and pledged the faith of the state that no more foreign stock should be sold. The second section authorized the issue of \$1,300,000 in 6 per cent. domestic stock of not less than par, but that of this \$300,000 should be receivable for Wabash and Erie canal lands and \$200,000 for Miami extension lands—these bonds to be issued in payment to contractors, at their option. Of the Miami land bonds \$122,857 were issued, and of the Wabash land bonds \$83,026, and of the "faith" bonds, so called, created by the same law, \$145,188 were issued to contractors, making \$351,071. None of the 6 per cent. domestic stock was, however, sold, and at an extra session of the legislature it was proposed to raise the interest to 10 per cent., and also to go again into the foreign market on the best practicable terms. This provision lost votes in the senate, as it was considered by many a violation of the state's faith pledged in the first section of the law of March, 1842. Under this provision the state sustained a great sacrifice, the amount of stock sold in New York amounting to \$1,546,800, for which the state received \$1,026,735. It was ascertained at the session of 1843 that to complete the public works and discharge the claims of contractors, as well as those of the turnpike and other companies, would require still \$1,500,000.

A law was therefore passed in March, 1843, authorizing the issue of a 7 per cent. stock for that amount, redeemable in 1851, not to be issued under par. For the redemption of this stock was pledged the surplus revenue received from the United States under the act of 1836, and also all canal lands not otherwise provided. The same law closed up all means of increasing the state debt. The liability of the state to make indefinite loans of credit to railroads in 6 per cent. stock was compromised by releasing the state liens upon the roads and converting the sums already loaned into stock. The subscriptions to turnpike companies were closed by a payment in domestic bonds of an amount equal to individual subscriptions actually made and to the actual expenditures upon the works.

All these payments were comprehended in the amount for which the new 7 per cent. stock was offered. That stock was taken in Wall street by parties largely interested in the Ohio stocks.

The following table shows the canals constructed, date of construction, and points connected:

Ohio canal and feeders .....	1825-1835.....	Cleveland—Portsmouth.
Walhonding branch.....	1843.....	Rochester—Roscoe.
Hoeking canal .....	1843.....	Carroll—Nelsonville.
Miami and Erie canal, branch and feeders .....	1825-1835.....	Cincinnati—Toledo.
Muskingum improvement .....	1840.....	Zanesville—Marietta.

The recapitulation of the debt of Ohio, as it stood in 1849, is as follows:

Date of issue.	Interest per cent.	Redeemable.	Amount.	Annual interest.
1825 .....	5	After 1850 ..	\$400,000 00	\$20,000 00
1837 .....	5	After 1856 ..	150,000 00	7,500 00
1826 to 1832.....	6	After 1850 ..	4,018,658 70	241,119 53
1836 to 1840.....	6	After 1856 ..	3,865,779 24	201,040 75
1838 to 1843.....	6	After 1860 ..	6,862,781 00	411,768 80
1842 to 1843.....	6	After 1870 ..	667,063 50	40,023 81
1843 .....	7	In 1850.....	1,500,000 00	105,000 00
Total.....			16,964,282 50	1,027,356 95
Less 6 per cent. stock canceled.....			83,300 00	4,998 00
Net amount of debt.....			16,880,982 50	1,022,358 95

The funds set apart in Ohio for the payment of the interest on this debt were the net revenues of the canals, the proceeds of the school lands, the dividends on turnpike and other stock held by the state, and the tax on assessed property of the state, which the auditor was by law authorized and required to levy sufficiently high to meet the deficit between the sum of the other revenues mentioned and the amount of interest payable. The proceeds of the several sources of revenue proving inadequate, a continually increased rate of taxation was resorted to.

In addition to the sums of money borrowed for the construction of public works, the sinking fund of nearly \$2,000,000, created by the law of 1825, appears to have been absorbed, as well as the proceeds of lands granted by Congress, sold for cash, and also in redemption of lands, to the extent of \$2,000,000; also the school fund, \$1,566,930, and a considerable sum realized for premium on loans. The canals, with the exception of the great Ohio

canal, continued to increase in tolls, as will be seen by the following table, which shows the tolls on each canal from 1833 to 1848:

Years.	Ohio.	Miami.	Miami extension.	Wabash and Erie.	Muskingum.	Walhonding.	Hocking.	Total.
1833	\$136,555 70	\$50,471 00						\$187,026 70
1834	164,488 98	50,041 00						214,529 98
1835	185,684 48	51,917 00						237,601 48
1836	211,823 32	51,110 00						262,933 32
1837	209,428 79	62,933 00						272,361 79
1838	382,135 96	77,863 00						459,998 96
1839	423,599 84	78,601 00	\$2,195 00					504,395 84
1840	452,122 03	72,612 00	3,471 86		\$4,215 50		\$1,898 14	534,310 03
1841	416,202 03	70,718 00	4,024 35	\$637 97	7,683 50		3,593 51	502,859 06
1842	387,442 22	58,460 34	4,043 03	5,806 13	15,355 27	\$587 55	3,712 27	475,406 81
1843	322,754 82	68,040 09	8,291 42	35,022 36	23,167 01	610 17	4,750 03	464,142 59
1844	343,710 99	77,844 25	12,723 22	48,589 20	29,384 64	1,976 78	5,286 44	519,575 52
1845	260,369 33	77,243 78	32,681 71	76,114 89	30,551 34	1,282 95	5,502 41	483,746 41
1846	336,339 69	93,057 58	20,812 90	113,414 04	35,104 69	1,190 71	5,383 54	605,803 15
1847	452,530 76	114,796 52	67,693 66	109,540 92	50,832 96	2,328 77	7,280 14	805,019 73
1848	418,230 37	130,380 51	120,678 99	140,912 27	29,948 37	1,949 11	8,778 44	850,878 00

The following table shows the original cost of each canal and the date of its completion:

Name of canal.	Year finished.	Cost.
Ohio	1835	\$4,695,202
Miami	1836	1,020,000
Miami Extension	1847	3,198,005
Wabash and Erie	1848	2,955,269
Muskingum	1840	1,028,028
Walhonding	1843	607,369
Hocking	1843	947,070
Total cost.		15,022,563

On the 1st of January, 1852, we find that the redeemable debt of Ohio (exclusive of school and other trust funds), the rates of interest, and the dates of maturity of the several issues, were as follows:

Character of stock.	Amount.	Interest.
Five per cents due 1857	\$150,000 00	\$7,500 00
Five per cents due 1856	1,025,000 00	51,250 00
Six per cents due 1857	3,365,779 24	201,940 75
Six per cents due 1861	6,812,481 00	408,748 80
Six per cents due 1871	2,183,531 98	131,011 02
Six per cents due 1876	1,600,000 00	96,000 00
Total foreign debts	15,136,792 17	896,457 53
Domestic debts	448,101 71	26,886 10
Total	15,584,893 88	923,343 63

On the 1st of January, 1854, the redeemable and irreducible debt stood as follows:

Foreign debt	\$14,917,000 70
Domestic debt	301,128 70
Irreducible debt, school and other trust funds	1,947,299 00
Total	17,165,428 40

The constitution of Ohio fixes the minimum amount by which the principal of the state debt must be reduced annually.

The following is an extract from the state constitution showing the condition of the state debt January 1, 1859 :

Sec. 8. The following schedule, a statement of the funded debt of the state, exhibiting the amounts and the times when the various portions thereof come payable by the state, to wit:

Of the foreign debt, the principal and interest of which is payable in the city of New York :

1st. Six millions four hundred thirteen thousand three hundred twenty-five dollars, twenty-seven cents, bearing interest at the rate of 6 per cent. per annum, coming payable, at the pleasure of the state, after the 31st day of December, 1860.....	\$6,413,325 27
2d. One million and twenty-five thousand dollars, bearing interest at the rate of 5 per cent. per annum, coming payable, at the pleasure of the state, after the 31st day of December, 1865.....	1,025,000 00
3d. Two millions one hundred eighty-three thousand five hundred thirty-one dollars and ninety-three cents, bearing interest at the rate of 6 per cent. per annum, coming payable, at the pleasure of the state, after the 31st day of December, 1870.....	2,183,531 93
4th. One million six hundred thousand dollars, bearing interest at the rate of 6 per cent. per annum, coming payable, at the pleasure of the state, after the 31st day of December, 1875.....	1,600,000 00
5th. Two million four hundred thousand dollars, bearing interest at the rate of 6 per cent. per annum, coming payable, at the pleasure of the state, after the 31st day of December, 1886.....	2,400,000 00
Amount of the foreign debt.....	13,621,857 20
6th. Two hundred seventy-five thousand three hundred and eighty-five dollars, being the amount of the domestic debt, the principal and interest of which is payable at the seat of government.....	275,385 00

Total amount of the foreign and domestic funded debt of the state on the 1st day of January, 1859, thirteen millions eight hundred ninety-seven thousand two hundred forty-two dollars and twenty cents..... 13,897,242 20

is hereby made a guide and a direction obligatory upon the commissioners of the sinking fund, for the time being, in the discharge of their official duties, and is also hereby made a part of this act, as explanatory thereof.

On the 8th of April, 1856, a new loan was authorized for the payment of the state debt of \$2,423,349 79, payable, at the pleasure of the state, after January 15, 1857. Proposals for this new loan, fixed by the commissioners at \$2,400,000, were invited by advertisement in the leading journals of Europe and America, and on October 1, 1856, it was awarded to the highest bidder for the whole amount at a premium of 3½ per cent. In referring to the debt of \$6,413,325, which was not payable until after 1860, the governor, in his message of 1857, said:

To raise the whole amount by taxation during the four years which will intervene before it can be paid would impose too serious burdens upon the people. I recommend, therefore, the sale of such stocks and other property of the state as can be disposed of for its real value, and the appropriation of the proceeds of the sales, together with the proceeds of such a rate upon the grand list as will produce the needed sum, to the payment of at least one-half the debt, distributing the remainder over so many of the following years as will bring its payment within the reach of moderate taxation. As every bond is payable at the pleasure of the state after 1860, the right to do this seems unquestionable.

From the report of the auditor of state, Francis M. Wright, we derive the facts in the following account of the condition of the foreign and domestic debt of Ohio on January 1, 1857. The foreign debt was payable in New York, consisting of the following issues:

Character of stock.	Payable at pleasure of state after—	Amount of principal.	Total.	Annual interest.	Total.
Five per cent.....	1856	\$85,350 00	\$1,110,350 00	\$4,267 50	\$55,517 50
Five per cent.....	1865	1,025,000 00		51,250 00	
Six per cent.....	1856	2,423,359 79	12,620,216 99	145,401 50	757,213 03
Six per cent.....	1860	6,413,325 27		384,799 52	
Six per cent.....	1870	2,183,531 93		131,011 01	
Six per cent.....	1875	1,600,000 00		96,000 00	
Six per cent.....	1886				
Total.....			13,730,568 99		812,730 53

The domestic debt, payable at Columbus, amounted to \$277,707 48, consisting mainly of two items, viz, faith and credit bonds, \$204,800, and Miami extension land bonds, \$70,585, both payable after 1863. Total amount of reducible foreign and domestic state debt, January 1, 1857, \$14,008,274 47.

The message of Governor Chase at the close of 1859 showed that the entire debt of Ohio was thus constituted:

The foreign debt was.....	\$13,621,857 20
The domestic debt was.....	275,385 00
.....	13,897,242 20
Making the whole reducible debt.....	2,534,076 95
The irreducible debt.....	700,000 00
And the temporary loan.....	17,131,319 15
Making a total of.....	17,131,319 15

On the subject of the state debt and of the operations of the sinking fund provided by the constitution, which have been fully described above, Governor Chase said that this plan, if persistently adhered to, would certainly extinguish the whole reducible debt, but that the operation would require thirty-one years, and many circumstances might occur to suspend or frustrate its results.

At the close of the fiscal year ending November 15, 1862, the funded debt of the state amounted to \$14,141,562 61. The amount redeemed during the year ending 1863 was \$676,752 68, leaving outstanding of foreign and domestic debt \$13,464,809 93.

The debt of Ohio was steadily reduced during the next eight years. December 1, 1874, Governor Allen called attention to the fact that it was necessary for the general assembly at once to make provision for the return of the transferred funds (\$601,000) to the sinking fund, and to make further provision for the payment of the interest on and the principal of the state debt, which fell due in January and July, 1875, and in January, 1876. On the 1st of January, 1876, \$1,494,865 of the state debt was due, which, with the sum due in January and July, made a total of \$2,694,865 of principal and interest. Proper provision for the payment of this amount was made.

At the close of the fiscal year 1875 the debt was still further reduced, and stood at \$7,081,689. During the year 1875 \$1,465,414 was redeemed, and there was outstanding, November 15, 1876, \$6,484,505. During the next two years the redemptions were not so large, leaving a balance outstanding, November 15, 1877, of \$6,479,505, and November, 1878, of \$6,476,805.

The following is an exhibit of the outstanding debt of the state, October 1, 1880 :\*

Bonded debt.....	\$6, 476, 805
Loan payable July 1, 1868, not bearing interest (not yet presented for payment).....	2, 500
Loan payable after June 30, 1881, bearing 6 per cent. interest.....	4, 072, 640
Loan payable after December 31, 1886, bearing 6 per cent. interest.....	2, 400, 000
Canal loan, not bearing interest.....	1, 665
Total.....	<u>6, 476, 805</u>

Of the loan payable in 1881 the sum of \$1,272,640 was paid when due, and the balance, \$2,800,000, was refunded at 4 per cent. in bonds payable in 1888.

#### INDIANA.

Soon after her admission into the Union (December 11, 1816) Indiana inaugurated an extensive system of internal improvements.

In 1806 the general government had passed a law to construct a national road from Cumberland, Maryland, westward, and some forty successive acts prolonged the road from Cumberland, through Pennsylvania, part of Virginia, Ohio, Indiana, and across Illinois, to Alton, on the Mississippi river. The expenditures in Indiana commenced in 1829 and continued annually to 1838, up to which time there had been expended within the state the sum of \$1,135,000. The 5 per cent. of the amount of sales of public lands to be paid to the state, under act of Congress, amounted to \$959,246 25 in 1848. Three per cent., amounting to \$575,547 75, had been paid to the state, and 2 per cent., amounting to \$383,698 50, was expended under the direction of Congress, and formed part of the amount expended on the National road. In addition to the original grants of lands for schools, seminaries, and seats of government, Congress had, from time to time, made grants of land in aid of internal improvements.

Until the construction of the Erie canal, of New York, in 1827, there was no market for the products of Indiana outside the state itself, and for twenty years there was but little variation in the annual sales of lands. At a later date, however, the outlet for produce from the tidewater to the lakes afforded by the completion of the Erie canal, the construction of the National road in Indiana, and the expenditure of large sums of money by the general government within the state, combined to stimulate immigration. Under the general influence of speculation, which then pervaded the Union to an unusual degree, there was a gradual increase of the sales of land until 1836, when the maximum was reached, 3,016,960 acres being sold in that year. The sales diminished from that time, not because of a failure of demand, but by reason of a change of policy by the general government, inaugurated for the purpose of reserving the lands for actual settlers.

In common with the other states, Indiana was seized with the passion for internal improvements. The first work projected was the construction of the Wabash and Erie canal, to connect the waters of the lake with the Ohio river by running from the Ohio state line, in the valley of the Miami, to Lafayette, Indiana, and from thence to Terre Haute, a total distance of 228 miles. Forming a part of the same scheme was the removal of all obstructions to navigation from the Wabash river. The cost of the entire work was estimated at \$2,000,000, which amount had been expended up to the time when the state suspended its payments, in 1841. In 1824 Congress had authorized the state to construct a canal through the public lands, to connect the waters of the Wabash and the Miami, and for that purpose granted 90 feet on each side of the canal to be constructed to aid in its construction, and in 1827 made a further grant of one and one-half sections in width on each side of the canal, reserving to the United States each alternate section. To make these donations available, the legislature in 1832 passed a law authorizing the appointment of a commission to borrow money on the credit of the state and to prosecute the contemplated work, and in the following year a portion of the work was put under contract. From that time until the failure of the state's credit loans were occasionally made, and the total amount of bonds issued for that purpose was \$1,727,000, which realized to the state \$1,767,560, all those issued being sold at par or a premium, except the last loan of \$400,000, which realized \$396,000.

In 1832 the legislature incorporated eight joint stock companies for the purpose of constructing railroads from the Ohio river to Indianapolis and to several places on the Wabash, with a capital aggregating \$4,000,000. These several enterprises and speculations were deemed to require a bank. The constitution of the state contained a

\*Report of Hon. John F. Oglevee, auditor.

provision that there should be no institution for the issue of bills of credit or notes payable to bearer or order; provided, that this should not be construed to prevent the legislature from establishing a state bank, with not more than one branch to three counties.

In 1834 the State Bank of Indiana was incorporated, and it went into operation in November of that year with these branches, to wit: in Indianapolis, Evansville, Terre Haute, Lafayette, New Albany, Vincennes, Richmond, Madison, Lawrenceburgh, and Bedford. In 1835 one was located at Fort Wayne, one at South Bend in 1838, and one at Michigan City in 1839, making thirteen in all.

Each of the branches issued and redeemed its own notes and discounted by its own board of directors, three of whom were appointed by the parent board, which controlled the branches and could suspend either of them. In the event of failure, the stock owned by the state was to be paid in full before individuals were paid. The state subscribed to the capital stock of the bank by issuing bonds and by turning over to that institution the fourth installment of the surplus revenue to be paid to the state by the general government, which, however, was never paid, though the state anticipated the same by the issue and sale of bonds. The total amount of bonds issued on account of this bank by the state up to April, 1839, was \$2,412,000. Of this amount \$1,000,000 was sold by the bank to the Morris canal at a time when the latter was largely indebted to the state of Michigan, much embarrassed, and its stock selling at 56 per cent. The bonds were sold for \$980,000, or 2 per cent. discount; and were to be paid for in ten equal payments. Only \$20,000 was realized. Although, as above stated, \$2,412,000 of state bonds were thus issued to the bank, the latter acknowledged and paid interest only on \$1,390,000; the difference, \$1,022,000, lost by the bank, was by some means turned over to the internal improvement fund. The writers of 1849 alleged that the bank was clearly responsible for the loss, and claimed that it should have been held accountable therefor, instead of burdening the state.

The large expenditure of money for the several internal improvements undertaken, the establishment of the bank, and the distribution of the surplus revenue fund to the several counties, naturally produced the desire for additional operations, and in 1836 the legislature authorized the borrowing of \$10,000,000 for a gigantic scheme or system of internal improvement. Under the law, three commissioners were appointed to borrow money. This scheme comprised the following works:

White Water canal .....	\$1,400,000
White River canal .....	3,500,000
Wabash and Erie extension .....	1,300,000
Wabash river improvements .....	50,000
Madison and Lafayette railroad .....	1,300,000
Turnpike from Vincennes to New Albany .....	1,150,000
Turnpike from New Albany to Crawfordsville .....	1,300,000
Total .....	<u>10,000,000</u>

These extensive improvements having been projected to benefit all localities in the state, work was commenced simultaneously on the whole, and the result was that vast sums of money were expended before any one improvement was completed.

To pay the principal and interest on the internal improvement debt the following funds were set apart: 1st, the tolls of the works; 2d, the tolls from the Wabash and Erie canal when the debt contracted for its construction should be paid from the lands granted by Congress; 3d, the sums received from Congress under the act for the distribution of the surplus revenue, \$860,254 44; 4th, the bank stock owned by the state, when the profits accruing on it should have repaid the loans contracted to purchase it.

The original plan of internal improvements was from time to time largely extended, and it soon became evident that \$20,000,000 would not more than half suffice to complete the work, as it was found necessary, on account of sectional clamor, to carry on all the works of the state at the same time. The state also lost heavily in the negotiation of the bonds.

The state being unable to continue borrowing, the public works were suspended in 1839, and in 1840 the board of internal improvement was suspended, only one member being continued, at a salary of \$1,000 per annum.

At this time the public debt aggregated \$14,057,000, which had realized \$12,303,988 72, and of this latter sum \$3,559,791 34 had been lost through the Morris Canal Bank and other institutions, who purchased state bonds, agreeing to pay for them in installments, and after having transferred the bonds failed to pay for them.

The revenue in 1839 from all sources was estimated at \$420,388, which was \$400,000 less than required to pay the interest and civil expenses, but the estimate fell wide of the mark. In 1839 the tax was raised by adding a 75 cent poll-tax, but the sum collected was insufficient to meet the ordinary expenses of the state.

There were assessed in that year 100,166 polls. Most of the voters then occupying Indiana were small farmers, living in log huts, and depending upon sales of pork and grain to provide the necessaries of life. The expenditures on the National road stopped in 1838; the public works in 1839. The state being unable to pay the interest, offered 7 per cent. bonds, to mature in 5 years, in payment, but of these only \$36,000 were accepted. From 1840 until 1847 no further efforts were made to pay interest on the debt. In 1840 and 1842 treasury notes were issued

to meet present needs of the state, which were receivable for public dues, amounting to \$2,222,640, which were canceled from time to time, so that in October, 1848, there were outstanding of these only the sum of \$431,200. There was also issued in 1842 \$100,000 in treasury notes to redeem an equal amount of \$50 bonds and another description of scrip, amounting to \$419,355, which was gradually redeemed.

Thus, when the state suspended payment of interest, there was outstanding about \$3,000,000 of paper issued in various forms due to domestic creditors, which, being receivable in payment of taxes, prevented the receipt of available money.

It was found necessary to make some settlement of the state debt. Among the schemes projected was one which involved the sale of the public works, but none of these were adopted.

In 1845, however, a proposition was made by the leading bondholders to compromise the debt, based upon the Wabash canal. It was evident that the state could not pay her debts in full by taxation, and the state's creditors proposed that the state pay one-half of the debt by taxation and the other with the property and the tolls of the Wabash and Erie canal.

The following statement of bonds issued is taken from the report of the auditor of state to the legislature of 1846, submitted for the year ending November 1, 1845 :

Internal improvement bonds.....	\$8,900,000
Wabash and Erie canal bonds.....	1,727,000
State Bank bonds.....	2,413,000
Surplus revenue bonds.....	294,000
Madison and Indianapolis railroad bonds.....	456,000
Seven per cent. bonds issued to pay interest.....	1,100,000
Lawrenceburgh and Indianapolis railroad bonds.....	221,000
Total.....	<u>15,111,000</u>

Of this amount, the \$294,000 surplus revenue bonds had been redeemed; there was in the treasury \$1,064,000 of the 7 per cent. bonds signed, but not issued; \$189,000 of the bonds issued in aid of the Lawrenceburgh and Indianapolis railroad and \$1,064,000 of miscellaneous bonds had been redeemed and canceled; making a total redemption of \$2,611,000, and leaving the amount outstanding on November 1, 1845, \$12,500,000. The agent of the state had received, but not yet settled for, \$20,000, leaving a net debt of \$12,480,000. Of this amount the State Bank paid interest on \$1,390,000, leaving the amount of \$11,090,000 outstanding, for which provision was required.

The whole foreign debt\*, according to that authority, was then as follows:

Bonds on which the state has to pay interest.....	\$11,090,000
Bonds on which the bank pays interest.....	1,390,000
Interest up to January 1, 1846, including arrears.....	2,777,320
Total.....	<u>15,257,320</u>

The amount of annual interest on the foreign debt was as follows:

On \$100,000, at 6 per cent.....	\$6,000
On \$36,000, at 7 per cent.....	2,520
On \$10,954,000, at 5 per cent.....	547,700
Total.....	<u>556,220</u>

There were also outstanding on that date treasury notes as follows:

Six per cent. treasury notes.....	\$491,435
Interest on same (estimated).....	147,000
Five per cent. treasury notes.....	441,325
Interest on same (estimated).....	69,000
And loans from the bank.....	56,000
Total.....	<u>1,204,760</u>

Making the total debt..... 16,462,080

The interest payable annually on the treasury notes was as follows:

On bonds as above.....	\$556,220
On 6 per cent. treasury notes.....	29,486
On 5 per cent. treasury notes.....	22,066
Total.....	<u>607,772</u>

The total estimated revenue for 1846 was \$392,000.

\* The words foreign debt are used in this state to distinguish it from the debt owing by the state to certain funds held in trust by the state.

On January 19, 1846, an act for the funding of the debt was passed by the Indiana legislature,\* which was supplemented by an act passed on January 27, 1847.† The main features of these enactments were that the outstanding bonds should be surrendered, and in lieu thereof certificates were to be issued for one-half of the principal, bearing 5 per cent. interest, 4 per cent. payable in cash and 1 per cent. to be funded on January 1, 1853, interest payable semi-annually; for one-half of the unpaid interest from January 1, 1841, to 1847, a certificate, to bear interest after January 1, 1853, at the rate of  $2\frac{1}{2}$  per cent. per annum, payable semi-annually. These certificates of stock were to be redeemable at the pleasure of the state after twenty years. The 1 per cent. arrearage interest on the principal, to be funded on January 1, 1853, should thereafter bear interest at the rate of  $2\frac{1}{2}$  per cent. per annum, or, at the option of the holder, be added to the certificate above mentioned as being issued for one-half of the arrearage interest.

These certificates of stock were to be paid out of the state revenues, and the faith of the state was pledged for the payment thereof.

For the remaining half a certificate of stock should be issued, bearing interest at the rate of 5 per cent. per annum from January 1, 1847, payable semi-annually, and for the remaining half of the back interest (from 1841 to 1847) a certificate of stock, bearing interest at the rate of 5 per cent. per annum after January 1, 1853, payable semi-annually. For the payment of these certificates the Wabash and Erie canal, and all tolls, lands, and effects belonging thereto, from the Ohio state line to Evansville, and all the property of the state therein, were pledged.

The act provided further that the bonds should not be exchanged until the sum of \$800,000 should be subscribed toward the completion of the canal from Lafayette to Evansville, the amounts to be repaid out of the tolls of the canal, and the bondholders were authorized to subscribe *pro rata*; the certificates of stock to be issued in exchange for the bonds were to be of two classes—"preferred", being those to be issued the subscribers to the \$800,000 loan, and "deferred", being those issued to non-subscribers. Three trustees were to be appointed to take charge, management, and control of the canal and complete the same, two of them to be appointed by the subscribers, and the other by the state.

For the purpose of providing for the payment of the interest, and for other purposes, a tax of 25 cents on the \$100 was directed to be levied, and 75 cents on each poll (in addition to  $3\frac{1}{2}$  cents for certain specified purposes), and it was believed that that rate would be sufficient to meet the wants of the state.

The value of property steadily increased. The assessment for state purposes, which in 1844 was \$304,657 17, had in 1848 increased to \$488,627 44. The collections in 1848 exceeded the estimate by \$40,000. The outstanding treasury notes were gradually canceled.

The total canal debt in 1849 was nearly \$7,000,000, and was liable to be increased to nearly \$8,000,000 by the surrender of outstanding bonds. The state debt was about the same, and it was then estimated that the interest payable by the state in 1853 would be about \$330,000, and that the domestic debt would be canceled. When the trustees took charge of the canal, in July, 1847, there were 887,067 acres of land belonging to the same, which by act of 1848 was increased to 922,386 acres, estimated in all to be worth about \$1,500,000. The tolls gradually increased from year to year, and the interest was promptly paid. In January, 1851, all but \$1,186,000 of the old bonds had been converted into state and canal bonds, the state had passed her greatest financial difficulties, and the ability to meet her liabilities in the future seemed assured.

As stated above, the amount of bonds outstanding prior to surrender under the state debt arrangement with holders was \$11,090,000, or, as accounted for in the table below, \$11,048,000.

From a report of the auditor of state it appears that on August 5, 1850, there had been surrendered—

Wabash and Erie canal bonds.....	\$1,250,000
Internal improvement bonds.....	6,973,000
Madison and Indianapolis railroad bonds.....	365,000
Lawrenceburgh and Indianapolis railroad bonds.....	80,000
State bank bonds.....	866,000
Seven per cent. bonds, to pay interest.....	29,000
Total.....	9,563,000
Total outstanding August 5, 1850.....	1,485,000
Grand total.....	<u>11,048,000</u>

On October 31, 1851, the amount outstanding was \$1,300,000. On that date there had been issued stock for which the state was liable to the amount of \$6,657,720; stocks chargeable on the Wabash and Erie canal, \$6,325,262 50; total, \$12,982,982 50.

At this time all of the treasury notes had been redeemed, and it appears that though only \$70,000 were issued, yet \$76,635 had been in circulation and had been redeemed. The authors of the fraud were never discovered.

\* Laws 1845-'46, p. 3.

† Laws 1846-'47, p. 3.

In 1851 a new constitution was adopted, which went into effect on the 1st day of November of that year. Section II of Article X of that instrument provided that all the revenues derived from the sale of any public works belonging to the state, and from the net annual income thereof, and any surplus that may at any time remain in the treasury derived from taxation for general state purposes, after the payment of the ordinary expenses of the government and of the interest of bonds of the state, other than bank bonds, should be annually applied, under direction of the general assembly, to the payment of the principal of the public debt.

The constitution further provided that no law should authorize a debt to be contracted on behalf of the state except in the following cases: To meet casual deficits in the revenue; to pay interest on the state debt; to repel invasion, suppress insurrection, or, if hostilities be threatened, provide for the public defense. And it was further provided that no county should subscribe for stock in any incorporated company unless the same be paid for at the time of such subscription, nor should any county loan its credit to any incorporated company, nor borrow money for the purpose of taking stock in any such company, nor should the general assembly ever, on behalf of the state, assume the debts of any county, city, town, or township, nor of any corporation whatever.

The state has ever since promptly paid the interest and has gradually redeemed the principal of the debt thus refunded, and from time to time old state bonds were presented and exchanged for the 5 per cent. and 2½ per cent. state stocks, under the law of 1846 and 1847. In common with other northern states, a large war debt was created; but the credit of the state suffered at no time, and her resources were ample to meet all her engagements promptly.

The following exhibit is taken from the auditor's report for the year ending October 31, 1872:

Foreign debt:	
Five per cent. state stock* .....	\$32,869 99
Two and a half per cent. state stock* .....	5,020 13
War loan bonds .....	139,000 00
<hr/>	
Total foreign debt .....	176,890 12
Domestic debt:	
Non-negotiable bonds held by the school fund .....	3,729,016 15
<hr/>	
Total debt.....	3,905,906 27
<hr/> <hr/>	

From 1847 to 1872 the state had paid as interest on the public debt the sum of \$9,097,332 35. There were also outstanding 191 bonds of \$1,000 each, issued prior to 1841, known as the internal-improvement bonds. The holders had declined to surrender these bonds under the acts of 1846 and 1847, or under the Butler bill, as it was called.† To enforce the payment of these bonds a suit was commenced in the circuit court of Carroll county against the Wabash and Erie canal. A special session of the legislature was held, beginning on November 13, 1872. An act was passed at that session, and approved on December 12, 1872‡, by which the redemption of the 191 bonds was authorized and directed, and a temporary loan of \$200,000 was authorized. On the 10th of March, 1873§, a further temporary loan was authorized. These bonds were from that time forward redeemed as fast as presented, and on October 31, 1874, all but 94 had been redeemed, and on October 31, 1880, only 27 were outstanding and unpaid.

An amendment to the constitution was ratified by the people on the 18th day of February, 1873, and it was declared part of the constitution by proclamation of March 7, 1873. It provides that no law or resolution shall ever be passed by the general assembly that shall recognize any liability of the state to pay or redeem any certificate or stocks issued in pursuance of an act entitled "An act to provide for the funded debt of the state of Indiana, and for the completion of the Wabash and Erie canal to Evansville, passed January 19, 1846", and the acts amendatory thereof||, which by provision of said acts, or either of them, shall be payable exclusively from the proceeds of the canal lands and the tolls and revenues of the canal in the acts mentioned, and that no such certificates or stock should ever be paid by the state.

The canal has not been a successful enterprise. The canal debt was over \$16,000,000 in November, 1874, when suit was begun by the bondholders in the circuit court of the United States for the district of Indiana to terminate the trust, and asking sale of the canal property. The estimated value of the canal lands remaining was about \$1,500,000. Afterward a decree of sale was entered, and the canal and all property belonging thereto has been sold by the receiver appointed by the court. The final settlement and distribution has as yet not been made, and it cannot, therefore, be stated how much will be realized by the bondholders.

According to Governor Wright, at the opening of 1857 the entire amount of the funded debt of Indiana outstanding of the 5 per cent. stock was \$5,156,560, and of the 2½ per cent. stock, \$1,812 57. The exhibit of the common school fund, including the estimated value of the sinking fund in the State Bank at that date, amounted to \$4,912,012 42. The governor recommended that the sinking fund commissioners should be directed

\*Ceased to bear interest from September 1, 1870.

†The proposition to adjust the debt was made by Mr. Charles F. Butler, the agent of the foreign bondholders, and hence the name.

‡Laws 1872-'73, p. 11.

§Laws 1873, p. 77.

||Acts 1847, p. 3.

by law to invest the funds that accumulate in their hands in the stocks of the state. According to Representative W. Hunter, of the committee on ways and means of the state legislature of Indiana, the state debt, at the close of 1850, amounted to \$9,964,969 83.

On account of the refusal of the legislature of 1858, in extra session, to levy a tax, as recommended by Governor Willard, the debt slightly increased, and amounted to \$10,286,855 57 in 1859.

In 1862 the funded indebtedness of the state was reduced to the following three loans :

Five per cent.....	\$5,322,500 00
Two and a half per cent.....	2,054,773 50
Six per cent. war loan.....	1,334,000 00
<b>Total.....</b>	<b>8,711,273 50</b>

The state, in May, 1861, had appropriated in aid of the federal government \$2,000,000 by an issue of twenty-year 6 per cent. bonds. The debt remained almost stationary, though in 1865 a slight decrease is noticed. Between 1865 and 1866, as the following table shows, a decrease of nearly \$3,500,000 is noted, a large amount of the bonds becoming due, which were paid by the sinking fund :

Character of bonds.	1865.	1866.	Decrease.
Two and a half per cent. stock.....	\$2,070,460	\$1,191,092	\$885,368
Five per cent. stock.....	5,342,500	3,829,936	1,512,564
War loan 6 per cent. bonds.....	1,371,780	309,000	1,062,780
Vincennes University bonds.....	68,685	68,585	100
<b>Total.....</b>	<b>8,857,425</b>	<b>5,398,613</b>	<b>3,458,812</b>

The debt of this state, divided among the polls registered in 1865, was \$44 67 per poll; divided among the polls of 1866 it was \$23 53 per poll, being a proportionate reduction of the state debt to nearly one-half its amount. Compared with the taxable value of property, the debt of 1865 was 1.55 per cent.; but the debt of 1866 was only 0.92 per cent., and it is evident from this showing that the financial condition of the state was improving at this date.

The following is a statement of the debt of Indiana on the 31st day of October, 1880:

Five per cent. certificates, state stock.....	\$14,469 99
Two and one-half per cent. certificates, state stock.....	2,925 13
Six per cent. war loan bonds.....	139,000 00
Five per cent. temporary loan bonds (due April 1, 1884).....	510,000 00
Five per cent. temporary loan bonds (due December 1, 1884).....	200,000 00
Five per cent. temporary loan bonds, held by Purdue University (due April 1, 1881).....	200,000 00
Internal improvement bonds.....	27,000 00
<b>Six per cent.—</b>	
School fund bond, 1867.....	709,024 85
School fund bond, 1867.....	2,658,057 30
School fund bond, 1868.....	184,234 00
School fund bond, 1871.....	177,700 00
School fund bond, 1873.....	175,767 07
<b>Total state debt.....</b>	<b>4,998,178 34</b>

ILLINOIS.

The state of Illinois very early commenced the system of public improvement by the aid of state loans. In 1824 the New York and Erie canal was opened, giving a weighty impulse to the progress of the West. The great success of the Erie canal is thought by many writers to have afforded a tempting example to Illinois, because her situation in relation to the lakes is not unlike New York. Illinois abuts on lake Michigan, as New York does on lake Erie, and her great river, the Illinois, holds the same relation to the state navigation as does the Hudson to that of New York. As early as 1823 the route had been explored. The population was too sparse to undertake it, however, until 1829, when Congress made a grant of 290,914 acres in aid. The state then authorized a loan of \$500,000 to carry on the work. A special commission was appointed. The canal was to extend from Peru, on the Illinois river, to the Chicago river, 5 miles from its mouth—about 100 miles. When the work was projected it was estimated that there were about 15,000 families in the whole state, and the expense of the work was estimated at \$8,654,337. Yet this canal was but a part of an immense system of internal improvements for which the act was passed in 1837. This act created a board of fund commissioners to manage the fiscal concerns of the public works and a board of

public works to determine routes and superintend the execution. This internal-improvement system embraced the works in the following table, showing the total length of each railroad projected in the state and the aggregate length of all the railroads :

Name of railroad.	Milos.	Estimated cost per mile.	Total cost.
Central railroad .....	457.5	\$8,326	\$3,809,145
Southern Cross railroad .....	294.0	8,200	2,410,800
Northern Cross railroad .....	234.5	8,480	1,988,560
Shelbyville and Paris branch, Central railroad.....	71.5	19,588	1,400,542
Peoria and Warsaw railroad .....	116.0	8,351	968,716
Alton and Shelbyville railroad .....	71.0	8,295	588,945
Belleville and Lebanon railroad .....	23.5	7,000	164,500
Bloomington, Mackinaw, Peoria and Pekin railroad .....	53.7	11,736	630,810
Total .....	1,821.7		11,062,018

In addition to the cost of these projected railroads (about \$12,000,000), the estimated cost of the canal construction was \$8,654,337. The state also held an interest in the State Bank of Illinois and the Bank of Illinois to the amount of \$3,400,000.

In commenting on these projects started by the young state, Kettell, writing in 1852, says :

There were then (1837) 70,000 log-cabin farmers in the state, and these loans were at the rate of about \$300 to each family. For all the purposes mentioned stocks were issued. The work was commenced under this law, and the effort to sell the bonds at a moment when the financial horizon began to lower and all other states were desperately pressing the market produced ruinous losses.

The following is a recapitulation of the state debt of Illinois in 1842 :

Total bank stock .....	\$2,665,000
Total internal improvement debt .....	5,614,196
Total canal debt .....	4,338,907
Total state-house .....	116,000
Total college, school, and seminary funds .....	808,085
Total due state bank for warrants .....	294,190
Total debt upon which interest accrues .....	<u>13,836,378</u>

The annual interest on this debt was \$830,132. To meet its liabilities the state had the following resources at the time unavailable:

Value of lands remaining unsold of canal grants .....	\$238,985
Value of lands granted to the state under the provisions of an act entitled "An act to appropriate the proceeds of the sales of the public lands and to grant pre-emption rights", approved September 4, 1841..	210,132
Value of lands purchased by the state for internal improvement purposes .....	40,332
Amount due canal fund from sale of lands, town lots, stone, and timber .....	201,964
Total .....	<u>691,413</u>

In 1842 it became impossible for Illinois to comply with its obligations, and the state found itself on the verge of bankruptcy, with all these incomplete improvements on hand. Matters seem to have remained unchanged until 1843, when it was proposed to make the canal lands a special pledge for the sum necessary to complete the canal. The amount necessary for this purpose was estimated at \$1,600,000, and the legislature of Illinois passed a law authorizing the governor to raise the funds necessary to complete the Illinois and Michigan canal and place as security for the money the canal and all the canal lands. The provisions of the act were that a loan should be negotiated solely on the credit of the canal and its lands of \$1,600,000, to bear 6 per cent. annual interest; that the canal and the canal property should be vested in three trustees, one to be named by the governor and two by the subscribers to the loan; that at least \$400,000 of this loan should be paid in during the course of the first year after the execution of the trust deeds; that the canal should be finished in three years from the commencement of the trust; that no sales of the canal lands should be made until three months after the completion of the canal, when the trustees were to offer them for sale; that all the proceeds of the canal and canal property should be first applied to the repayment of the interest and principal of the proposed loan. The property assigned to the trustees as security for the loan was as follows: The canal, that cost the state \$5,000,000; the lands, amounting to 230,467 acres, valued, after the completion of the canal, at \$10 per acre, amounting to \$2,304,670; lots in the various towns on the canal, valued at \$1,900,000; making a total of \$9,204,670.

The loan was effected, and the work pushed to completion. The lands, on being sold, more than realized the estimated values on which the trust was based, and the revenues equaled expectations.

The other great work for which Illinois loaned its credit was the Illinois Central railroad. The original length of this road, as given in the table above, was to have been 457½ miles, and the cost was estimated at \$8,909,145. The state actually expended upon it before its failure \$1,016,905, mostly for a depot in Cairo, for clearing out the track, and in grading and embankments. In 1850 life was infused into this undertaking by the United States government, when, in September of that year, Congress made a grant of lands in aid of it. This was the first land grant made by Congress directly for the construction of a railroad. The act of Congress donating these lands authorized grants of right of way through the public lands 200 feet wide, with the privilege of taking materials for construction—earth, stone, and timber. It also granted every alternate section of land, twelve sections wide, the whole length of the road and of its branches. In case the lands there were occupied, an equivalent quantity was granted elsewhere, not over 15 miles from the road. The road was to be commenced simultaneously at both ends, and the lands to be sold only as the work progressed. The road was to remain a public highway for the use of the government of the United States, free from toll or other charges. If the road was not completed in ten years, the state of Illinois should pay to the United States the proceeds of any land sold, and the remaining land should revert to the United States. The passage of the act brought proposals to build the road. On the 22d of March, 1851, the act to incorporate the Illinois Central railroad was approved by the company through its president, Robert Schuyler, esq., and the same day the treasurer of the company, in accordance with the provisions of the act, deposited with the state treasurer \$200,000 in specie. On the 24th the governor executed a deed of all the lands granted by the government of the United States to the state of Illinois; also of the lot of ground obtained by the state of Illinois in the city of Cairo for a depot; also of all the right of way, grading, embankments, excavations, survey, work, materials, profiles, plates, and papers in anywise appertaining to said railroad and branches, and the work was begun in earnest.

The subsequent history of this enterprise, and the rapid liquidation of the debt of this state, is well known. The constitutional convention of 1848 had taken hold of the debt question with a firm hand, and provided that there be annually assessed and collected, in the same manner as other state revenues, a tax of two mills on each dollar's worth of taxable property, in addition to all other taxes. The fund thus created was to be kept separate, and annually, on the 1st day of January, apportioned and paid over *pro rata* upon all such state indebtedness, other than the canal and school indebtedness, as might for that purpose be presented by the holders of the same, to be entered as credits upon, and to that extent in extinguishment of, the principal of said indebtedness. This provision created an objective point in the finances of the state, and from the date of its enactment to that of its repeal by the constitution of 1870 the debt, so subsequent figures will show, gradually and steadily decreased.

In 1847 a part of the debt was funded, and, according to the message of Governor French, transmitted to the legislature in 1851, the debt stood as follows on the 7th of January of that year:

Principal of debt funded under act of 1847.....	\$5,590,565
Interest on same to same date .....	1,020,278
Average interest, funded .....	1,945,485
Unfunded interest on improvement bonds and other kinds of indebtedness.....	789,941
<hr/>	
Total.....	9,346,269
From this amount deduct interest paid from mill-and-a-half tax and for sale of lands and other credits...	861,783
<hr/>	
Making the debt (other than the canal debt).....	8,784,481
The canal debt on the 1st of January, 1851, was, exclusive of the \$1,600,000 loan.....	\$7,078,117
To this should be added the balance due on the canal loan, of .....	1,033,000
<hr/>	
	8,111,117
Deduct for interest paid from mill-and-a-half tax, bonds and scrip redeemed, and interest....	269,088
<hr/>	
	7,842,029
<hr/>	
Making the aggregate state debt at this date.....	<u>16,626,510</u>

In 1854 the debt had decreased, and the principal and interest due, after deducting all payments, January 1, 1854, was \$15,725,725 96. In January, 1857, Governor Matteson gave a very favorable account of the continued liquidation of the state debt. During the last four years, he says, the amount of \$4,564,800 had been paid, besides the payment of the entire interest on the principal during that time. The whole accruing interest for the past six months on the debt of the state was paid on the 1st of January, 1857. There was now no doubt about the state being prepared to pay interest on the whole debt as it matured. The net debt at this time (1857) was \$12,834,144.

The total amount of taxable property, as shown in 1857, was about \$407,500,000—an increase over the preceding year of over \$57,500,000. The total receipts for taxes levied in 1857 amounted to \$1,821,012. During the years 1857 and 1858 the principal of the public debt had been reduced \$1,050,324 13, the arrears of interest reduced \$116,552 61, and the state debt, principal and interest, reduced to \$11,138,453. The public debt of the state,

including the canal debt, on the 1st of December, 1860, had been reduced to \$10,277,161 36. On the 1st of December, 1862, the debt had been increased by the issue of war bonds to the amount of \$2,050,000 (\$50,000 was for revenue), and the total aggregated \$13,337,381 37. On the 30th of December, 1864, the debt had been reduced to \$11,121,564, and on the corresponding date in 1865 it was \$9,982,691—a decrease within a year of \$1,138,873. The biennial report of the state treasurer for the year ending December 1, 1866, gives the following recapitulation of the state debt:

Bank and internal improvement stock, payable after 1860 .....	\$31,000
Internal improvement stock, payable after 1870 .....	42,000
Refunded stock, payable 1860 to 1877 .....	1,261,000
Normal University bonds, payable in 1879 .....	64,000
Thornton loan bonds, payable in 1879 .....	143,000
War bonds of 1861, payable in 1879 .....	945,200
Illinois and Michigan canal (dollar) bonds, payable 1860 to 1870 .....	852,000
Illinois and Michigan canal (sterling) bonds, payable in 1870 .....	1,534,888
Inscribed stock .....	3,722,254
Scrip and unfunded indebtedness .....	42,909
Aggregate debt December 1, 1866 .....	<u>8,638,251</u>

This statement shows a reduction during the five years ending in 1866 of \$3,688,909.

The total indebtedness of the state, December 1, 1874, was but \$1,730,972. It was then estimated that the semi-annual receipts from the Illinois Central railroad, which are set apart by law for the payment of the public debt, would be sufficient to meet the interest and to pay the indebtedness as fast as it became due, and that on January 1, 1880, when all the outstanding obligations of the state would become payable, there would be a surplus of the Illinois Central railroad fund of over \$500,000. October 1, 1880, the bonded debt of Illinois was \$281,059, viz:

Issue.	Purpose of issue.	Maturity.	Amount.
1847 .....	Internal improvement stock bonds .....	After 1877 .....	\$154,450
1859 .....	Refunded stock bonds .....	After 1877 .....	103,000
Various years .....	Internal improvement stock bonds, \$10,000; canal bonds, \$13,000 .....	After 1877 .....	23,000
			<u>281,050</u>

All the above debt has been paid since October 1, 1880, except the last item of \$23,600. The bonds composing this item have been called for several years, and not having been presented for payment, it is supposed they have been destroyed.

#### MICHIGAN.

Perhaps the cause of the early embarrassments of this state may be found in a clause in the constitution, adopted at her admission into the Union in 1836, which provided for the encouragement of internal improvements by the government of the state, and further, that "it shall be the duty of the legislature, as soon as may be, to make provision by law for ascertaining the proper objects of improvement in relation to roads, canals, and navigable waters". It should be borne in mind that Michigan became a state and passed this constitution in times of unusual speculative excitement. The year the constitution was adopted the purchases of land on speculation in this territory aggregated over four million acres, being nearly one-half of the gross sales made in that territory from 1818 to 1849. This speculative fever had called into life numerous banks, and, although the population of Michigan was but 31,639 in 1831, in 1833 it had twenty banks, and at the close of 1837 forty banks, with aggregate loans of nearly \$4,000,000.

One of the first acts of the legislature, on the admission of the state into the Union, was to appoint a board of commissioners of internal improvements and authorize, March 21, 1837, the survey and construction of 557 miles of railroads, 231 miles of canals, and the improvement of 321 miles of river navigation. A loan of \$5,000,000 was authorized for these objects. According to *Hunt's Magazine* for 1850, the following are the amounts appropriated and expended upon the system thus projected from the formation of the government of the state to November, 1847:

*Internal improvements of Michigan.*

	Appropriated.	Expended.
Central railroad.....	\$1,957,833 57	\$1,954,308 28
Southern railroad.....	948,008 77	948,234 20
Northern railroad.....	150,638 00	110,596 71
Havre Branch railroad.....	20,000 00	952 34
Detroit and Grand River railroad.....	5,000 00	4,285 43
Northern turnpike.....	30,000 00	
Clinton and Kalamazoo canal.....	406,152 37	405,880 77
Saginaw turnpike.....	5,000 00	4,975 01
Saginaw canal.....	62,000 00	42,098 33
Grand River Rapids canal.....	25,000 00	225 36
Saint Mary's canal.....	50,000 00	8,050 86
Improvement of Grand and Maple rivers.....	30,000 00	26,498 01
Improvement of Kalamazoo river.....	8,000 00	6,572 05
Improvement of Flint river.....	6,250 00	6,249 31
Improvement of Saint Joseph's river.....	32,584 81	22,625 30
Total.....	3,737,367 02	3,541,551 96

In commenting on this expenditure a financial writer in 1850 says :

Michigan has realized, probably, as much for the amount expended in the shape of internal improvements as any other state west of New York, having expended the bulk of the appropriations for the construction of railroads, which have been productive and have been sold for nearly the total cost. Nevertheless her scheme was extravagant in the extreme. The population at the time the debt was produced did not exceed 100,000. The popular vote for President was only 11,439. If there were 15,000 voters, all agricultural settlers on new lands, then in the state, the proposed debt was equal to \$333 per head, in addition to the support of the state. At the same ratio New York could better afford a debt of \$200,000,000. This strongly indicates the wildness of the speculative feeling then abroad and the strength of the delusion under which the speculators labored. While this delusion lasted the larger portion of the Michigan debt was created, but the revulsion took place before the proceeds were realized, and the subsequent issues were a consequence of that fact.

The following history of the part-paid debt of Michigan was prepared by the Hon. H. R. Pratt, deputy auditor general :

By an act approved March 21, 1837, a loan not exceeding \$5,000,000 was authorized by the legislature, to be expended for internal improvements. Bonds to the full amount of the loan were prepared and executed, and a contract made with the Morris Canal and Banking Company of New Jersey to place the loan on the market in installments, the company to be paid a commission for their services. A portion of the bonds were disposed of under this contract, and the proceeds paid over to the state. A new contract was then made, by which said company became the purchasers from the state of that portion of the bonds then remaining unsold, payment to be made in installments. The United States Bank of Philadelphia became surety for the fulfillment of this contract on the part of the Morris Canal and Banking Company, and the bonds were delivered.

Under the two contracts the state received pay in full for \$1,387,000 of bonds ; for the remainder but a small portion of the amount was paid to the state when the Morris Canal and Banking Company failed. A further small sum was paid by the United States Bank of Philadelphia, as sureties, when that bank also failed.

It was ascertained that a large amount of the bonds for which only partial payment to the state had been made had been transferred by the Morris Canal and Banking Company to the United States Bank of Philadelphia, the latter necessarily having full knowledge of the fact that they had not been paid for.

As soon as the state became aware that it would not receive full consideration for the bonds, notice was given that it would consider itself bound to repay only the money actually received. This was done by act No. 60, approved February 17, 1842, which required the governor to issue a proclamation, to be published in New York and Philadelphia, requiring the holders of the part-paid bonds to return them to the state and receive new bonds for the amount of money that had been paid to the state thereon. Such proclamation was issued in April, 1842.

A report made by the state treasurer, December 6, 1842, states that these "part-paid" bonds were principally held by the United States Bank of Philadelphia, and that they had been hypothecated to different houses in Europe. This hypothecation was reported to the legislature to have been made under circumstances that did not affect the equities of the state.

Such, in brief, is the history of the case. The state made strenuous efforts to secure something from the wreck of the two banks, but with small results ; and upon becoming aware that it would not receive full consideration for the bonds, promptly gave notice that it would consider itself bound to repay only the money it had actually received, and this while the bonds were owned by a bank that had full knowledge of all the facts.

All but \$21,000 of the "unrecognized" or "part-paid" bonds have been surrendered, and new bonds for the amount received by the state, and interest thereon, taken in their stead.

The state of Michigan has always been ready to recognize, and will recognize as a just debt and pay in full with interest, without abatement, every dollar of her bonds for which she received consideration, and this notwithstanding the fact that all the money that actually was received on the bonds under consideration was squandered on works from which the state received no benefit or reimbursement, except what was realized on the sale of the Central and Southern railroads.

In early days the state also loaned its credit by issue of bonds to certain railroad companies, with the understanding that such companies were to take care of both principal and interest. The companies failed, but the state paid the bonds.

In 1845, owing to the failure of the wheat crop of the preceding year, the severity of the taxation necessary to meet the interest upon the state debt became manifest, and public attention was called to the desirability of

reducing the debt by the sale of the public works. The only works of all those constructed by the state which had yielded any income were the Central and the Southern railroads. The total value of both these roads was estimated at \$3,363,880. These the state was determined to sell and to secure payment in certificates of the state indebtedness, namely, the full-paid bonds and those issued for the interest on them at par, and the part-paid bonds at a rate equal to what the state had actually received, with the interest thereon. This was calculated at \$431 30½ for a bond of \$1,000. Accordingly a company, mostly of Boston gentlemen, applied for a charter to purchase the Central road, and March 5, 1846, a bill was passed which gave the company the right to purchase the Central railroad, with all its appurtenances of lands and right of way which the state at that time owned or had acquired, for the sum of \$2,000,000, \$500,000 of which was to be paid to the state within six months after the passage of the act, and the remaining \$1,500,000 within one year thereafter. It further provided that the treasurer of the state should receive in payment for said roads the bonds of the state specified in the first section of the act to liquidate the public debt, approved March 8, 1843, and to provide for the interest thereon in full-paid bonds.

The same legislature which passed the law for the sale of the Central railroad also passed an act for the sale of the Southern railroad and for the incorporation of the Michigan Southern railroad. The sale of the Southern railroad was, however, made contingent upon that of the Central, and the law for the charter of the latter company, by express provision, did not take effect and become in force until after the charter of the Central Railroad Company. The company, however, complied with the terms of the sale of the railroad, and official notice was issued in September, 1846, to the effect that the company, in compliance with the terms of the act, "having paid into the state treasury, in money, an amount about sufficient to pay the interest due on the bonds for January and July, the necessity of assessing and collecting a tax sufficient for the payment thereof did not now exist; also that the direction to assess a tax sufficient for the payment of the interest which became due on the state bonds the 1st day of January last was also countermanded and annulled".

By the sale of this Central railroad \$2,000,000 of debt was extinguished and the completion of the road to lake Michigan insured, improving the condition of the state. The engagements of the companies having been promptly met, the Central railroad made its final payment in September, 1847. The payment on the Southern road still further reduced the debt.

Governor McClelland, in his message, describes the financial condition of Michigan at the close of the year 1852 as healthy and encouraging, the debt having been reduced from \$2,568,268 in November, 1851, to \$2,307,850 in 1852. The revenue in 1853 was \$657,268, and the expenditures for the same year \$396,450, leaving a considerable surplus on hand. The auditor, in his report for this year, says:

All the state indebtedness, except what are termed the "part-paid" bonds, the redemption of which can be compelled or payment stopped, was called in last year, and, as our bonds are above par, none can be purchased under our present laws. There is therefore no farther opportunity of liquidating state indebtedness with the surplus on hand except by paying for what few "part-paid" bonds may be voluntarily surrendered.

The legislature of 1855 passed an act requiring that the "part-paid" bonds be surrendered for adjustment or that the interest should stop. From the following statement of the public debt on November 30, 1858, it will be perceived that most of them were at that date returned and new bonds, at the adjusted rate, issued in their stead:

Penitentiary bonds, due January 1, 1859 .....	\$20,000
Penitentiary bonds, due in 1860 .....	40,000
Internal improvement warrant bonds .....	50
Full-paid \$5,000,000 loan bonds, due January, 1863 .....	177,000
Adjusted bonds .....	1,726,685
Part-paid \$5,000,000 loan bonds, when funded, will amount to .....	104,142
Outstanding internal improvement warrants .....	3,752
New bonds issued in July last, due 1878 .....	266,000
<b>Total</b> .....	<b>2,337,629</b>

The following year (1859) the debt had been slightly reduced, and, aside from \$100,000 of canal bonds guaranteed by the state, amounted to \$2,316,328. The debt was increased by a loan of \$1,000,000, made May 10, 1861, to meet war expenses, and according to the treasurer's report the funded and fundable debt stood, November 30, 1862, \$2,981,038. The entire debt, which became due in 1863, amounting to nearly \$2,000,000, was refunded by the two million loan bonds, issued that year and redeemable, \$250,000 in 1868, \$500,000 in 1873, \$500,000 in 1878, and \$750,000 in 1883. The next step was to refund the war loan, which became due in 1864, for which bonds bearing

7 per cent. interest, and redeemable in 1886 and 1890, were issued. The state treasurer, in his report to the legislature, makes the following exhibit of the state indebtedness at the close of 1864:

Classes.	Interest.	Due.	Amount.
Renewal loan bonds.....	6	Jan. 1, 1878	\$210,000
Two million loan bonds.....	7	Jan. 1, 1868	250,000
Do.....	6	Jan. 1, 1873	500,000
Do.....	6	Jan. 1, 1876	500,000
Do.....	6	Jan. 1, 1883	750,000
Saint Marie canal bonds.....	6	Jan. 1, 1873	100,000
War loan bonds.....	7	Jan. 1, 1883	1,122,000
War bounty loan bonds.....	7	May 1, 1890	345,000
Total funded debt.....			3,783,000
Adjusted bonds past due.....		4,000	
Full-paid \$5,000,000 loan bonds, past due.....		12,000	
War-loan bonds (\$100 and \$50) called in.....		400	
Unrecognized \$5,000,000 loan bonds, \$140,000 adjustable for.....		80,999	
Total funded and fundable debt.....			3,880,399
TRUST FUND DEBT.			
Primary school fund.....		1,144,230	
University fund.....		204,872	
Normal school fund.....		30,204	
Railroad deposits.....		2,157	
			1,450,472
			5,330,871

The liquidation of the debt of Michigan continued without interruption during the years following.

The financial condition of the state, as shown by the annual report of the state treasurer for 1879, is as follows:

Cash balance, September 30, 1879.....	\$606,267 63
Receipts for the year.....	2,793,321 90
Total resources.....	3,399,589 53
Payments during the year.....	1,820,946 52
Cash balance, September 30, 1880.....	1,578,643 01

There were demands against this balance, maturing on or before December 31, 1880, of \$260,820 12.

The indebtedness to trust funds at the close of the fiscal year, September 30, was:

To the sinking fund.....	\$908,895 27
To the canal fund.....	48,664 75
To the primary school interest fund.....	94,331 33
Total.....	1,051,891 35

Add the latter amount to the maturing indebtedness stated above, and the total demands against the treasury aggregated \$1,312,711 47, leaving a net cash surplus of \$265,931 54.

The trust debt of the state, the principal of which never matures and cannot be paid, is as follows:

To primary school fund.....	\$2,554,590 96
To 5 per cent. primary school fund.....	326,350 95
To university fund.....	465,788 46
To agricultural college fund.....	153,137 70
To normal school fund.....	56,635 32
To railroad and other deposits.....	8,052 63
Total.....	3,564,556 02

On this debt the state pays 7 per cent. interest, except on the normal school fund, which draws 6 per cent.

The interest paid to these several funds during the year was:

To primary school fund.....	\$190,876 86
To agricultural college fund.....	10,240 28
To university fund.....	32,393 51
To normal school fund.....	3,378 72
Total.....	236,889 37

During the year the state received as interest on surplus funds \$32,763 05; on specific taxes overdue, \$6,640 54; on United States bonds, \$13,500; total, \$52,903 59; and paid a total interest on its bonded debt of \$55,770. Of the bonded debt of the state \$15,149 97 is overdue, draws no interest, and has a reserve for its payment. The debt to become due is \$890,000. The sinking fund applicable to its payment amounts to \$1,208,895 27, leaving a surplus of \$318,895 27. By a decision of the supreme court, made since the date of the treasurer's report, the constitutional provision setting apart the specific taxes for the payment of the bonded debt of the state is held to be complied with by holding a sufficient reserve for that purpose, and the surplus on hand, with the future proceeds from specific taxes, is ordered turned over to the primary school fund.

The act of May 10, 1861, entitled "An act authorizing a war loan", provided that for the purpose of organizing the volunteer militia, repelling invasion, suppressing insurrection, etc., the governor and state treasurer be authorized to negotiate loan or loans not to exceed \$1,000,000 on the most favorable terms obtainable, redeemable, at the pleasure of the state, within or at the expiration of twenty-five years from January 1, 1861, with interest not to exceed 7 per cent. per annum, payable semi-annually. The act further provides that for the purpose of paying the bonds there shall be levied annually one-sixteenth of one mill on the dollar of taxables in addition to all other taxes.

Under this act bonds to the amount of \$1,249,400 (termed "war bonds") were issued, all of which have been paid. The money realized on the bonds was used in arming and equipping troops.

Under act 24, laws of 1864, and acts 85 and 295, laws of 1865, bonds (termed "war bounty bonds") were issued to the amount of \$1,306,000, and the proceeds used in paying bounties to volunteers. Of this loan \$1,007,000 has been paid, leaving \$299,000 outstanding, which becomes due in 1890.

Bonded debt of state, September 30, 1880 .....	\$905, 150
War bonds, \$299,000, at 6 per cent .....	591, 000
"Two-million loan" bonds, \$591,000, at 7 per cent .....	299, 000
Canal loan bonds, \$15,150, not bearing interest.....	15, 150
Total.....	905, 150
Maturity:	
Past due and not presented for payment .....	15, 150
1883 .....	591, 000
1890 .....	299, 000
Total.....	905, 150

The state sinking fund amounts to \$1,208,895.

#### WISCONSIN.

The constitution of Wisconsin for 1848 provides that the credit of the state shall never be given or loaned in aid of any individual, association, or corporation, and that it shall never contract any public debt, except to pay current expenses of the government, not to exceed \$100,000, and then a tax to pay the same must immediately be levied and especially appropriated to pay the debt; and such appropriation shall not be repealed, nor the taxes postponed or diminished, until the whole debt is paid. The legislature may also borrow money to repel invasion, suppress insurrection, or defend the state in time of war.

The constitution also imposes the duty on the legislature to provide for the organization of cities and incorporated villages, and to restrict their power of taxation, assessments, borrowing money, contracting debts, and loaning their credits, so as to prevent abuses in assessments and taxation and in contracting debts by such municipal corporations.

Under these provisions of the constitution the legislature, being itself cut off from loaning the credit of the state in aid of internal improvements, conferred very freely upon counties, towns, cities, and villages the power of contracting debts for such purposes, which power was used to a considerable extent. Twenty-four counties had, according to an article in *Hunt's Magazine* for 1858, contracted debts at that time and issued bonds to the extent of \$11,489,000.

Beside this, there was authorized at that date an additional indebtedness of \$3,500,000, which, if incurred, carried the figures to \$15,000,000. The governor about this time in his message strongly denounced this system as evasive of the intention of the constitution, and advised the immediate repeal of the laws authorizing towns, counties, and villages to loan their credit, and also recommended that the cities be restrained from any further loans of a similar character, adding that the large debt was not less onerous because it is weighing upon the people locally than it would be if contracted by the state.

By an amendment to the constitution, ratified in 1874, there was added to the article imposing on the legislature the duty of restricting the taxation and debt of cities one to the effect that no county, city, town, village, school

district, or other municipal corporation should be allowed to become indebted in any manner, or for any purpose, to any amount, including existing indebtedness, in the aggregate exceeding 5 per cent. on the value of the taxable property therein, to be ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness. It was further provided that any municipal corporation creating a debt should levy an annual tax sufficient to pay the interest as it should fall due and the principal within twenty years.

As the ordinary state debt is expressly limited by constitutional provision to a sum not to exceed \$100,000, except in case of invasion or to suppress rebellion, this was the sum total of the state issues. Chapter 239, laws 1861, as amended by chapter 307, 1861, authorized the issue of \$200,000 in bonds, and they were issued up to May, 1861, when the legislature (assembled in extra session) voted a war loan of \$1,000,000, and at the regular session of 1862 (chapter 226, laws 1862) authorized a loan of \$50,000 for enlargement of the capitol, and bonds were issued for a further loan of \$200,000. In 1863 still another loan, or an issue of certificates of indebtedness not exceeding \$350,000, was authorized, and also a loan of \$50,000 for the purpose of defraying extraordinary expenditures in the enlargement of the state capitol. Other laws were passed authorizing temporary loans from the trust funds, for which certificates were issued and deposited with the state treasurer. The issues for war purposes under these several authorizations were as follows: In 1860-'61, bonds to the amount of \$951,500; in 1861-'62, bonds to the amount of \$473,100; in 1862-'63, bonds, \$75,400, and certificates, \$220,000—total, \$295,400; in 1863-'64, certificates, \$385,000; and in 1864-'65, certificates, \$623,000. These sums amount to an aggregate of \$2,728,000. Of this amount there have been redeemed, by returning to the bank comptroller the circulation of discredited banks (authorized by chapter 282, laws of 1865), state bonds to the amount of \$548,800, deducting which from the above aggregate left the whole outstanding indebtedness of the state, on the 30th September, 1865, at \$2,179,200, or, including interest receipts (\$376,011) issued for discredited currency, at \$2,555,211.

Of this indebtedness there were held at the date named the sums (as follows) by the—

School fund.....	\$1,000,700
University fund.....	53,000
Normal school fund.....	278,000
Amount due trust funds.....	1,331,700
Bank department for state banks.....	77,200
Bank department for banks assigned to the state.....	57,500
Insurance companies on deposit.....	366,000
Corporations and individuals.....	346,800
Currency interest-bearing receipts.....	376,011
Aggregate debt.....	<u>2,555,211</u>

It was necessary to sell the great bulk of the bonds authorized during the war at a time of extraordinary depression in the stock markets. United States 6 per cent. bonds were selling at 84½ per cent.; Illinois 6 per cents. at 77, and Michigan 7 per cents. at 82. The state treasurer says that there was no option with the loan commissioners as to the time of selling the bonds. The necessities of the commonwealth compelled their sale for whatever could be obtained. The law directed the loan commissioners to negotiate and contract for a loan or loans on the most favorable terms which, in their judgment, could be obtained. Finding insurmountable obstacles in the way of raising the money in New York, the bonds were finally sold to the Wisconsin banks at what was called par, 70 per cent. to be paid on the delivery of the bonds, and the remaining 30 per cent. in semi-annual installments of 1 per cent. Eight hundred thousand dollars were disposed of on these terms. The next sale was made on similar terms, except that 80 per cent. was paid on delivery. Subsequent sales were all made at par, the whole amount paid on the delivery of the bonds. It was never supposed that the entire 30 per cent. left unpaid in the first sale would in all cases be paid. By the terms of the bonds given by the banks to secure the payment of this 30 per cent. the bill-holders were first to be fully protected.

In quite a number of cases, in closing up banks, there has not been enough realized to redeem the circulation and pay the 30 per cent. bonds in full; yet, notwithstanding these losses, the state realized in the aggregate on all bonds sold during the progress of the war 88 per cent.

The following is a statement of the bonded debt issued for war purposes, bearing 6 per cent. interest:

ISSUE.		MATURITY.	
1861.....	\$10,000	1880.....	\$9,000
1862.....	1,000	1886.....	1,000
		1888.....	1,000
Total.....	<u>11,000</u>	Total.....	<u>11,000</u>

In addition to this bonded debt of \$11,000, the state has a floating debt of \$2,241,000, certificates of indebtedness to trust funds, and \$57 outstanding currency certificates, making the aggregate debt of the state \$2,252,057.

## IOWA.

The state of Iowa inherited from the territory of that name a debt of over \$19,000. To pay the same and meet the pressing exigencies of the new commonwealth a loan of \$55,000 was negotiated in 1847, payable in ten years, \$30,000 of which bore 10 per cent. interest, and the remainder 8 per cent. May 1, 1849, \$16,442 05 was borrowed from the state school fund, and September 15 following \$6,000. For these loans 10 per cent. interest was also paid. March 17, 1850, a bond for \$2,000, bearing 8 per cent. interest, was issued. In 1852, \$2,353 70 more was borrowed from the school fund, and 10 per cent. interest paid thereon. In 1853 the \$2,000 bond was paid off. In 1856 the debt to the school fund had increased to \$61,442 05, and the whole debt in December of that year was \$128,009 69, including outstanding warrants of \$11,567 64. The present state constitution limits the power to contract debts to supply casual deficits or failures in revenues, not to exceed \$250,000, and losses to the permanent school or university funds, occasioned by defalcation, mismanagement, or fraud of the agents or officers controlling the same.

The state may, in addition to the above, contract debts to repel invasion, suppress insurrection, or defend the state in war. The credit of the state is not in any manner to be given or loaned in aid of any individual, association, or corporation.

In January, 1858, all funded debt had been paid off except that to the school fund, now amounting to \$122,295 75. During the year 1858 a loan of \$200,000 was effected on bonds having ten years to run, and bearing 7 per cent. interest. In 1861 the state issued bonds to the amount of \$300,000 for purposes of war and defense. These bore 7 per cent. interest, and are payable July 1, 1881.

The debt at this time amounted to \$622,295 75, at which figure it remained until 1868, when the \$200,000 loan of 1858 became due. This loan was at that time paid off, to accomplish which, however, \$112,202 26 was borrowed from the school fund, to bear 8 per cent. interest, and to be repaid March 2, 1888. The debt, aggregating \$534,498 01, has remained the same to the present time, June 1, 1880.

In addition to the foregoing, the state has issued in favor of its own school fund two bonds, to the amount of \$10,937 18, on account of losses to that fund, in accordance with section 3, article 7, of the state constitution. These bear 8 per cent. interest, and are irredeemable.

All the indebtedness to the school fund bore 10 per cent. interest up to November 12, 1864. Since that time it has borne 8 per cent.

## MINNESOTA.

When Minnesota entered upon her existence as a state both the United States and Europe were suffering from the effects of the financial crisis of 1857. Credit was shaken, immigration checked, capitalists ceased to invest their money, operations in real estate were suspended, and the settlement of the state, which had so propitiously begun, was entirely stopped. To fully understand the circumstances which led to the creation of the debt of Minnesota, it will be necessary to recall the fact that on March 3, 1857, Congress passed an act entitled "An act making a grant of land to the territory of Minnesota, in alternate sections, to aid in the construction of certain railroads in said territory". On the 22d of May, 1857, the legislature of the territory of Minnesota passed an act to accept the grant and execute the trust created by an act of Congress of March 3, 1857. The original act of Congress granted "every alternate section of land designated by odd numbers, for six sections in width, on each side of each of (four) said roads and branches", with a grant in lieu of such of the sections as might be sold or pre-empted before the lines should be located. The territorial act accepted the grant upon the terms, conditions, and instructions contained in the conferring act, and assumed and undertook the trust created by the said act of Congress.

The constitution of the state of Minnesota, as originally framed and adopted by her people, restricted the public debt, except in case of invasion or insurrection, to \$250,000. Subsequently it became evident that, to insure the speedy construction of the railroads for which the state had received from Congress the above grant of land, the state must lend aid to the companies chartered by the territorial legislature, to which the lands had been transferred by the same authority for railroad purposes. The legislature of the state, at its first session, in accordance with the mode prescribed by the constitution for its own amendment, passed an act loaning the credit of the state to the four land-grant companies to the amount of \$1,250,000 each, or \$5,000,000 in the aggregate, upon certain conditions, and providing for the submission of the act to the vote of the people. The vote was taken on the 15th of April, 1858, resulting in a majority of nearly 20,000 in favor of the act.

Soon after the adoption of what was called the "loan amendment" the railroad companies commenced work upon their respective lines. Upon application being made by the companies to the governor of the state for state bonds for labor actually performed in compliance with the law, it appears that Governor Sibley made public what he deemed to be the proper construction of the language of the amendment, and, in order to exact a strict compliance on the part of the companies with the prescribed requirements before any of the obligations of the state should be issued, he prepared and placed upon the executive journal, on the 4th of August, 1858, a memorandum of the conditions

upon which the state bonds would be delivered, a copy of which was duly transmitted to the companies. The memorandum of the governor was to the effect that the state must receive in return for the bonds the exclusive first-mortgage bonds of these companies to an amount equal to the state bonds received by them, giving priority of lien upon their entire lands, roads, and franchises in favor of the state. The companies objected to this construction, and, upon the governor's refusal to issue the state bonds to them upon any other terms, a writ of mandamus was applied for to the supreme court of the state by the Minnesota Pacific Railroad Company to compel the governor to deliver to that company the bonds of the state without exacting the exclusive first-mortgage bonds of the company in return. The question was argued before the supreme court, and the majority of that tribunal decided that the ruling of the governor was erroneous, and that the state, by her own act, had placed herself on a like footing with other holders of the first-mortgage bonds of the companies under their deeds of trust, and could not, therefore, legally acquire an exclusive priority of lien upon the property of the companies.

Governor Sibley submitted to the writ, and directed the issue of the state bonds. The publicity of the disagreement between the governor of the state and the railroad company by these proceedings was the first blow to the market value of the bonds, which, under the original construction, had been eagerly sought for at par. The several companies received the state bonds due them and attempted to effect their negotiation, but without success. They then appealed to the governor for aid in disposing of the bonds. Anxious that the progress of the work upon the roads should not be interrupted, the governor spent several weeks in New York city, endeavoring to sell the bonds, but without result. That failure the governor, in his message of December 8, 1859, attributes to the opposition of citizens of the state, acting through the public prints and by private letters, to thwart his efforts.

Unable to negotiate the bonds received from the state, and possessed of little or no means of their own, the railroad companies became unable to raise money upon their own bonds except at ruinous rates. All labor on the roads was suspended, and the companies found themselves without the means to meet their engagements, or at that time, with the single exception of the Southern Minnesota Company, to pay the December installment of the semi-annual interest on the state bonds they had received. Further issue of state railroad bonds was stopped, the issue amounting, at the close of 1859, as follows:

To the Minnesota and Pacific Railroad Company .....	\$600,000
To the Minneapolis and Cedar Valley Company .....	600,000
To the Transit Company .....	500,000
To the Southern Minnesota Company .....	575,000
Making in all .....	<u>2,275,000</u>

At this date there had been completed of graded road for superstructure of the several companies as follows:

On the line of the Minnesota and Pacific Railroad Company, 62 miles and 3,213 feet.

On the Minneapolis and Cedar Valley, 69½ miles.

On the Transit, 50 miles.

On the Southern Minnesota, or main line of the Minnesota Valley, 37½ miles.

On the Root River branch, 20 miles and 1,004 feet.

The Minneapolis and Cedar Valley Company filed in the executive office a full waiver of all its rights, under the decision of the supreme court, accepting the original terms prescribed by the governor.

The Southern Minnesota Company so changed and restricted its trust deed that, in lieu of \$9,500,000 proposed of first-mortgage bonds in its original trust deed, only \$2,000,000 should be issued on its entire line of road, including \$1,250,000 to the state. The Transit Company by its trust deed bound itself to issue only \$1,860,000 of first-mortgage bonds, including those of the state, until 62 miles of its road should be completed and the cars running thereon, and only \$30,000 on each mile of its road as it should be graded and completed, in sections of ten miles, after the completion of the 62 miles as aforesaid. In addition, these companies formally accepted the ruling of the executive, by which only one-half of the state aid was to be applied to the grading of their respective roads, the remainder to be delivered only as each road was completed and the cars running thereon.

The companies last named also obligated themselves to secure the right of way on their respective lines as soon as possible.

The Minnesota and Pacific Company also assented substantially to the terms imposed on the Transit Company, but the instrument was not filed in the executive office.

The history of these unfortunate enterprises was, in brief, that the work stopped, the companies made default in payment of interest, and became insolvent. The state then proceeded to foreclose its securities. By these foreclosure proceedings it acquired about 250 miles of graded road, the franchises of the companies, the lands of the companies; in fact, it acquired the title to all the securities which it had taken for its indemnity, including nearly 5,000,000 acres of land, as security for its liability for \$2,275,000, bonds and interest.

In 1860 the state, by an amendment to her constitution, repudiated the bonds and forbade the levying of a tax to pay the interest. The lands, road-bed, and franchises, which the state held for its indemnity, were afterward granted by it to existing companies free and clear.

This action of the state left the holders of the bonds unprovided for. One of the contractors, who had received payment in bonds, brought suit in the United States court against the Southern Minnesota Company, the Saint Paul

and Sioux City Company, and others. The decision of the court was, that where land is conveyed to the state by a corporation as indemnity against losses on state bonds loaned to it the bondholders have no equity for the application of the land to the payment of the bonds which can be enforced against the state, and her grantees take the property discharged of any claim of the bondholders. This was affirmed by the Supreme Court of the United States.

In his annual message of January, 1877, the governor advocated a recognition of the old repudiated bonds. He says that the state has, by strong implications, uniformly affirmed the validity of the bonds, and cites numerous instances as proof, and refers to the decision of Judge Dillon and the Supreme Court.

The bonds in question were issued in 1858 and 1859 in aid of railroads, bearing interest at 7 per cent., and redeemable in 1883. The amount of the issue was \$2,275,000, on which the unpaid interest for seventeen years amounts to nearly \$3,000,000 more, making the repudiated debt, principal and interest, over \$5,000,000.

The same year the joint legislative committee reported a bill providing for an issue of 6 per cent. bonds, to be issued in lieu of the old bonds and their unpaid coupons, to the amount of \$1,600 for each outstanding 7 per cent. bond or coupon, or \$3,640,000 in lieu of the then outstanding indebtedness. This provision was not to go into effect unless the people ratified an act devoting the proceeds of the 500,000 acres of internal-improvement land to the payment of the principal and interest. This proposition was submitted to the people for ratification on the 12th of June, but was rejected.

On the assembling of the state legislature, January, 1881, the holders of the bonds again appeared and submitted another proposition for settlement of the disputed bonds of "50 per cent. of the amount nominally due upon the bonds and coupons", which was duly considered and finally provided for by the passage of an act approved March 2, 1881. The act provided that the judges of the supreme court should act as a tribunal for the adjustment of the debt.

The judges of the supreme court declined to act upon the tribunal, as required by the act, and it was finally made up by the appointment of five district judges, and they convened as such tribunal on the 6th day of August, when D. A. Secombe, a citizen and taxpayer of the state, applied to the supreme court for a writ of prohibition against the said tribunal, on the ground that the act of adjustment was unconstitutional and void. The question being taken under advisement by the court, the tribunal adjourned for thirty days.

In their decree the supreme court decided that the constitutional amendment of 1860, declaring that no provision should ever be made for the payment of the state railroad bonds without a submission to the people, was invalid. This amendment, the court held, was in violation of section 10 of article 1 of the Constitution of the United States, in that it impaired the obligation of the state contract with the bondholders. The tribunal was also decided illegal. This decision, that full and final power and authority to provide for the settlement of these bonds was vested in the legislature, and the renewal of the bondholders' proposition for adjustment at fifty cents, resulted in Governor Pillsbury calling a special session of the legislature September 19, 1881. The legislature met in response to the call of the governor and enacted a law providing for the cancellation of the Minnesota State railroad bonds and coupons, and the issuance to their holders, in lieu and in full satisfaction thereof, of new bonds (in denominations of \$1,000 each), to be known as Minnesota State Railroad Adjustment bonds, in amount aggregating 50 per cent. of the par value of the principal and interest of the aforesaid canceled bonds and coupons on the first (1) day of January, 1884. These new bonds, bearing date July 1, 1881, and (after January 1, 1884) drawing interest not exceeding 5 per cent. per annum, are made payable after 10 years and not more than 30 years from their date, at the option of the state, interest payable semi-annually, in January and July of each year, in the city of New York. A proviso reserved to the state the right to pay the bondholders in cash, in case its new bonds could be negotiated at par at a less rate of interest than 5 per cent., and in that case the new bonds were to bear interest from January 1, 1882. Under the terms of this proviso new bonds have been issued to the amount of \$4,000,000, bearing interest at 4½ per cent. per annum, and on January 14, 1882, all but 108 of the 2,275 Minnesota State Railroad bonds had been surrendered and canceled, their holders having been paid in new bonds or in cash.

The amounts received by the holders of the old bonds under this adjustment is equivalent to the face value of the old bonds with interest thereon for 23 years, at the rate of 3½ per cent. per annum.

The following is an exhibit of the state debt as it stood in 1880:

Recognized state debt.....	\$290,000
Loan of 1873—7 per cent. for public buildings, due in 1883.....	175,000
Temporary loan, for purchase of seed-grain for sufferers by grasshoppers .....	115,000
Total.....	<u>290,000</u>
Unrecognized state debt:	
Bonds issued in 1858—for railroad aid, due in 1883—7 per cent .....	2,275,000

#### MISSOURI.

The constitution of the state of Missouri, adopted in 1820, provided that there should be but one bank (with not exceeding five branches) in the state, with a capital of not more than \$5,000,000, at least one-half of which might be subscribed by the state, at its option. Early in the year 1837 the state authorized the emission of

\$2,500,000 of bonds as a subscription to the capital of the bank. It will be observed that these bonds were authorized at the moment of the general crash of 1837. Negotiation was almost impossible. The bank, however, struggled on against the difficulties of the situation. According to *Hunt's Merchants' Magazine* for 1858, the Bank of Missouri was the only institution started at the time of the first suspension of the banks in the United States, South and West, that did not suspend at the second revulsion of 1839. In 1858 the capital of the bank amounted to \$1,719,605; loans, \$2,244,473; specie, \$1,702,101; circulation, \$2,301,106; deposits, \$1,428,928. In 1857 a general bank law had been enacted, and a number of banks were chartered, six of which went into operation in Saint Louis. The bonds which had been authorized as a subscription to the capital stock of the bank had never been issued beyond a small amount.

The fifth section of the bank charter had directed the governor to issue the bonds of the state to the bank in full payment of the state's subscription to the capital stock. These bonds were to bear 5½ per cent. interest, payable semi-annually in New York, but were not to carry interest until they were sold, and the bank could not discount or do business on these bonds until the proceeds were actually in the bank. Under these provisions the bonds could not be sold. In 1839 the legislature passed an amendment to the charter, in which the governor was authorized to take up these bonds and issue others in their place, which the bank was required to take in full payment of the state's stock. These bore 6 per cent. interest, payable semi-annually. The principal and interest might be made payable whenever deemed most desirable. The act contained a section pledging the state to the punctual payment of the interest semi-annually, but no provision that the interest should not be paid until the bonds were sold.

Under this law new bonds were issued and delivered to the bank, and by the bank sent to Europe, but were not negotiated, and were finally returned. The bank held, therefore, \$2,000,000 of these bonds, bearing an interest of 6 per cent., when the legislature passed a resolution to have the bonds returned and canceled.

The whole amount of the state debt outstanding January 1, 1857, was as follows:

On what account issued.	Date of bond.	Rate of interest.	When payable.	Amount issued.
Bank stock .....	1837	5½	1862	\$63,000
Bank stock .....	1837	5½	1862	100,000
Bank stock .....	1837	5½	1863	100,000
Bank stock .....	1837	6	1863	99,000
Building of the capitol .....	1838	6	1863	40,000
Payment of state bonds falling due 1851 .....	1851	6	1856	200,000
Payment of state bonds falling due 1853 .....	1853	6	1863	200,000
Total .....				802,000

When the project of building a road to the Pacific was broached the interest of the state of Missouri therein was seen to be very direct and immediate. In March, 1849, the Pacific railroad was incorporated by the state in an act which was amended in March, 1851. In 1852 Congress granted the right of way and a portion of the public lands to the state of Missouri for the construction of certain roads therein, now known as the Hannibal and Saint Joseph and the Missouri Pacific and Southwest Branch.

In January following the state of Missouri invested the Pacific railroad, to lead from Saint Louis to a point on the western boundary of the state, with the portion of lands so donated by Congress and applicable to the purpose, and the state agreed to loan its bonds to certain railroads mentioned below.

The conditions of these loans to the several roads were as follows: When the directors reported that \$50,000 were subscribed *bona fide* by individuals and expended, the state should issue its bonds for a similar amount, and for each similar subscription of \$50,000, until the appropriation should be exhausted. To secure the state, the entire franchise of the roads, their lands, building, furniture, and equipment, were to be mortgaged to the state. The proceedings under this law to July, 1857, were as follows:

	Inter-est.	Authorized.	Issued to July, 1857.	Sold.	To be issued.	Track laid.
	<i>Per ct.</i>					<i>Miles.</i>
Pacific railroad .....	6	\$7,000,000	\$6,380,000	\$4,917,000	\$620,000	139
Hannibal and Saint Joseph .....	6	3,000,000	3,000,000	1,140,000	.....	64
North Missouri .....	6	5,500,000	3,150,000	1,954,000	2,350,000	75
Saint Louis and Iron Mountain .....	6	3,600,000	2,600,000	2,145,000	1,000,000	46
Cairo and Fulton .....	6	650,000	180,000	100,000	470,000	.....
Platte County .....	6	700,000	.....	.....	700,000	.....
Southwest Branch Pacific .....	7	4,500,000	.....	.....	.....	.....
Total for railroads .....		24,950,000	15,310,000	10,256,000	5,140,000	.....

The \$4,500,000 bonds of the Southwest branch were indorsed by the state and bore 7 per cent., but these did not sell as well as the 6 per cent. direct debt of the state. When the panic overtook the country, in the fall of 1857, the sales were as low as 69½ for Iron Mountain, 45 for the Pacific, and 80 for Cairo and Fulton. The bonds not sold were held as follows:

	Hypothecated.	In agents' hands.	Total.
Pacific railroad .....	*\$1,117,000	\$340,000	\$1,457,000
Hannibal and Saint Joseph .....		†1,860,000	1,860,000
North Missouri .....	50,000	140,000	190,000
Saint Louis and Iron Mountain .....		455,000	455,000
Cairo and Fulton .....		80,000	80,000
Total .....	1,167,000	2,887,000	4,054,000

\*\$352,000 reported sold at an average of 75½. †In hands of fiscal agent, Boston, a portion of which had been sold.

The panic put a stop to the negotiation of the bonds, and made it necessary to suspend the works. For this purpose a law was passed suspending the further issue of bonds, under the law of 1855, until March, 1859, except for the purpose of completing works at that time nearly done: On the North Missouri railroad, \$750,000; on the Iron Mountain railroad, \$470,000; on the Pacific railroad (Kansas stem), \$400,000; and the Pacific railroad (Southwest branch), \$500,000; making a total of \$2,120,000.

These bonds were not to be sold at less than 90 cents. Those of the Southwest branch were 6 per cent. bonds, in place of the indorsed bonds of the state, which bore 7 per cent. interest. The issue of this \$2,120,000 of bonds made the total debt of Missouri at that time \$18,006,000, for the interest on which the state was responsible.

For the interest due January, 1860, the state had to provide, the roads being unable to do so. The amount of the interest due at that date was \$516,190. The state borrowed of the savings banks the money necessary to pay the January interest at 8 per cent. per annum and 1½ per cent. premium for exchange. The money was borrowed for sixty days. The balance of the bonds, amounting to \$3,349,000, it was supposed at this time would be immediately issued to the railroads. This was all subsequently loaned, with the exception of \$1,150,000, to the North Missouri.

The debt continued to increase, and according to a statement of the auditor of public accounts, made at the close of 1862, it had reached \$27,370,000, composed of the following items:

Miscellaneous debts .....	\$602,000
Pacific railroad bonds (main) .....	7,000,000
Pacific railroad (southwest branch) .....	4,500,000
Hannibal and Saint Joseph .....	3,000,000
North Missouri .....	4,350,000
Iron Mountain .....	3,600,000
Cairo and Fulton .....	650,000
Platte County .....	700,000
Revenue bonds .....	431,000
State defense warrants .....	725,000
Arrears of interest due .....	1,812,000
Total .....	<u>27,370,000</u>

\* We have already shown that all the railroad companies, except the North Missouri, received from the state the full amount of the loan authorized. This company failed to pay interest before the total amount was drawn, and consequently further loans were withheld.

During the war Missouri suffered largely, not only from the destruction of its railroads, but also in consequence of the suspension of industrial pursuits. No interest was paid on the railroad debt from January, 1861, to 1866, except by the Hannibal and Saint Joseph Railroad Company, which paid promptly. On the reorganization of the state one of the first acts of the convention was to restore the public credit. To this end an ordinance was passed April 8, 1865 (and by a subsequent vote of the people made a part of the fundamental law of the state), which provided for the collection of a tax of one-quarter of 1 per cent. on all other real estate and property and its application to the payment of the debt and accrued interest. The funding act passed by the legislature arranged the terms on which the debt was to be liquidated.

Its chief provision was the funding of the principal of the whole debt and the interest that would accrue up to January 1, 1868, into a consolidated thirty years' debt. The loan to the Hannibal and Saint Joseph Company, however, was excepted, for the reason that the legislature was satisfied with the company's ability to protect the state from loss. The interest on these new bonds was 3 per cent. for the first four years, 4 per cent. for the second four years, 5 per cent. for the next four years, and 6 per cent. for the next six years, and increasing 1 per cent. every

defending the United States, and the amount of debt contracted in any one year to provide for deficiencies of the revenue shall not exceed one-fourth of a mill on each dollar of taxable property, and the aggregate amount of such debt shall not at any time exceed three-fourths of a mill on the dollar on such valuation until the same shall equal \$100,000,000, and thereafter such debt shall not exceed \$100,000; and the debt incurred for erection of public buildings shall not exceed a half mill on the dollar, nor at any time exceed \$50,000, except that if a law to that effect be ratified by a majority of all the voters voting thereon at a general election a debt not to exceed three mills on the dollar of such valuation may be incurred for the erection of public buildings.

Under the constitution, neither the state, nor any county, city, township, or school district, can become a stockholder or joint owner in any corporation or company, nor can any such civil division lend or pledge the faith thereof to, or become responsible for, the debts of any person, company, or corporation, public or private, in or out of the state. These provisions do not apply, however, to debts incurred by any county or municipality during the territorial government.

When Colorado became a state she assumed the debt of the territory, amounting to about \$42,000.

The debt of the state on the 30th day of November, 1880, consisted of outstanding warrants and certificates of indebtedness to the amount of \$212,814.

#### NEVADA.

On becoming a state Nevada assumed the territorial debt, which, on October 30, 1864, amounted to \$264,110 47, maturing as follows:

Bonds, February 1, 1865.....	\$5,000 00
Bonds, March 1, 1865.....	20,000 00
Bonds, February 1, 1866.....	35,000 00
Bonds, March 1, 1866.....	20,000 00
Bonds, February 1, 1867.....	35,000 00
Bonds, March 1, 1867.....	20,000 00
Bonds, February 1, 1868.....	40,000 00
Bonds, February 1, 1869.....	50,000 00
	<hr/>
Outstanding warrants.....	225,000 00
	<hr/>
Total.....	39,110 47
	<hr/>
	264,110 47
	<hr/>

Of the bonded debt, \$165,000 was bearing 10 per cent., and \$60,000 was bearing 18 per cent. per annum, payable semi-annually.

These bonds were issued in 1862 and 1864, respectively, \$165,000 being for current and existing indebtedness of the territory, and \$60,000 being unpaid balance of bonds issued for the erection of a state prison.

The issue and sale of \$150,000 in bonds was authorized by the legislature by act passed January 4, 1865. The bonds were to be dated when issued, to mature after one year from date, to bear interest not exceeding 2 per cent. per month, and to be sold at not less than par value.

On February 14, 1865, 10 per cent. interest-bearing bonds, to mature on January 1, 1870, to the amount of \$110,000, were authorized to be issued for the purpose of refunding the territorial prison bonds and the outstanding warrants of that government. This act was amended on March 10, 1865, so as to include other claims against the territory.

On December 31, 1865, there were outstanding—

Territorial bonds.....	\$160,000
State bonds for territorial indebtedness.....	116,042
State bonds under act January 4, 1865.....	60,000
Interest on bonded debt.....	23,780
	<hr/>
	359,822
And a floating debt of about.....	90,000

On January 19, 1866, an act authorizing the issue of \$200,000 bonds was passed for the purpose of defraying the expenses of the government.

On December 31 of that year the bonds outstanding were as follows:

Territorial bonds.....	\$125,000
State bonds for territorial indebtedness, act February 14, 1865.....	96,156
State bonds, under act January 19, 1866, due February 1, 1867.....	200,000
	<hr/>
	421,156
	<hr/>

The floating indebtedness and interest on the debt amounted to \$164,000, and there was available in the state treasury about \$90,000.

In order to meet the large amount of bonds maturing during the years 1875 and 1876 the fund commissioners, with the advice and consent of the governor, issued and negotiated the following bonds of the denomination of \$1,000 each:

When issued.	Number of bonds sold.	Series.	Amount realized.	Rate per cent.
1875.				
March .....	600	Funding bonds.....	\$571, 075 00	95. 17+
May 1.....	200	Renewal funding bonds.....	259, 109 00	99. 65+
July 1.....	540	Renewal funding bonds.....	534, 900 00	99. 00
December 1 .....	2, 287	Renewal funding bonds.....	2, 238, 061 00	98. 76+
1876.				
July 1.....	200	Renewal funding bonds.....	209, 006 00	104. 50+
December 1 .....	225	Renewal funding bonds.....	232, 945 81	103. 52+

From the foregoing it will be seen that during the years 1875 and 1876 there were issued 3,728 bonds of \$1,000 each, the proceeds of which, except 41 bonds issued under the provisions of an act approved March 29, 1875, were applied to the payment of maturing bonds.

In addition to the above there were sold, in June, 1876, 200 bonds of \$1,000 each at a fraction over 104½ cents (or \$1,045 03 each bond) on the dollar, which were delivered and paid for, but not included in the foregoing table, because the proceeds, in accordance with the terms of sale, were not paid into the treasury within the period of time embraced in the report of the fund commissioners.

The commissioners say that in the face of the stringency of the money market, making it almost impossible to collect taxes, they have not only met the accruing interest promptly, but have paid off and retired \$359,000 of bonds during the preceding eighteen months, which left the balance of \$41,447 93, to meet and take up a like amount of outstanding bonds. They say that the state securities have advanced from 92½ to 105½ cents on the dollar. Owing to the reduction made in the bonded debt, and the funding of the 7 per cent. with the 6 per cent. bonds, the annual interest decreased between January 1, 1875, and June 30, 1876, \$37,000.

The following tables present an analysis of the state debt as it stood December 31, 1880:

Bonded debt.....	\$16, 259, 000
Issued for—	
Railroads.....	6, 797, 000
Refunding old debt.....	7, 681, 000
State university.....	201, 000
Lunatic asylum.....	200, 000
State debt proper.....	439, 000
Penitentiary indemnity.....	41, 000
School fund.....	900, 000
Bearing 6 per cent. interest.....	16, 259, 000

ISSUE.		MATURITY.	
Previous to 1860.....	\$6, 712, 000	1882.....	\$17, 000
1860.....	242, 000	1883.....	422, 000
1862.....	17, 000	1885.....	4, 000
1863.....	265, 000	1886.....	1, 922, 000
1868.....	2, 727, 000	1887.....	3, 242, 000
1872.....	401, 000	1888.....	3, 251, 000
1874.....	504, 000	1889.....	863, 000
1875.....	3, 223, 000	1890.....	242, 000
1876.....	425, 000	1892.....	401, 000
1877.....	838, 000	1894.....	504, 000
Unspecified (school fund).....	900, 000	1895.....	3, 223, 000
		1896.....	425, 000
		1897.....	838, 000
		Indefinite (school fund).....	900, 000
Total.....	16, 259, 000	Total.....	16, 259, 000

This bonded debt (\$16,259,000) does not include the \$3,000,000 of bonds issued to the Hannibal and Saint Joseph Railroad Company. That company pays the interest on these bonds promptly, the state having a statutory mortgage lien on the road to secure the payment of both principal and interest (auditor's report, 1879-'80). The above amount (\$3,000,000) was issued, and matures as follows:

ISSUE.		MATURITY.	
1857.....	\$1, 501, 000	1886.....	\$500, 000
1874.....	500, 000	1887.....	1, 000, 000
1875.....	203, 000	1894.....	500, 000
1876.....	779, 000	1895.....	203, 000
1877.....	17, 000	1896.....	779, 000
		1897.....	17, 000
		Overdue.....	1, 000
Total.....	3, 000, 000	Total.....	3, 000, 000

# HISTORY OF STATE DEBTS—MISSOURI.

639

Statement of the bonded debt of Missouri, exclusive of \$3,000,000 in Hannibal and Saint Joseph railroad bonds:

Outstanding January 1, 1865 .....	\$21,734,000
Outstanding January 1, 1867 .....	20,147,000
Outstanding January 1, 1869 .....	18,654,000
Outstanding January 1, 1871 .....	17,866,000
Outstanding January 1, 1873 .....	18,748,000
Outstanding January 1, 1875 .....	17,839,000
Outstanding January 1, 1877 .....	17,248,000
Outstanding January 1, 1879 .....	16,758,000
Outstanding January 1, 1881 .....	16,259,000

The debt was mainly created under the following acts giving aid to railroads; of the amount of state credit loaned to the several railroad companies, the several acts under which state bonds were issued, and the amount issued to each:

Name of company.	Under what act of the general assembly issued.	Amount loaned each company.	Total amount loaned each company.	Amount of state bonds issued.	Total amount of state bonds issued.
Pacific Railroad Company.	"Act to expedite the construction of the Pacific and the Hannibal and Saint Joseph railroads", approved February 22, 1851.	\$2,000,000	.....	\$2,000,000	
	"Act to accept a grant of land, made to the state of Missouri by the Congress of the United States, to aid in the construction of certain railroads in the state, and to apply a portion thereof to the Pacific railroad", approved December 25, 1852.	1,000,000	.....	1,000,000	
	Same act, to southwest branch of the Pacific railroad, by the act subsequently mentioned, of December 10, 1855, transferred to Kansas road.	1,000,000	.....	1,000,000	
	"Act to secure the completion of certain railroads in this state", which became a law December 10, 1855.	2,000,000	.....	2,000,000	
	"Act to amend an act to secure the completion of certain railroads in this state, and for other purposes", approved March 3, 1857.	1,000,000	.....	1,000,000	
Pacific Railroad Company, southwest branch.	"Act to secure the completion of certain railroads in this state", which became a law December 10, 1855 (construction or guarantee bonds).	3,000,000	.....	3,000,000	
	Act to amend the act above recited, approved March 3, 1857 .....	1,500,000	.....	*800,000	
	An act amendatory of the act of March 3, 1857, approved November 19, 1857 .....	700,000	.....	700,000	
Hannibal and Saint Joseph Railroad Company.	"Act to expedite the construction of the Pacific and the Hannibal and Saint Joseph railroads", approved February 22, 1851.	1,500,000	.....	1,500,000	4,500,000
	"Act to secure the completion of certain railroads in this state", which became a law December 10, 1855.	1,500,000	.....	1,500,000	
North Missouri Railroad Company.	"Act to expedite the construction of the North Missouri railroad", approved December 23, 1852.	2,000,000	.....	1,950,000	3,000,000
	"Act to secure the completion of certain railroads in this state", which became a law December 10, 1855.	2,000,000	.....	2,000,000	
	Act to amend the above act of December 10, 1855, approved March 3, 1857 .....	1,500,000	.....	400,000	
Saint Louis and Iron Mountain Railroad Company.	"Act to expedite the construction of the Iron Mountain branch of the Pacific railroad", approved December 25, 1852, and "An act explanatory and amendatory of said act", approved February 23, 1853.	750,000	.....	750,000	4,350,000
	"Act to aid in the construction of the Saint Louis and Iron Mountain railroad", approved March 3, 1855.	750,000	.....	750,000	
	"Act to secure the completion of certain railroads in this state", which became a law December 10, 1855.	1,500,000	.....	1,500,000	
	Act to amend the above act of December 10, 1855, approved March 3, 1857 .....	600,000	.....	276,000	
	"Act in relation to the Saint Louis and Iron Mountain Railroad Company", approved March 9, 1859.	.....	.....	225,000	
Cairo and Fulton Railroad Company.	"Act to expedite the construction of the Cairo and Fulton railroad of Missouri", which became a law December 11, 1855.	250,000	.....	250,000	3,501,000
	"Act to amend the 'Act to secure the completion of certain railroads in this state, and for other purposes'", approved March 3, 1857.	400,000	.....	400,000	
Platte County Railroad Company.	"Act to amend 'An act to secure the completion of certain railroads in this state, and for other purposes'", approved March 3, 1857.	700,000	.....	700,000	650,000
	Total .....	.....	.....	25,650,000	23,701,000

\* Of the amount issued to the Southwest Branch Pacific railroad \$3,800,000 were 7 per cent. guaranteed and \$2,580,000 were 6 per cent. direct; total, \$6,380,000. There was exchanged \$1,889,000 of the 7 per cents for a like amount of the 6 per cents, which left \$4,500,000 of aid granted.

All outstanding bonds bear interest at the rate of 6 per cent. per annum.

KANSAS.

The constitution of 1859 of Kansas provides that no debt shall be contracted by the state except for the purpose of defraying extraordinary expenses and making public improvements, such debts not to exceed in the aggregate \$1,000,000. Such debt must be authorized by law for a specified purpose, and must be adopted by a majority of the members elected to each house, the vote to be taken by yeas and nays; and every such law must provide for levying an annual tax sufficient to pay the interest and the principal when the same may become due. Other debts may be contracted by the state, provided the proposed law authorizing the same be first submitted to a direct vote of the electors of the state at a general election, and ratified by a majority of all the votes cast thereat. Money may also be borrowed to repel invasion, suppress insurrection, and defend the state in war.

The state cannot be a party in carrying on any work of internal improvement, or become a stockholder in any banking institution.

Hon. P. E. Bonebrake, for several years auditor of state, has prepared for the Census Office, a tabular statement showing the condition of the bonded debt of the state at eighteen annual periods, *i. e.*, from 1861 to 1878.

In connection with the table of Mr. Bonebrake, herewith appended, it is to be noted that the sinking fund is largely, but not wholly, composed of Kansas state bonds, and that the amount of such bonds are included with those owned by the several school funds in the next column, "State bonds owned by the state." The third column shows the total of outstanding bonds, no deductions being made for the amounts held in the several funds. The indebtedness remained the same in 1880.

Year.	Sinking fund.	State bonds owned by state.	State bonded debt.	Year.	Sinking fund.	State bonds owned by state.	State bonded debt.
1861.....			\$150,000	1870.....	\$67,359 56	\$468,375 00	\$1,341,075
1862.....			150,000	1871.....	109,947 20	562,125 00	1,336,675
1863.....			265,600	1872.....	144,474 54	638,075 00	1,336,675
1864.....			455,275	1873.....	166,424 90	647,175 00	1,333,075
1865.....			455,275	1874.....	200,064 64	703,825 00	1,340,275
1866.....		\$28,650 00	630,775	1875.....	228,709 83	769,450 00	1,385,775
1867.....		95,425 00	846,275	1876.....	122,405 67	740,200 00	1,235,975
1868.....		161,000 00	1,096,275	1877.....	136,262 57	737,600 00	1,235,975
1869.....		299,800 00	1,342,275	1878.....	122,746 72	713,600 00	1,181,975

Bonded debt..... \$1,181,975

Issued for—  
 Funding floating debt ..... 137,975  
 Public buildings..... 615,500  
 Streets ..... 70,000  
 Expenses of militia ..... 346,000  
 Relief of destitute people on the frontier..... 12,500  
1,181,975

Rates of interest :  
 Six per cent..... \$101,475  
 Seven per cent..... 1,080,500  
1,181,975

ISSUE.		MATURITY.	
1863.....	\$61,800	1883.....	\$61,800
1864.....	189,675	1884.....	189,675
1866.....	170,000	1886.....	100,000
1867.....	215,500	1887.....	15,500
1868.....	250,000	1888.....	30,000
1869.....	246,000	1889.....	157,000
1874.....	12,500	1894.....	12,500
1875.....	36,500	1895.....	36,500
		1896.....	70,000
		1897.....	200,000
		1898.....	220,000
		1899.....	89,000
Total.....	<u>1,181,975</u>	Total.....	<u>1,181,975</u>

NEBRASKA.

The original constitution of Nebraska contains several provisions in regard to the incurring of debts. Section 32 of Article II provides that the legislature shall not authorize the borrowing of money or the issuance of state bonds for any sum exceeding in the aggregate \$50,000 without submitting a proposition therefor to a vote of the people for their approval or rejection, except in case of war, to repel invasion, or suppress insurrection. Section 2 of the article of finance reads: "The credit of the state shall never be given or bound loaned in aid of any individual, association, or corporation."

Section 4 of the same article provides that the legislature may, for the purpose of defraying extraordinary expenses, contract public debts not to exceed \$50,000, the law authorizing the same to be passed by a majority of the members elected to each house, and shall provide for the levy of an annual tax sufficient to pay the interest and to extinguish the principal in ten years.

Another section authorizes the borrowing of money to repel invasion or defend the state in war. The sixth section of the same article prohibits the state from contracting debts for works of internal improvement or being a party in carrying on such works; but if grants be made to the state, dedicated to particular works of internal improvement, then the state may carry on the same and devote the avails of such grants and pledge, or appropriate the revenues derived from such works, in aid of their completion.

A new constitution was adopted, and ratified October 12, 1875.

The provision last mentioned is omitted, and the amount which a state may borrow is changed to \$100,000. The section first above mentioned (section 32, Article II) is also omitted.

On February 17, 1875, an act was passed authorizing the issue of \$50,000 bonds, payable in ten years from date, with 10 per cent. per annum interest, payable semi-annually. These bonds were issued for the purpose of purchasing seed-grain for distribution among the citizens of the state made destitute by the ravages of the grasshoppers in the year 1874. The act provides for the levy of an annual tax of one-tenth mill on the dollar in addition to all other taxes for the payment of interest and redemption of principal.

Section 8 of Article IX of the constitution of 1875 reads: "The legislature, at its first session, shall provide a law for the funding of all outstanding warrants and other indebtedness of the state at a rate of interest not exceeding 8 per cent. per annum."

In accordance with this provision, the legislature, at the ensuing session, on February 14, 1877, passed an act to fund the indebtedness of the state. The act states the debt to be \$566,369 38, and bonds were issued to that amount, payable twenty years after April 1, 1877, bearing 8 per cent. interest, payable semi-annually. These bonds were to be sold (giving the preference to the school fund of the state) on April 1, 1877, to the highest bidder, at not less than par, the bonds issued to the school fund to be taken at par. The act provides that all outstanding warrants not presented for payment before May 1, 1877, should from that day cease to bear interest.

Under this act bonds were issued and disposed of as follows:

For redemption of certificates of indebtedness issued by the state and held by the permanent school fund.....	\$342,957 34
Sold to permanent school fund at par, for cash.....	83,310 01
Sold to the highest bidder for cash, at 1.07.....	123,000 00
<hr/>	
Total issued.....	549,267 35
Premium on \$123,000, sold at 1.07.....	8,610 00
<hr/>	
Total realized.....	557,877 35

On January 1, 1879, the state had no indebtedness other than that represented by the following bonds:

Ten per cent. ten-year bonds, issued in 1875 for relief of grasshopper sufferers .....	\$50,000 00
Eight per cent. funding bonds, issued in 1877 .....	549,267 35
<hr/>	
Total.....	599,267 35

On February 24, 1879, an act was passed directing the immediate redemption of \$100,000 of the funding bonds held by the school fund, and providing for the reinvestment of that amount by the board of educational funds, thus leaving the amount of the bonded debt of the state, November 30, 1880, at \$499,267 35.

COLORADO.

Colorado was created a separate territory in 1861. Successive acts and presidential vetoes bring the admission as a state to August 31, 1876, when, by proclamation, Colorado was declared one of the states of the Union.

Profiting by the experience of the older states, Colorado, in and by her constitution, has restricted the power of the state to contract any debt, by loan in any form, except to provide for casual deficiencies of revenue, erect public buildings for the use of the state, to suppress insurrection and defend the state in war, and to assist in

defending the United States, and the amount of debt contracted in any one year to provide for deficiencies of the revenue shall not exceed one-fourth of a mill on each dollar of taxable property, and the aggregate amount of such debt shall not at any time exceed three-fourths of a mill on the dollar on such valuation until the same shall equal \$100,000,000, and thereafter such debt shall not exceed \$100,000; and the debt incurred for erection of public buildings shall not exceed a half mill on the dollar, nor at any time exceed \$50,000, except that if a law to that effect be ratified by a majority of all the voters voting thereon at a general election a debt not to exceed three mills on the dollar of such valuation may be incurred for the erection of public buildings.

Under the constitution, neither the state, nor any county, city, township, or school district, can become a stockholder or joint owner in any corporation or company, nor can any such civil division lend or pledge the faith thereof to, or become responsible for, the debts of any person, company, or corporation, public or private, in or out of the state. These provisions do not apply, however, to debts incurred by any county or municipality during the territorial government.

When Colorado became a state she assumed the debt of the territory, amounting to about \$42,000.

The debt of the state on the 30th day of November, 1880, consisted of outstanding warrants and certificates of indebtedness to the amount of \$212,814.

#### NEVADA.

On becoming a state Nevada assumed the territorial debt, which, on October 30, 1864, amounted to \$264,110 47, maturing as follows:

Bonds, February 1, 1865.....	\$5,000 00
Bonds, March 1, 1865.....	20,000 00
Bonds, February 1, 1866.....	35,000 00
Bonds, March 1, 1866.....	20,000 00
Bonds, February 1, 1867.....	35,000 00
Bonds, March 1, 1867.....	20,000 00
Bonds, February 1, 1868.....	40,000 00
Bonds, February 1, 1869.....	50,000 00
	<hr/>
Outstanding warrants.....	225,000 00
	<hr/>
Total.....	39,110 47
	<hr/>
	264,110 47
	<hr/>

Of the bonded debt, \$165,000 was bearing 10 per cent., and \$60,000 was bearing 18 per cent. per annum, payable semi-annually.

These bonds were issued in 1862 and 1864, respectively, \$165,000 being for current and existing indebtedness of the territory, and \$60,000 being unpaid balance of bonds issued for the erection of a state prison.

The issue and sale of \$150,000 in bonds was authorized by the legislature by act passed January 4, 1865. The bonds were to be dated when issued, to mature after one year from date, to bear interest not exceeding 2 per cent. per month, and to be sold at not less than par value.

On February 14, 1865, 10 per cent. interest-bearing bonds, to mature on January 1, 1870, to the amount of \$110,000, were authorized to be issued for the purpose of refunding the territorial prison bonds and the outstanding warrants of that government. This act was amended on March 10, 1865, so as to include other claims against the territory.

On December 31, 1865, there were outstanding—

Territorial bonds.....	\$160,000
State bonds for territorial indebtedness.....	116,042
State bonds under act January 4, 1865.....	60,000
Interest on bonded debt.....	23,780
	<hr/>
	359,822
And a floating debt of about.....	90,000

On January 19, 1866, an act authorizing the issue of \$200,000 bonds was passed for the purpose of defraying the expenses of the government.

On December 31 of that year the bonds outstanding were as follows:

Territorial bonds.....	\$125,000
State bonds for territorial indebtedness, act February 14, 1865.....	96,156
State bonds, under act January 19, 1866, due February 1, 1867.....	200,000
	<hr/>
	421,156
	<hr/>

The floating indebtedness and interest on the debt amounted to \$164,000, and there was available in the state treasury about \$90,000.

On February 6, 1867, a loan of \$500,000 was authorized, and bonds to bear interest not exceeding 12\* per cent. per annum, payable in five years, were to be issued therefor. The act recites that the loan is made under the provisions of section 7, Article XVII, and of section 3, Article IX.

The outstanding territorial bonds were all redeemed, and all the territorial indebtedness, as well as the \$200,000 state bonds, were paid out of the proceeds of this loan.

There were outstanding on December 31, 1869, in addition to the above, bonds issued under the act of February 14 and March 10, 1865, amounting, with interest, to \$80,575.

On February 27, 1871, an act authorizing the issue of \$120,000 for redemption of bonds issued for the extinguishment of territorial debt and \$280,000 to defray expenses of the government was passed. The bonds were to bear 10 per cent. interest, and payable within ten years.

Under several intervening acts loans were made, and the following exhibits the debt of the state on December 31, 1872:

State bonds issued April 1, 1871, redeemable in ten years.....	\$100,000
State bonds issued March 1, 1872, redeemable in ten years.....	120,000
State bonds issued March 1, 1872, redeemable in fifteen years.....	380,000
	660,000
Floating debt and interest.....	70,724
	730,724
There was in the sinking fund belonging to school fund—	
Bonds amounting, with interest, to.....	\$107,173
Cash in treasury.....	240,181
	347,354
Net debt.....	383,370

An act was passed in 1875, and amended by an act passed January 28, 1879, under which the entire state debt was funded. The redeemable bonded debt of Nevada, December 31, 1880, amounted to \$56,400. This amount comprises bonds issued in 1871 to refund the old debt of the state. They bear 10 per cent. interest, and mature in 1881. In addition to this, the state issued to the school fund in 1879 bonds to the amount of \$380,000, bearing 5 per cent. interest, which are irredeemable. The sinking fund of the state at that date amounted to \$312,372, composed of cash and California state bonds.

#### OREGON.

The debt of the state of Oregon on April 1, 1880, consisted of two kinds, *i. e.*, bonds bearing 7 per cent. and warrants bearing 10 per cent. interest. Of the first the following is a schedule:

*Soldiers' bounty bonds.*—Authorized by act of legislative assembly, approved October 24, 1864, "granting bounties to volunteers of this state enlisted in the service of the United States," due July 1, 1884; amount still outstanding, \$26,000, for which there is on hand, applicable to their payment, \$30,000; but as they are not payable, at the option of the state, holders will not relinquish them.

*Soldiers' relief bonds.*—Authorized by act of legislative assembly, approved October 24, 1864, appropriating \$100,000 for relief of discharged officers and soldiers from this state; due in twenty years; amount still outstanding, \$761 10. The funds for the payment of both classes of these bonds were raised by special levy of a one-mill tax on all real and personal property in the state, which act was repealed and approved by the governor October 24, 1876.

*Willamette Falls Canal and Lock Company's bonds.*—The payment of principal and interest of these is guaranteed by the state, according to an act of the legislative assembly approved October 21, 1870; payable out of moneys arising from the sale of "state lands" and the 5 per cent. United States land sale fund; amount still outstanding, \$156,000. These bonds mature January 1, 1880. (?)

*Modoc war bonds.*—These bonds were issued in payment of the debt arising out of the Modoc war of 1872. The act creating them was approved October 22, 1874. The amount issued and still outstanding is \$132,858 76, payable out of the general fund by taxation. These bonds matured July 1, 1880, but no provision having been made for their payment by the legislature of 1878, they are still in the hands of the original holders or their assigns.

*Indian war bonds of 1878.*—Authorized by act of the legislature, approved October 17, 1878, for payment of the debt arising out of the war with the "Nez Percé," "Cayuse," and other tribes of Indians in 1877-'78. Amount issued and in course of being audited (approximated), \$42,000. These bonds are payable out of the general fund, and mature January 1, 1890.

*State warrants bearing ten per cent. interest.*—These warrants were authorized by acts of the legislature at different sessions to aid in the construction of "wagon roads" in different parts of the state; were issued during the years 1873, 1874, and 1875; the amount still outstanding is \$135,600, with interest from date, payable out of

\* Increased to 15 per cent. by act of February 25, 1867.

the "swamp and overflowed", "tide", 5 per cent. United States land sale, and other state land funds. The law creating this class of liabilities was declared unconstitutional by one of the state circuit courts, but that decision was reversed by the supreme court of the state at its present session, commencing January 1, 1880.

*Other outstanding warrants.*—Warrants payable out of special tax of three mills on all real and personal property in the state are being rapidly paid. These now amount to about \$28,000, with interest from June 1, 1874.

The following is a statement of the debt September 1, 1880:

Bonds bearing 7 per cent. interest:	
Soldiers' relief bonds, payable July 1, 1884.....	\$761 10
The soldiers' bounty bonds, payable January 1, 1875 .....	25,850 00
Willamette Falls canal bonds, payable January 1, 1881.....	151,500 00
Modoc war bonds, payable January 1, 1880 .....	132,921 78
Umatilla war bonds, payable January 1, 1890 .....	45,475 51
	356,508 39
Outstanding warrants:	
Warrants drawing 10 per cent. interest, payable out of specific funds, such as swamp, overflowed, tide, 5 per cent., and other land funds, exclusive of interest.....	\$134,530 00
Outstanding warrants, payable from special tax, exclusive of interest .....	20,337 76
	154,867 76
Total state indebtedness .....	511,376 15

#### CALIFORNIA.

The history of the California state debt is a short one. Upon the admission of this state to the Union a constitution was adopted which provided that the legislature should not in any manner create any debt or liability which should, singly or in the aggregate, with any previous debts and liabilities, exceed the sum of \$300,000, except in case of war, to repel invasion, or to suppress insurrection, unless the issue was first submitted to the people after three months' notice. The state was also forbidden to engage with others in any internal improvement, or to subscribe to stock thereto, or lend its aid or credit to any corporation or institution. The cities in California are also forbidden by the same instrument to incur a like liability.

On the 1st of February, 1850, an act was passed authorizing the making of a temporary loan of \$300,000, with which to set the treasury in operation.

On the 29th of April, 1851, an act was passed to fund the debt of the state, for which purpose \$700,000 in bonds were issued. On the 1st of May, 1852, an act was passed authorizing the issue of \$600,000 in bonds, in order to pay all outstanding comptroller's warrants issued since April 29, 1851, and prior to December 31, 1852. Bonds were also issued by act of May 17, 1853, to meet the expenses of the government from December 31, 1852, to June 30, 1853. On the 16th of March, 1855, a loan was authorized, and bonds to the amount of \$700,000 were issued to pay all outstanding comptroller's warrants drawn upon the state treasury between the 30th day of June, 1853, and the 1st day of July, 1855. On the 19th day of April, 1856, bonds to the amount of \$1,500,000 were issued to pay all outstanding indebtedness occurring prior to January 1, 1857. An act was passed April 28, 1857, authorizing the treasurer to prepare and issue bonds to the amount of \$3,900,000 to fund the indebtedness of the state. The claims entitled to be funded were as follows:

First. Civil bonds issued under the acts passed in the years 1851, 1852, 1853, 1855, and 1856.

Second. Comptroller's warrants, drawn under sanction of law, for civil expenses incurred prior to January 1, 1857.

Third. Just or legal claims against the state incurred prior to January, 1857, and which were allowed and audited by act of the legislature.

On the 30th of April, 1860, \$200,000 of bonds were authorized to pay these claims.

1. April 4, 1863, soldiers' bounty bonds .....	\$2,000,000
2. April 27, 1863, soldiers' relief bonds .....	600,000
3. April 4, 1864, line officers' relief bonds.....	65,000

On the 4th of April, 1870, \$250,000 in capitol bonds were issued for payment of work or labor done or material furnished in, on, or about the state capitol and its surrounding grounds. On the 2d of April, 1870, an act was passed authorizing the issue of \$3,700,000 in bonds for the payment of the funded indebtedness of the state, as follows:

First. Outstanding bonds issued under act of April 28, 1857.

Second. Outstanding bonds issued under act of April 30, 1860.

Third. Outstanding soldiers' relief bonds.

Fourth. Outstanding soldiers' bounty bonds.

On the 28th of March, 1872, \$250,000 state capitol bonds were issued for payment of work or labor done or material furnished in or about the state capitol and its surrounding grounds after the 1st day of June, 1872.

The total funded debt<sup>o</sup> of California on June 30, 1879, was \$3,403,000, of which amount the state school fund holds \$1,737,500, and the "consolidated perpetual endowment fund of the University of California" \$952,500, making a total of \$2,690,000, which, deducted from the total indebtedness, leaves \$713,000 in the hands of parties unknown. These bonds were issued:

Years.	Amount.	Date of act authorizing.
1857.....	\$5,000	April 28, 1857.
1860.....	1,500	April 30, 1860.
1863.....	95,500	April 27, 1863.
1870.....	250,000	April 4, 1870.
1872.....	250,000	March 28, 1872.
1873.....	2,801,000	April 2, 1870.
Total.....	3,403,000	

On that date there was a sinking fund for the redemption of bonds (besides the amount required to redeem the bonds issued in 1857 and 1860) amounting to \$89,886 47, but, in the opinion of the treasurer of state, legislation was required to designate the bonds to be redeemed.\* On the same date the floating debt was \$83,170 25, consisting of outstanding comptroller's warrants; but the money to pay the same was then in the treasury, the total amount of cash in the treasury being \$1,498,450 55.

The following is a further analysis of the bonded debt:

Bonded debt.....	\$3,403,000
Issued for—	
Public buildings.....	500,000
Refunding old debt.....	2,801,000
Unspecified.....	6,500
Soldiers' relief bonds.....	95,500
Total.....	3,403,000
Rates of interest—	
Six per cent.....	2,801,000
Seven per cent.....	602,000
Total.....	3,403,000
Issue:	
Previous to 1860.....	6,500
"    1870.....	250,000
"    1872.....	250,000
"    1873.....	2,801,000
"    1863.....	95,500
Total.....	3,403,000
Maturity unspecified: July 1, 1885; July 1, 1887; July 2, 1893; July 1, 1883.....	3,403,000

### THE TERRITORIES.

Most of the territories have no debt in their territorial capacity. The changes are so rapid in their new settlements that, with the power of municipal obligation of counties, towns, and school districts in some of them, it is not easy to be so exact as in older and more permanently established communities in any statement of local municipal debt. The only territories having a bonded territorial debt in 1880 were Idaho, with \$69,249, and Montana, with \$70,000.

\* Treasurer's Report, 1879, page 16.

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CONSTITUTIONAL PROVISIONS

RELATING TO

STATE AND LOCAL DEBTS.

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# CONSTITUTIONAL PROVISIONS RELATING TO STATE AND LOCAL DEBTS.

The following table shows at a glance the state constitutional provisions restricting the power of the states and minor political divisions to lend their credit to or in aid of corporations, etc., or to become stockholders in any corporations:

States.	The credit of the state cannot be loaned, or aid given, to corporations, etc.			The state cannot become a stockholder in any corporation, etc.			Minor political divisions cannot loan their credit or grant aid.			Minor political divisions cannot become stockholders, etc.		
	Constitution.			Constitution.			Constitution.			Constitution.		
	Year.	Article.	Section.	Year.	Article.	Section.	Year.	Article.	Section.	Year.	Article.	Section.
NEW ENGLAND STATES.												
Maine	1848	VI										
New Hampshire							1877	II	a5	1877	II	a5
Vermont												
Massachusetts												
Rhode Island	1842	IV	b13									
Connecticut							1877	rXXV		1877	rXXV	
MIDDLE STATES.												
New York	1874	VIII	10				1874	VIII	11	1874	VIII	11
New Jersey	1844	IV	*6				1875	I	Par. 19	1875	I	Par. 19
Pennsylvania	1873	IX	6	1873	IX	6	1873	IX	Sec. 7	1873	IX	Sec. 7
Delaware												
Maryland	1867	III	34				1867	III	c54	1867	III	c54
SOUTHERN STATES.												
Virginia	1870	X	12	1870	X	14						
West Virginia	1872	X	6	1872	X	6						
North Carolina	1876	II	del4				1876	{ II VII	del4 7 }			
South Carolina	1873	XVI	(f)				1868	IX	g9			
Georgia	1877	VII	5	1877	VII	5	1877	VII	6	1877	VII	6
Florida	1875	XIII	7	1875	XIII	7	1875	XIII	7	1875	XIII	7
Alabama	1875	IV	54	1875	IV	54	1875	IV	55	1875	IV	55
Mississippi	1868	XII	5	1868	XII	5	1868	XII	h14	1868	XII	h14
Louisiana	1870	LVI		1870	LVI		1870	LVI		1870	LVI	
Texas	1876	III	50				1876	III	52	1876	III	52
Arkansas							1874	XII	5	1874	XII	6
Kentucky	1850	II	38									
Tennessee	1870	II	31				1870	II	i29	1870	II	i29
WESTERN STATES.												
Ohio	1851	VIII	4	1851	VIII	4	1851	VIII	6	1851	VIII	6
Illinois	1870	IV	20				1870		(o)	1870		(o)
Indiana	1851	XI	12	1851	XI	12				1851	X	j6
Michigan	1850	XIV	6	1850	XIV	8	1850	XV	g13			
Wisconsin	1848	VIII	3	1848	VIII	p10						
Iowa	1857	VII	1	1857	VIII	3				1857	VIII	k4
Minnesota	1860	IX	10	1857	IX	p5				1859	IX	l15
Missouri	1875	IV	45				1875	IV	47	1875	IV	47
Kansas				1859	{ XIII XI	m5 8 }						
Nebraska	1875	XII	8				1875	XII	n2	1875	XI	1
Colorado	1876	XI	1	1876	XI	2	1876	XI	1	1876	XI	2
Nevada	1864	VIII	s9	1864	VIII	s9	1864	VIII	t10	1864	VIII	t10
Oregon	1857	XI	q8	1857	XI	6	1857	XI	9	1857	XI	9
California	1870	XII	13	1870	XII	13	1870	IV	31			

\* Subdivision three.  
a Refers to towns only; took effect June, 1870.  
b Unless expressly assented to by the people.  
c Refers to counties only, which cannot loan their credit, or become indebted for works of internal improvement unless authorized by the legislature.  
d Unless bill authorizing the same be read three times.  
e Except by a vote of a majority of voters, &c.  
f Unless authorized by a two-thirds vote at a general election.  
g It is made the duty of the legislature to restrict the powers.  
h Unless two-thirds of the voters assent.  
i Unless three-fourths of the voters assent.  
j Refers to counties only, and they may become stockholders but cannot incur debt or borrow money therefor.  
k Refers to banking corporations only.  
l Indebtedness for aiding construction of railroad cannot exceed five per centum of taxable property.  
m State cannot engage in any work of internal improvement or become stockholder in any banking institution.  
n Cannot make donation without vote of people.  
o The restraining provision is under "separate sections", superscribed "Municipal subscriptions to railroads", etc.  
p Cannot engage in works of internal improvement.  
q State cannot assume debts of minor political divisions or other corporations except when incurred for war purposes.  
r Refers to railroad corporations only.  
s Except for educational or charitable purposes.  
t Railroad corporations excepted.

## NEW ENGLAND STATES.

## MAINE.

The credit of the state cannot be directly or indirectly loaned. No debt or liability can be created by the legislature which shall, with previous debts and liabilities, exceed the amount of \$300,000, except to suppress insurrection and repel invasion, or for purposes of war. This provision, however, does not refer to any money that has been or may be deposited with the state by the government of the United States, or to any other fund which the state shall hold in trust for any Indian tribe. By an amendment adopted in 1868 the legislature is authorized to issue bonds, payable within twenty-one years, with 6 per cent. annual interest, the proceeds to be devoted solely toward the reimbursement of the expenditures incurred by cities, towns, villages, and plantations for war purposes during the rebellion, the total issue of bonds authorized by this amendment not to exceed, in the aggregate, \$3,500,000. An amendment adopted in 1877 limits the amount of indebtedness to be created by cities and towns to 5 per cent. of the last regular valuation of such city or town, except for war loans, to pay existing debts, or temporary loans, to be paid out of the current year's revenue.

## CONSTITUTION OF 1820.

ART. VI. [Amendment adopted in 1848.] The credit of the state shall not be directly or indirectly loaned in any case. The legislature shall not create any debt or debts, liability or liabilities, on behalf of the state, which shall singly, or in the aggregate, with previous debts and liabilities hereafter incurred at any one time, exceed three hundred thousand dollars, except to suppress insurrection, to repel invasion, or for purposes of war; but this amendment shall not be construed to refer to any money that has been or may be deposited with this state by the government of the United States, or to any fund which the state shall hold in trust for any Indian tribe.

ART. XIII. [Amendment adopted in 1868.] The state is authorized to issue bonds, payable within twenty-one years, at a rate of interest not exceeding six per cent. a year, payable semi-annually, which bonds, or their proceeds, shall be devoted solely toward the reimbursement of the expenditures incurred by the cities, towns, and plantations of the state for war purposes during the rebellion, upon the following basis: Each city, town, and plantation shall receive from the state one hundred dollars for every man furnished for the military service of the United States under and after the call of July second, eighteen hundred and sixty-two, and accepted by the United States toward its quota for the term of three years, and in the same proportion for every man so furnished and accepted for any shorter period; and the same shall be in full payment for any claim upon the state on account of its war debts by any such municipality. A commission appointed by the governor and council shall determine the amount to which each city, town, and plantation is entitled, to be devoted to such reimbursement; the surplus, if any, to be appropriated to the soldiers who enlisted or were drafted and went at any time during the war, or, if deceased, to their legal representatives. The issue of bonds hereby authorized shall not exceed in the aggregate three million five hundred thousand dollars, and this amendment shall not be construed to permit the credit of the state to be directly or indirectly loaned in any other case or for any other purpose.

ART. XXII. [Amendment of 1877, in force January 2, 1878.] No city or town shall hereafter create any debt or liability which, singly or in the aggregate with previous debts or liabilities, shall exceed five per centum of the last regular valuation of said city or town: *Provided, however,* That the adoption of this article shall not be construed as applying to any fund received in trust by said city or town, nor to any loan for the purpose of renewing existing loans or for war, or to temporary loans to be paid out of money raised by taxation during the year in which they are made.

## NEW HAMPSHIRE.

Amendment to section 5, part 2, of the constitution ratified in 1877 provides that the general court (legislature) cannot authorize any town to loan or give its money or credit for the benefit of any corporation having for its object the dividend of profits, or in any way aid the same by taking stock or bonds.

## VERMONT.

There is no constitutional limitation in this state respecting indebtedness, taxation, or the power to become stockholders, loaning or giving aid, etc., by the state, or by any political division thereof.

## MASSACHUSETTS.

There is no constitutional limitation in this state respecting indebtedness, taxation, or the power to become stockholders, loaning or giving aid, etc., by the state, or by any political division thereof.

## RHODE ISLAND.

In the state of Rhode Island the general assembly have no power, without the express consent of the people, to incur state debts exceeding \$50,000, except in time of war, or in case of insurrection or invasion. Nor can they, without such consent, pledge the faith of the state for the payment of the obligations of others. By the terms of the constitution this provision does not apply to deposits made by the general government. Every bill appropriating public money or public property for local or private purposes requires the assent of two-thirds of the members elected to each house of the general assembly.

## CONSTITUTION OF 1842.

ART. IV, SEC. 13. The general assembly shall have no power hereafter, without the express consent of the people, to incur state debts to an amount exceeding fifty thousand dollars, except in time of war, or in case of insurrection or invasion; nor shall they in any case, without such consent, pledge the faith of the state for the payment of the obligations of others. This section shall not be construed to refer to any money that may be deposited with this state by the government of the United States.

ART. IV, SEC. 14. The assent of two-thirds of the members elected to each house of the general assembly shall be required to every bill appropriating the public money or public property for local or private purposes.

## CONNECTICUT.

The constitution of the state of Connecticut places no limitation upon the power of the general assembly to create liabilities on behalf of the state, but an amendment adopted in October, 1877, provided that no county, city, town, borough, or other municipality shall ever subscribe to the capital stock of any railroad corporation, or become a purchaser of the bonds, or make donation to, or loan its credit in aid of, any such corporation.

ART. XXV. [Amendment adopted in October, 1877.] No county, city, town, borough, or other municipality shall ever subscribe to the capital stock of any railroad corporation, or become a purchaser of the bonds, or make donation to, or loan its credit, directly or indirectly, in aid of any such corporation; but nothing herein contained shall affect the validity of any bonds or debts incurred under existing laws, nor be construed to prohibit the general assembly from authorizing any town or city to protect, by additional appropriations of money or credit, any railroad debt contracted prior to the adoption of this amendment.

## MIDDLE STATES.

## NEW YORK.

The power of the assembly to loan the credit of the state was taken away in New York by the constitution of 1846. The constitution of that year provides that the credit of the state shall not, in any manner, be given or loaned to, or in aid of, any individual, association, or corporation. The state may, to meet casual deficits or failures in revenues, or for expenses not provided for, contract debts not to exceed at any time \$1,000,000. The legislature may, in addition to this limited power, contract debts to repel invasion, suppress insurrection, and defend the state in war. Debts not above specified cannot be contracted unless the same be authorized by law for some single work or object, and such laws must impose and provide for the collection of a direct annual tax to pay the interest on such debt as it falls due, and the principal thereof within eighteen years from the time of contracting the same, and such laws do not take effect until they have been submitted to the people at a general election, and have received a majority of all the votes cast for or against them at such election. On the final passage of such bill in either house of the legislature the question is taken by yeas and nays, and entered upon the journals. No such law can be submitted to be voted upon within three months after its passage, nor at any general election when any other law, or any bill or amendment of the constitution, shall be submitted to be voted for or against. It is made a duty of the legislature to provide for the organization of cities and villages, and to restrict their power of taxation, assessment, borrowing money, contracting debts, and loaning their credit. This provision is supplemented by amendments adopted in 1874, which provide that no county, city, town, or village shall hereafter give any money or property, or loan its credit to, or in aid of, any individual, association, or corporation, or become an owner of stock in, or bonds of, any association or corporation, or be allowed to incur any indebtedness, except for county, city, town, or village purposes. The tenth section of this amendment provides that neither the credit nor the money of the state shall be given or loaned to, in, or aid of any association, corporation, or private undertaking, with a further provision that the section (article 8, section 10) shall not prevent the legislature from making provision for the education and support of the blind and deaf and dumb and juvenile delinquents, etc.

## CONSTITUTION OF 1846.

ART. VII, SEC. 9. The credit of the state shall not, in any manner, be given or loaned to, or in aid of, any individual, association, or incorporation.

ART. VII, SEC. 10. The state may, to meet casual deficits or failures in revenues, or for expenses not provided for, contract debts; but such debts, direct and contingent, singly or in the aggregate, shall not at any time exceed one million of dollars, and the moneys arising from the loans creating such debts shall be applied to the purpose for which they were obtained, or to repay the debt so contracted, and to no other purpose whatever.

ART. VII, SEC. 11. In addition to the above limited power to contract debts, the state may contract debts to repel invasion, suppress insurrection, or defend the state in war, but the money arising from the contracting of such debts shall be applied to the purpose for which it was raised, or to repay such debts, and to no other purpose whatever.

ART. VII, SEC. 12. Except the debts specified in the tenth and eleventh sections of this article, no debt shall be hereafter contracted by or on behalf of this state unless such debt shall be authorized by a law for some single work or object, to be distinctly specified therein, and such law shall impose and provide for the collection of a direct annual tax to pay, and sufficient to pay, the interest on such debt as it falls due, and also to pay and discharge the principal of such debt within eighteen years from the time of the contracting thereof. No such law shall take effect until it shall at a general election have been submitted to the people and have received a majority of all the

votes cast for and against it at such election. On the final passage of such bill in either house of the legislature the question shall be taken by ayes and noes, to be duly entered on the journals thereof, and shall be: "Shall this bill pass, and ought the same to receive the sanction of the people?" The legislature may at any time after the approval of such law by the people, if no debt shall have been contracted in pursuance thereof, repeal the same, and may at any time by law forbid the contracting of any further debt or liability under such law; but the tax imposed by such act, in proportion to the debt and liability which may have been contracted in pursuance of such law, shall remain in force and be irrevocable, and be annually collected, until the proceeds thereof shall have made the provision hereinbefore specified to pay and discharge the interest and principal of such debt and liability. The money arising from any loan or stock creating such debt or liability shall be applied to the work or object specified in the act authorizing such debt or liability, or for the repayment of such debt or liability, and for no other purpose whatever. No such law shall be submitted to be voted on within three months after its passage or at any general election when any other law, or any bill, or any amendment to the constitution, shall be submitted to be voted for or against.

ART. VIII, SEC. 9. It shall be the duty of the legislature to provide for the organization of cities and incorporated villages, and to restrict their power of taxation, assessment, borrowing money, contracting debts, and loaning their credit, so as to prevent abuses in assessments and in contracting debt by such municipal corporation.

The following amendments were adopted in 1874:

ART. VIII, SEC. 10. Neither the credit nor the money of the state shall be given or loaned to or in aid of any association, corporation, or private undertaking. This section shall not, however, prevent the legislature from making such provision for the education and support of the blind, the deaf and dumb, and juvenile delinquents as to it may seem proper; nor shall it apply to any fund or property now held, or which may hereafter be held, by the state for educational purposes.

ART. VIII, SEC. 11. No county, city, town, or village shall hereafter give any money or property, or loan its money or credit, to or in aid of any individual, association, or corporation, or become, directly or indirectly, the owner of stock in or bonds of any association or corporation, nor shall any such county, city, town, or village be allowed to incur any indebtedness, except for county, city, town, or village purposes. This section shall not prevent such county, city, town, or village from making such provision for the aid or support of its poor as may be authorized by law.

#### NEW JERSEY.

In New Jersey the state credit cannot be directly or indirectly loaned in any case, nor can the legislature in any manner create any debt or liability of the state which shall, singly or in the aggregate with previous debts, at any time exceed \$100,000, except for purposes of war, or to repel invasion or to suppress insurrection, unless the same is authorized by law for some single object or work; such law does not take effect until it is submitted to the people at a general election, and has received the sanction of the majority of all the votes cast for or against it. This provision does not refer, however, to any money that has been or may be deposited with the state by the government of the United States. Counties, cities, boroughs, towns, townships, and villages cannot give any money or property or loan money or credit to, or in aid of, any individual, association, or corporation, or become security for or be the owner of any stock or bonds of any association or corporation, nor can any donation of land or appropriation of money be made by either the state or any municipal corporation to or for the use of any society, association, or corporation.

Article I, amendments to the constitution, ratified in 1875, provides:

Paragraph 20. No donation of land or appropriation of money shall be made by the state or any municipal corporation to or for the use of any society, association, or corporation whatever.

Article 4, constitution of 1844, provides:

SEC. 6. *Three.* The credit of the state shall not be directly or indirectly loaned in any case.

*Four.* The legislature shall not, in any manner, create any debt or debts, liability or liabilities, of the state, which shall singly or in the aggregate, with any previous debts or liabilities, at any time exceed one hundred thousand dollars, except for purposes of war, or to repel invasion, or to suppress insurrection, unless the same shall be authorized by a law for some single object or work, to be distinctly specified therein, which law shall provide the ways and means, exclusive of loans, to pay the interest of each debt or liability as it falls due, and also to pay and discharge the principal of such debt or liability within thirty-five years from the time of the contracting thereof, and shall be irrevocable until such debt or liability, and the interest thereon, are fully paid and discharged; and no such law shall take effect until it shall, at a general election, have been submitted to the people, and have received the sanction of a majority of all the votes cast for and against it at such election, and all money to be raised by the authority of such law shall be applied only to the specific object stated therein, and to the payment of the debt thereby created. This section shall not be construed to refer to any money that has been or may be deposited with this state by the government of the United States.

Amendment to constitution ratified in 1875:

Article I, Paragraph 19. No county, city, borough, town, township, or village shall hereafter give any money or property, or loan its money or credit to, or in aid of, any individual, association, or corporation, or become security for, or be directly or indirectly the owner of, any stock or bonds of any association or corporation.

#### PENNSYLVANIA.

In Pennsylvania no debt can be created by or on behalf of the state, except to supply casual deficiencies of revenue, repel invasion, suppress insurrection, defend the state in war, or pay existing debts; the debt created to supply deficiencies in revenue cannot, however, exceed, in the aggregate, at any one time, \$1,000,000. The credit of the commonwealth cannot be pledged or loaned to, nor can the commonwealth become a joint owner or stock owner in any company, association, or corporation, nor assume the debt, or any part thereof, of any city, county,

borough, or township, unless the same was contracted to enable the state to repel invasion, etc. The general assembly is forbidden to authorize any county, city, borough, township, or incorporated district to become a stockholder in any company, association, or corporation, or to obtain or appropriate money for, or loan its credit to, any such corporation, association, institution, or individual. The debt of any county, city, borough, township, school district, or other municipality cannot exceed 7 per cent. upon the assessed valuation of the taxable property therein, nor can such municipality or incorporated district incur any new debt or increase its indebtedness to an amount exceeding 2 per cent. upon such assessed valuation, without the consent of the electors thereof at a public election. In cities, however, where the debt exceeded 7 per cent. of the valuation at the time of the adoption of the constitution (1873), the same may by law be authorized to increase the sum 3 per cent. upon such valuation. Before incurring any indebtedness, such county, township, etc., must, at or before the time of so doing, provide for the collection of an annual tax sufficient to pay the interest, and also the principal thereof, within thirty years, and also create a sinking fund, which shall be inviolably pledged for the payment of its funded debt.

## CONSTITUTION OF 1873.

ART. IX, SEC. 4. No debt shall be created by or on behalf of the state, except to supply casual deficiencies of revenue, repel invasions, suppress insurrection, defend the state in war, or to pay existing debt, and the debt created to supply deficiencies in revenue shall never exceed, in the aggregate, at any one time, one million of dollars.

ART. IX, SEC. 5. All laws authorizing the borrowing of money by and on behalf of the state shall specify the purpose for which the money is to be used, and the money so borrowed shall be used for the purpose specified, and no other.

ART. IX, SEC. 6. The credit of the commonwealth shall not be pledged or loaned to any individual, company, corporation, or association, nor shall the commonwealth become a joint owner or stockholder in any company, association, or corporation.

ART. IX, SEC. 7. The general assembly shall not authorize any county, city, borough, township, or incorporated district to become a stockholder in any company, association, or corporation, or to obtain or appropriate money for, or to loan its credit to, any corporation, association, institution, or individual.

ART. IX, SEC. 8. The debt of any county, city, borough, township, school district, or other municipality or incorporated district, except as herein provided, shall never exceed seven per centum upon the assessed value of the taxable property therein, nor shall any such municipality or district incur any new debt or increase its indebtedness to an amount exceeding two per centum upon such assessed valuation of property without the assent of the electors thereof at a public election, in such manner as shall be provided by law; but any city, the debt of which now exceeds seven per centum of such assessed valuation, may be authorized by law to increase the same three per centum in the aggregate, at any one time, upon such valuation.

ART. IX, SEC. 9. The commonwealth shall not assume the debt, or any part thereof, of any city, county, borough, or township, unless such debt shall have been contracted to enable the state to repel invasion, suppress domestic insurrection, defend itself in time of war, or to assist the state in the discharge of any portion of its present indebtedness.

ART. IX, SEC. 10. Any county, township, school district, or other municipality incurring any indebtedness shall, at or before the time of so doing, provide for the collection of an annual tax sufficient to pay the interest, and also the principal thereof, within thirty years.

ART. XV, SEC. 3. Every city shall create a sinking fund, which shall be inviolably pledged for the payment of its funded debt.

## DELAWARE.

There are no constitutional provisions restricting the legislature of Delaware, or any counties, cities, or other municipalities therein, from incurring debts, subscribing to stock, or loaning their respective credit.

## MARYLAND.

In Maryland no debt can be contracted by the general assembly unless the same is authorized by a law which provides for the collection of an annual tax sufficient to pay the interest as it falls due and to discharge the principal within fifteen years from the time of contracting the same, and the general assembly may, without levying tax, borrow an amount not to exceed \$50,000 to meet temporary deficiencies in the treasury, and contract debt to any amount that may be necessary for the defense of the state. The credit of the state cannot in any manner be given or loaned to or in aid of any individual, association, or corporation, nor can the general assembly in any manner engage in the construction of works of internal improvement, nor in granting aid thereto, which shall involve the faith or credit of the state, nor make any appropriations, except in aid of the construction of works of internal improvement in certain named counties, which aid or advances shall not exceed \$500,000. Counties cannot contract debts or obligations in the construction of any railroad, canal, or other work of internal improvement, nor give or loan their credit to or in aid of such corporation, unless specially authorized by an act of the general assembly, which must be published two months before the next election for members of the house of delegates in the newspaper published in the county, and be approved by a majority of all the members elected to each house of the general assembly.

## CONSTITUTION OF 1867.

ART. III, SEC. 34. No debt shall be hereafter contracted by the general assembly, unless such debt shall be authorized by a law providing for the collection of an annual tax, or taxes, sufficient to pay the interest on such debt as it falls due, and also to discharge the principal thereof, within fifteen years from the time of contracting the same; and the taxes laid for this purpose shall not be repealed or applied to any other object until the said debt, and interest thereon, shall be fully discharged. The credit of the state shall not in any manner be given or loaned to, or in aid of, any individual, association, or corporation; nor shall the general assembly have the power in any mode to involve the state in the construction of works of internal improvement, nor in granting any aid thereto, which shall involve the

faith or credit of the state; nor make any appropriation therefor, except in aid of the construction of works of internal improvement in the counties of Saint Mary's, Charles, and Calvert, which have had no direct advantage from such works as have been heretofore aided by the state; and provided that such aid, advances, or appropriations shall not exceed, in the aggregate, the sum of five hundred thousand dollars. And they shall not use or appropriate the proceeds of the internal-improvement companies, or of the state tax now levied, or which may hereafter be levied, to pay off the public debt, to any other purpose until the interest and debt are fully paid or the sinking fund shall be equal to the amount of the outstanding debt; but the general assembly may, without laying a tax, borrow an amount, never to exceed fifty thousand dollars, to meet temporary deficiencies in the treasury, and may contract debts to any amount that may be necessary for the defense of the state.

ART. III, SEC. 54. No county of this state shall contract any debt or obligation in the construction of any railroad, canal, or other work of internal improvement, nor give or loan its credit to, or in aid of, any association or corporation, unless authorized by an act of the general assembly, which shall be published for two months before the next election for members of the house of delegates, in the newspapers published in such county, and shall also be approved by a majority of all the members elected to each house of the general assembly at its next session after said election.

## SOUTHERN STATES.

### VIRGINIA.

The credit of the state of Virginia cannot be granted in aid of any person, association, or corporation, nor can the state subscribe to or become interested in the stock of any such company, association, or corporation. No scrip, certificate, or other evidence of state indebtedness can be issued, except for previously existing debts, or for such debts as are expressly authorized by the constitution of 1870; nor can the state be a party to or become interested in any work of internal improvement, nor engage therein, otherwise than in the expenditure of grants to the state of land or other property. The state cannot assume the indebtedness of any county, borough, or city, nor loan its credit to the same.

#### CONSTITUTION OF 1870.

ART. X, SEC. 12. The credit of the state shall not be granted to, or in aid of, any person, association, or corporation.

ART. X, SEC. 13. No scrip, certificate, or other evidence of state indebtedness shall be issued except for the redemption of stock previously issued, or for such debts as are expressly authorized in this constitution.

ART. X, SEC. 14. The state shall not subscribe to or become interested in the stock of any company, association, or corporation.

ART. X, SEC. 15. The state shall not be a party to or become interested in any work of internal improvement, nor engage in carrying on any such work, otherwise than in the expenditure of grants to the state of land or other property.

ART. X, SEC. 17. The state shall not assume any indebtedness of the county, borough, or city, nor lend its credit to the same.

### WEST VIRGINIA.

The legislature of West Virginia cannot contract any debt for the state, except to meet casual deficits in the revenue, to redeem a previous liability of the state, to suppress insurrection, to repel invasion, or defend the state in time of war. The payment of all liabilities other than that for the ordinary expenses of the state must be equally distributed over a period of at least twenty years. The credit of the state cannot be granted to, nor can the state assume the debts or liabilities of, any county, city, town, township, corporation, or person, nor become a joint owner or stockholder in any company or corporation, either in the state or elsewhere, formed for any purpose whatever. Counties cannot assess taxes in any one year to exceed 95 cents on \$100 valuation, except for the support of free schools or the payment of indebtedness existing at the time of the adoption of the constitution of 1872, except with the assent of three-fifths of the voters of the county. Counties, cities, school districts, and municipal corporations are not allowed to become indebted in any manner to an amount, including existing indebtedness, in the aggregate, exceeding 5 per cent. of the value of all taxable property therein; and no debt shall be contracted unless all questions connected therewith shall have been submitted to the people and received three-fifths of all the votes cast for or against the same.

#### CONSTITUTION OF 1872.

ART. X, SEC. 4. No debt shall be contracted by this state, except to meet casual deficits in the revenue, to redeem a previous liability of the state, to suppress insurrection, repel invasion, or defend the state in time of war; but the payment of any liability, other than that for the ordinary expenses of the state, shall be equally distributed over a period of at least twenty years.

ART. X, SEC. 5. The power of taxation of the legislature shall extend to provisions for the payment of the state debt and interest thereon, the support of free schools, and the payment of the annual estimated expenses of the state; but whenever any deficiency in the revenue shall exist in any year, it shall, at the regular session thereof held next after the deficiency occurs, levy a tax for the ensuing year sufficient, with the other sources of income, to meet such deficiency, as well as the estimated expenses of such year.

ART. X, SEC. 6. The credit of the state shall not be granted to or in aid of any county, city, township, corporation, or person; nor shall the state ever assume or become responsible for the debts or liabilities of any county, city, town, township, corporation, or person; nor shall the state ever hereafter become a joint owner or stockholder in any company or association, in this state or elsewhere, formed for any purpose whatever.

ART. X, SEC. 7. County authorities shall never assess taxes in any one year the aggregate of which shall exceed ninety-five cents per one hundred dollars valuation, except for the support of free schools, payment of indebtedness existing at the time of the adoption of this constitution, and for the payment of any indebtedness, with the interest thereon, created under the succeeding section, unless such assessment, with all questions involving the increase of such aggregate, shall have been submitted to the vote of the people of the county and have received three-fifths of all the votes cast for and against it.

ART. X, SEC. 8. No county, city, school district, or municipal corporation, except in cases where such corporations have already authorized their bonds to be issued, shall hereafter be allowed to become indebted, in any manner, or for any purpose, to an amount, including existing indebtedness, in the aggregate exceeding five per centum on the value of the taxable property therein, to be ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness; nor without, at the same time, providing for the collection of a direct annual tax sufficient to pay, annually, the interest on such debt, and the principal thereof, within and not exceeding thirty-four years: *Provided*, That no debt shall be contracted under this section unless all questions connected with the same shall have been first submitted to a vote of the people and have received three-fifths of all the votes cast for and against the same.

#### NORTH CAROLINA.

In North Carolina all laws passed to raise money on the credit of the state, or to pledge the faith of the state, or to impose any tax, or to allow counties, cities, or towns to do so, are required to be read three several times in each house of the general assembly, and pass three several readings on three different days, and be agreed to by each house respectively, and the yeas and nays on the second and third reading of the bill must be entered on the journal.

Until the bonds of the state shall be at par, the general assembly has no power to contract any new debt, except to supply a casual deficit, or for suppressing invasion or insurrection, unless the bill authorizing the same shall levy a special tax to pay the interest annually. The credit of the state cannot be given or loaned except to aid in the completion of such railroads as may be unfinished at the date of the adoption of the present constitution (1876), or in which the state has a direct pecuniary interest, unless the subject is submitted to a direct vote of the people and approved by a majority of those voting on the proposition. Counties, cities, towns, and other municipal corporations cannot contract debts or pledge their faith or loan their credit, nor can they levy any tax, except for the necessary expenses thereof, unless by the vote of a majority of all the qualified voters therein. These several provisions were adopted and became part of the constitution of 1876. An amendment adopted and ratified March 4, 1879, forbids the general assembly from assuming or paying any debt or bond incurred or issued by authority of the convention of the year 1868, or of any debt or bond incurred or issued by the legislature of 1868, either at its special session of that year or at its regular sessions of the years 1868-'69 and 1869-'70, except the bonds issued to fund the interest on the old debts, unless the proposition to pay them shall have first been submitted to the people and ratified by the vote of the majority of all the qualified voters of the state at a regular election held for that purpose.

#### CONSTITUTION OF 1876.

ART. II, SEC. 14. No law shall be passed to raise money on the credit of the state, or to pledge the faith of the state, directly or indirectly, for the payment of any debt, or to impose any tax upon the people of the state, or to allow the counties, cities, or towns to do so, unless the bill for the purpose shall have been read three several times in each house of the general assembly and passed three several readings, which reading shall have been on three different days, and agreed to by each house respectively, and unless the yeas and nays on the second and third reading of the bill shall have been entered on the journal.

ART. V, SEC. 4. Until the bonds of the state shall be at par, the general assembly shall have no power to contract any new debt or pecuniary obligation in behalf of the state, except to supply a casual deficit, or for suppressing invasion or insurrection, unless it shall in the same bill levy a special tax to pay the interest annually. And the general assembly shall have no power to give or lend the credit of the state in aid of any person, association, or corporation, except to aid in the completion of such railroads as may be unfinished at the time of the adoption of this constitution, or in which the state has a direct pecuniary interest, unless the subject be submitted to a direct vote of the people of the state and be approved by a majority of those who shall vote thereon.

ART. VII, SEC. 7. No county, city, town, or other municipal corporation shall contract any debt, pledge its faith, or loan its credit, nor shall any tax be levied or collected by any officers of the same, except for the necessary expenses thereof, unless by a vote of a majority of the qualified voters therein.

An amendment to article 1, section 6, ratified by the legislature March 14, 1879, is as follows:

Nor shall the general assembly assume or pay, or authorize the collection of any tax to pay, either directly or indirectly, expressed or implied, any debt or bond incurred or issued by authority of the convention of the year one thousand eight hundred and sixty-eight, nor shall any debt or bond incurred or issued by the legislature of the year one thousand eight hundred and sixty-eight, either at its special session of the year one thousand eight hundred and sixty-eight or at its regular sessions of the years one thousand eight hundred and sixty-eight and one thousand eight hundred and sixty-nine, and one thousand eight hundred and sixty-nine and one thousand eight hundred and seventy, except the bonds issued to fund the interest on the old debts of the state, unless the proposing to pay the same shall have first been submitted to the people, and by them ratified by the vote of a majority of all the qualified voters of the state at a regular election held for that purpose.

#### SOUTH CAROLINA.

The constitution of South Carolina, adopted in 1868, forbids the issue of any scrip, certificate, or other evidence of indebtedness, except for the redemption of previously-issued evidences of indebtedness, or for such debts as are expressly authorized by the constitution. Public debts may be contracted for the purpose of defraying extraordinary

expenditures; such debts shall be authorized by law for some single object, and such laws do not take effect until passed by the votes of two-thirds of the members of each branch of the general assembly, to be recorded by yeas and nays on the journals of each house, and each such law must levy a tax annually sufficient to pay the annual interest of such debt. It is made the duty of the general assembly to provide for the incorporation of cities and towns, and restrict their powers of taxation, contracting debts, borrowing money, and loaning their credit. By an amendment adopted in 1873 the general assembly is forbidden to create any further debt or obligation, either by the loan of the credit of the state, by guarantee, indorsement, or otherwise, except for the ordinary and current business of the state, without the consent of two-thirds of the qualified voters of the state voting on the question.

#### CONSTITUTION OF 1868.

ART. IX, SEC. 10. No scrip, certificate, or other evidence of state indebtedness shall be issued, except for the redemption of stock, bonds, or other evidences of indebtedness previously issued, or for such debts as are expressly authorized in this constitution.

ART. IX, SEC. 7. For the purpose of defraying extraordinary expenditures, the state may contract public debts; but such debts shall be authorized by law for some single object, to be distinctly specified therein; and no such law shall take effect until it shall have been passed by the vote of two-thirds of the members of each branch of the general assembly, to be recorded by yeas and nays on the journals of each house, respectively; and every such law shall levy a tax annually sufficient to pay the annual interest of such debt.

ART. IX, SEC. 14. Any debt contracted by the state shall be by loan on state bonds, of amounts not less than fifty dollars each, on interest, payable within twenty years after the final passage of the law authorizing such debt. \* \* \* \*

ART. IX, SEC. 9. The general assembly shall provide for the incorporation and organization of cities and towns, and shall restrict their powers of taxation, borrowing money, contracting debts, and loaning their credit.

The following amendment to the constitution was ratified in 1873:

ART. XVI. To the end that the public debt of South Carolina may not hereafter be increased without the due consideration and free consent of the people of the state, the general assembly is hereby forbidden to create any further debt or obligation, either by the loan of the credit of the state, by guaranty, indorsement, or otherwise, except for the ordinary and current business of the state, without first submitting the question as to the creation of any such new debt, guaranty, indorsement, or loan of its credit, to the people of this state at a general state election; and unless two-thirds of the qualified voters of this state, voting on the question, shall be in favor of a further debt, guaranty, indorsement, or loan of its credit, none such shall be created or made.

#### GEORGIA.

The constitution now in force in the state of Georgia was adopted in 1877. By the terms thereof no debt shall be contracted by or on behalf of the state, except to supply casual deficiencies of revenue, to repel invasion, suppress insurrection, and defend the state in war, or to pay the existing public debt. The debt created to supply deficiencies in the revenue shall not exceed \$200,000. The credit of the state shall not be pledged or loaned, nor shall the state become a joint owner or stockholder in any company, association, or corporation. An amendment to the constitution of 1870 was adopted and ratified on May 1, 1877. It declares as illegal, null, and void a number of bonds issued by the state and guaranteed by the state. The payment or assessment of any of the bonds or debt mentioned in that amendment is forbidden by the present constitution, nor can any officer of the state or of the general assembly consent to submit the question of the validity of the bonds thus declared illegal to any tribunal. The bonded debt of the state cannot be increased, except to repel invasion, suppress insurrection, defend the state, etc. The general assembly is required to raise by taxation annually \$100,000, which is to constitute a sinking fund for the redemption of existing public debt. The general assembly cannot, by vote, resolution, or order, grant any donation or gratuity to, nor can they authorize any county, municipal corporation, or political division of the state to become a stockholder in, any company or corporation, or appropriate money for or loan its credit thereto, except for purely charitable purposes. The debts of counties, municipal corporations, or other political divisions of the state cannot exceed 7 per cent. of the assessed value of all the taxable property therein, nor can any new debt be incurred, except for a temporary loan to supply casual deficiencies of revenue, not to exceed one-fifth of 1 per cent. of the assessed value of the taxable property therein, without the assent of two-thirds of the qualified voters thereof. Cities whose debt does not exceed 7 per cent. at the time of the adoption of the constitution may be authorized by law to increase it to that amount. Before incurring any bonded indebtedness, such counties, etc., must, at or before the time of doing so, provide for the payment and collection of an annual tax sufficient in amount to pay the interest and the principal within thirty years. The state cannot assume the debt of any political division thereof unless the same is incurred in defense of the state.

#### CONSTITUTION OF 1877.

ART. VII, sec. 3, par. I. No debt shall be contracted by or on behalf of the state, except to supply casual deficiencies of revenue, to repel invasion, suppress insurrection, and defend the state in time of war, or to pay the existing public debt; but the debt created to supply deficiencies in revenue shall not exceed, in the aggregate, two hundred thousand dollars.

Ib., sec. 4, par. I. All laws authorizing the borrowing of money by or on behalf of the state shall specify the purposes for which the money is to be used, and the money so obtained shall be used for the purpose specified, and for no other.

Ib., sec. 5, par. I. The credit of the state shall not be pledged or loaned to any individual, company, corporation, or association, and the state shall not become a joint owner or stockholder in any company, association, or corporation.

Ib., sec. 11, par. I. The general assembly shall have no authority to appropriate money, either directly or indirectly, to pay the whole, or any part, of the principal or interest of the bonds or other obligations which have been pronounced illegal, null, and void by the general assembly, and the constitutional amendments ratified by a vote of the people on the (1st day of May, 1877;\* nor shall the general assembly have authority to pay any of the obligations created by the state under laws passed during the late war between the states, nor any of the bonds, notes, or obligations made and entered into during the existence of said war, the time for the payment of which was fixed after the ratification of a treaty of peace between the United States and the Confederate States; nor shall the general assembly pass any law, or the governor, or other state official, enter into any contract, or agreement, whereby the state shall be made a party to any suit in any court of this state, or of the United States, instituted to test the validity of any such bonds or obligations.

Ib., sec. 12, par. I. The bonded debt of the state shall never be increased, except to repel invasion, suppress insurrection, or defend the state in time of war.

Section 13 provides for the application of the proceeds of the railroads (the property of the state) toward the payment of the public debt.

Ib., sec. 14, par. I. The general assembly shall raise, by taxation, each year, in addition to the sum required to pay the public expenses and interest on the public debt, the sum of one hundred thousand dollars, which shall be held as a sinking fund, to pay off and retire the bonds of the state which have not yet matured, and shall be applied to no other purpose whatever. If the bonds cannot at any time be purchased at or below par, then the sinking fund herein provided for may be loaned by the governor and treasurer of the state: *Provided*, The security which shall be demanded for said loan shall consist only of the valid bonds of the state; but this section shall not take effect until the eight per cent. currency bonds, issued under the act of February the 19th, 1873, shall have been paid.

Ib., sec. 16, par. I. The general assembly shall not, by vote, resolution, or order, grant any donation or gratuity in favor of any person, corporation, or association.

Ib., sec. 6, par. I. The general assembly shall not authorize any county, municipal corporation, or political division of this state to become a stockholder in any company, corporation, or association, or to appropriate money for, or to loan its credit to, any corporation, company, association, institution, or individual, except for purely charitable purposes. This restriction shall not operate to prevent the support of schools by municipal corporations within their respective limits: *Provided*, That if any municipal corporation shall offer to the state any property for locating or building a capitol, and the state accepts such offer, the corporation may comply with such offer.

Ib., sec. 7, par. I. The debt hereafter incurred by any county, municipal corporation, or political division of this state, except as in this constitution provided for, shall never exceed seven per centum of the assessed value of all the taxable property therein, and no such county, municipality, or division shall incur any new debt, except for a temporary loan or loans, to supply casual deficiencies of revenue, not to exceed one-fifth of one per centum of the assessed value of taxable property therein, without the assent of two-thirds of the qualified voters thereof, at an election for that purpose, to be held as may be prescribed by law; but any city, the debt of which does not exceed seven per centum of the assessed value of the taxable property at the time of the adoption of this constitution, may be authorized by law to increase, at any time, the amount of said debt three per centum upon such assessed valuation.

Ib., sec. 7, par. II. Any county, municipal corporation, or political division of this state which shall incur any bonded indebtedness under the provisions of this constitution shall, at or before the time of so doing, provide for the assessment and collection of an annual tax sufficient in amount to pay the principal and interest of said debt within thirty years from the date of the incurring of said indebtedness.

Ib., sec. 8, par. I. The state shall not assume the debt, nor any part thereof, of any county, municipal corporation, or political division of the state, unless such debt shall be contracted to enable the state to repel invasion, suppress insurrection, or defend itself in time of war.

Ib., sec. 10, par. I. Municipal corporations shall not incur any debt until provision therefor shall have been made by the municipal government.

## FLORIDA.

The constitution of Florida grants express power to issue state bonds for securing the debt of the state, for the erection of state buildings, and support of state indebtedness, and forbids the pledging or loaning of the credit thereof to any individual, etc.; nor can the state become a joint owner or stockholder of any company, or authorize

\* The following is the constitutional amendment referred to, and was adopted as an additional clause to the sixth section of the third article of the constitution of 1870. It was ratified on the 1st day of May, 1877:

"Neither the general assembly, nor any other authority or officer of this state, shall ever have power to pay, or recognize as legal, or in any sense valid or binding upon the state, any direct bonds, gold bonds, or currency bonds, or the state's alleged guarantee or indorsement of any railroad bonds, or any other bonds, guarantees, or indorsements heretofore declared to be illegal, fraudulent, or void by act or resolution of the legislature of the state, or that may be declared illegal, fraudulent, or void by act or resolution of the legislature originating this amendment, viz: The state gold bonds issued under the act of October 17, 1870, in aid of the Brunswick and Albany Railroad Company; the currency bonds, issued under the act of August 27, 1870; the quarterly gold bonds, issued under the act of September 15, 1870, which are enumerated in the act of August 23, 1872; the indorsement of the state upon the bonds of the Brunswick and Albany Railroad Company, made under the act of March 18, 1869; the indorsement of the state upon the bonds of the Cartersville and Van Wert Railroad Company and of the Cherokee Railroad Company; the indorsement of the state upon the bonds of the Bainbridge, Cuthbert, and Columbus Railroad Company, and all other bonds, guarantees, or indorsements declared illegal, fraudulent, or void, as herein provided. Nor shall any general assembly ever have power to provide for the reindorsement of such railroad bonds, or to place the state's guarantee upon the same; or to provide for the indorsement or guarantee by the state of any new bonds issued in lieu of, or to pay off, or retire such railroad bonds by any railroad company; or to issue bonds of the state to such railroad companies, or other persons, in payment or in lieu of such indorsed bonds, or other bonds herein declared illegal; or to lend the aid or credit of the state, by any act, resolution, or law, to such railroad companies, or to other incorporated companies, or persons acquiring or succeeding to the rights and franchises of said companies; or to buy the railroads of such companies; or to submit the question of the liability of the state upon any of the bonds, or indorsements upon bonds, or other guarantee herein declared illegal, fraudulent and void, or upon any claim for money advanced upon said bonds, indorsements, or guarantees, or expended by said companies or other person in and about the construction of said railroads, to the decision of any court, tribunal, or person whatever; or to pay, assume, or secure, directly or indirectly, by any act, resolution, or law, any money advanced, or claimed to have been advanced, on the bonds, indorsements, or other guarantees herein declared to be invalid."

any county, city, borough, or township to do so, or to loan their credit thereto. All laws authorizing the levying of taxes for the benefit of chartered companies, or for paying the interest on bonds issued by them, are declared null and void.

#### CONSTITUTION OF 1868.

ART. XIII, SEC. 6. The legislature shall authorize the several counties and incorporated towns in the state to impose taxes for county and incorporation purposes, and for no other purpose. \* \* \*

ART. XIII, SEC. 8. No tax shall be levied upon persons for the benefit of any chartered company of the state, or for paying the interest on any bonds issued by said chartered companies, counties, or corporations, for the above-mentioned purposes, and any laws to the contrary are hereby declared null and void.

Section 7, article 13, constitution 1868, as amended in 1875, reads as follows :

The legislature shall have power to provide for issuing state bonds, bearing interest, for securing the debt of the state, for the erection of state buildings, and for the support of state institutions ; but the credit of the state shall not be pledged or loaned to any individual, company, corporation, or association, nor shall the state become a joint owner or stockholder in any company, association, or corporation.

The legislature shall not authorize any county, city, borough, township, or incorporated district to become a stockholder in any company, association, or corporation, or to obtain or appropriate money for, or to loan its credit to, any corporation, association, institution, or individual.

#### ALABAMA.

The state of Alabama cannot engage in any work of internal improvement, loan money or its credit in aid thereof, be interested in any private or corporate enterprise, or lend money or credit to any individual, association, or corporation; nor can the general assembly authorize any political division of the state to do so. No new debt can be created against or incurred by the state, except to repel invasion or suppress insurrection, and then only by the concurrence of two-thirds of the members of each house of the general assembly, and the vote must be taken by yeas and nays and entered on the journals. The governor, however, may be authorized to negotiate temporary loans, not to exceed the sum of \$100,000. Bonds may be issued in adjustment of existing state indebtedness. The power to levy tax in one year is limited to three-quarters of 1 per cent. on the value of the taxable property. Counties cannot levy exceeding one-half of 1 per cent., except that they may levy an additional one-fourth of 1 per cent. for the payment of existing indebtedness, and a special tax to pay debts created in the erection of public buildings. Cities, towns, and other municipal corporations cannot levy to exceed one-half of 1 per cent. of the value of the property as assessed for state taxation during the preceding year, except that for the payment of debts existing at the date of the ratification of the constitution (1875) an additional 1 per cent. may be collected, to be exclusively applied to that purpose.

#### CONSTITUTION OF 1875.

ART. 4, SEC. 54. The state shall not engage in works of internal improvement, nor lend money or its credit in aid of such; nor shall the state be interested in any private or corporate enterprise, or lend money or its credit to any individual association or corporation.

ART. 4, SEC. 55. The general assembly shall have no power to authorize any county, city, town, or other subdivision of this state to lend its credit or to grant public money or thing of value in aid of, or to any individual, association, or corporation whatsoever, or to become a stockholder in any such corporation, association, or company, by issuing bonds or otherwise.

ART. X, SEC. 3. After the ratification of this constitution no new debt shall be created against or incurred by this state or its authority, except to repel invasion or suppress insurrection, and then only by a concurrence of two-thirds of the members of each house of the general assembly, and the vote shall be taken by yeas and nays and entered on the journals; and any act creating or incurring any new debt against this state, except as herein provided for, shall be absolutely void: *Provided*, The governor may be authorized to negotiate temporary loans, never to exceed \$100,000, to meet deficiencies in the treasury, and until the same is paid no new loan shall be negotiated: *Provided further*, That this section shall not be so construed as to prevent the issuance of bonds in adjustment of existing state indebtedness.

ART. X, SEC. 4. The general assembly shall not have the power to levy in any one year a greater rate of taxation than three-fourths of one per centum on the value of the taxable property within this state.

ART. X, SEC. 5. No county in this state shall be authorized to levy a larger rate of taxation in any one year, on the value of the taxable property therein, than one-half of one per centum: *Provided*, That to pay debts existing at the ratification of this constitution an additional rate of one-fourth of one per cent. may be levied and collected, which shall be exclusively appropriated to the payment of such debts, or the interest thereon: *Provided further*, That to pay any debt or liability now existing against any county, incurred for the erection of the necessary public buildings or other ordinary county purposes, or that may hereafter be created for the erection of necessary public buildings or bridges, any county may levy and collect such special taxes as may have been, or may hereafter be, authorized by law, which taxes, so levied and collected, shall be applied exclusively for the purposes for which the same shall have been levied and collected.

ART. X, SEC. 7. No city, town, or other municipal corporation other than provided for in this article shall levy or collect a larger rate of taxation, in any one year, on the property thereof, than one-half of one per centum of the value of such property, as assessed for state taxation during the preceding year: *Provided*, That for the payment of debts existing at the date of the ratification of this constitution, and the interest thereon, an additional rate of one per centum may be collected, to be applied exclusively to such indebtedness. \* \* \* [The balance of this section makes exceptions in regard to Mobile until January 1, 1879.]

#### MISSISSIPPI.

The credit of the state of Mississippi cannot be pledged or loaned in aid of any person, association, or corporation, nor can the state become a stockholder in any corporation or association, nor can the legislature authorize any

county, city, or town to do so, unless two-thirds of the qualified voters of such county, city, or town assent thereto. The payment of the bond or bonds generally known as the Union Bank bonds or Planters' Bank bonds is forbidden by an amendment adopted in 1875.

Article XII of the constitution of 1868 provides:

SEC. 5. The credit of the state shall not be pledged or loaned in aid of any person, association, or corporation, nor shall the state hereafter become a stockholder in any corporation or association.

Amended in 1875 as follows:

ART. XII, SEC. 5. Add the following:

Nor shall the state assume, redeem, secure, or pay any indebtedness or pretended indebtedness claimed to be due by the state of Mississippi to any person, association, or corporation whatsoever, claiming the same as owners, holders, or assignees of any bond or bonds now generally known as Union Bank bonds or Planters' Bank bonds.

Article XII, constitution of 1868:

SEC. 14. The legislature shall not authorize any county, city, or town to become a stockholder in, or to loan its credit to, any company, association, or corporation, unless two-thirds of the qualified voters of such county, city, or town, at a special election or regular election to be held therein, shall assent thereto.

SEC. 16. No county shall be denied the right to raise, by special tax, money sufficient to pay for the building and repairing of court-houses, jails, bridges, and other necessary conveniences for the people of the county; and money thus collected shall never be appropriated for any other purpose: *Provided*, The tax thus levied shall be a certain per cent. on all tax levied by the state.

#### LOUISIANA.

The present constitution of Louisiana was adopted in 1879, and by the terms of its provisions the general assembly has no power to contract debts or liabilities, or to issue bonds or other evidences of indebtedness, except for the purpose of repelling invasion or suppressing insurrection. Neither the state nor any political division thereof can loan its credit or become stockholder in any corporation or association; nor can the state, nor any political division thereof, assume the debts of any other corporation or association whatsoever, nor undertake to carry on the business of any such corporation or association, or become part owner therein. The state tax on property, for all purposes whatever, is limited to six mills on the dollar of its assessed value in any one year.

Article 44 of the constitution of 1879 provides:

The general assembly shall have no power to contract, or to authorize the contracting, of any debt or liability, on behalf of the state, or to issue bonds or other evidence of indebtedness thereof, except for the purpose of repelling invasion or for the suppression of insurrection.

Article 56. The funds, credit, property, or things of value of the state, or of any political corporation thereof, shall not be loaned, pledged, or granted to or for any person or persons, association or corporation, public or private; nor shall the state or any political corporation purchase or subscribe to the capital or stock of any corporation or association whatever, or for any private enterprise; nor shall the state, nor any political corporation thereof, assume the liabilities of any political, municipal, parochial, private, or other corporation or association whatsoever; nor shall the state undertake to carry on the business of any such corporation or association, or become a part owner therein: *Provided*, The state, through the general assembly, shall have the power to grant the right of way through its public lands to any railroad or canal.

Article 209. The state tax on property for all purposes whatever, including expenses of government, schools, levees, and interest, shall not exceed in any one year six mills on the dollar of its assessed valuation, if the ordinance regarding the bonded debt of the state is adopted and ratified by the people; and if said ordinance is not adopted and ratified by the people, said state tax for all purposes aforesaid shall not exceed in any one year five mills on the dollar of the assessed valuation of the property; and no parish or municipal tax for all purposes whatsoever shall exceed ten mills on the dollar of valuation: *Provided*, That for the purpose of erecting and constructing public buildings, bridges, and works of public improvement in parishes and municipalities the rates of taxation herein limited may be increased when the rate of such increase, and the purpose for which it is intended, shall have been submitted to a vote of the property tax-payers of such parish or municipality entitled to a vote under the election laws of the state and a majority of same voting at such election shall have voted therefor.

#### TEXAS.

In the state of Texas no debt can be created by, or on behalf of the state, except to supply casual deficiencies of revenue, repel invasion, etc., or pay existing debts. The debt created to supply deficiencies in revenue cannot exceed \$200,000. The credit of the state, or of any county, city, town, or other political corporation, cannot be loaned or pledged, nor can either of them grant public money or thing of value to any individual, association, or corporation, or become a stockholder in any corporation, association, or company. The state tax, exclusive of the tax necessary to pay the public debt, is limited to 50 cents on the \$100 valuation; that of counties, cities, and towns to one-half of the state tax, except for the payment of debts already incurred. Exception is made in the constitution for cities having more than ten thousand inhabitants (see article 11, section 5).

#### CONSTITUTION OF 1876.

ART. III, SEC. 49. No debt shall be created by or on behalf of the state, except to supply casual deficiencies of revenue, repel invasion, suppress insurrection, defend the state in war, or pay existing debt; and the debt created to supply deficiencies in the revenue shall never exceed in the aggregate at any one time two hundred thousand dollars.

ART. III, SEC. 50. The legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the state in aid of or to any person, association, or corporation, whether municipal or other, or to pledge the credit of the state in any manner whatsoever for the payment of the liabilities, present or prospective, of any individual, association of individuals, municipal or other corporation whatsoever.

ART. III, SEC. 51. The legislature shall have no power to make any grant, or authorize the making of any grant, of public money to any individual, association of individuals, municipal or other corporation whatsoever: *Provided*, That this shall not be so construed as to prevent the grant of aid in case of public calamity.

ART. III, SEC. 52. The legislature shall have no power to authorize any county, city, town, or other political corporation or subdivision of the state to lend its credit or to grant public money or thing of value in aid of or to any individual, association, or corporation whatsoever, or to become a stockholder in such corporation, association, or company.

ART. VIII, SEC. 9. The state tax on property, exclusive of the tax necessary to pay the public debt, shall never exceed fifty cents on the one hundred dollars' valuation, and no county, city, or town shall levy more than one-half of said state tax, except for the payment of debts already incurred, and for the erection of public buildings, not to exceed fifty cents on the one hundred dollars in any one year, and except as in this constitution is otherwise provided. [See sections 5, 6, and 7, Article XI.]

ART. XI, SEC. 3. No county, city, or other municipal corporation shall hereafter become a subscriber to the capital of any private corporation or association, or make any appropriation or donation to the same, or in any wise loan its credit; but this shall not be construed to in any way affect any obligation heretofore undertaken pursuant to law.

ART. XI, SEC. 4. Cities and towns having a population of ten thousand inhabitants or less may be chartered alone by general law. They may levy, assess, and collect an annual tax to defray the current expenses of their local government, but such tax shall never exceed, for any one year, one-fourth of one per cent., and shall be collectible only in current money. And all license and occupation tax levied, and all fines, forfeitures, penalties, and other dues accruing to cities and towns, shall be collectible only in current money.

ART. XI, SEC. 5. Cities having more than ten thousand inhabitants may have their charters granted or amended by special act of the legislature, and may levy, assess, and collect such taxes as may be authorized by law, but no tax for any purpose shall ever be lawful for any one year which shall exceed two and one-half per cent. of the taxable property of such city; and no debt shall ever be created by any city, unless at the same time provision be made to assess and collect annually a sufficient sum to pay the interest thereon and create a sinking fund of at least two per cent. thereon.

ART. XI, SEC. 6. Counties, cities, and towns are authorized, in such mode as may now or may hereafter be provided by law, to levy, assess, and collect the taxes necessary to pay the interest and provide a sinking fund to satisfy any indebtedness heretofore legally made and undertaken; but all such taxes shall be assessed and collected separately from that levied, assessed, and collected for current expenses of municipal government, and shall, when levied, specify in the act of levying the purpose therefor, and such taxes may be paid in the coupons, bonds, or other indebtedness, for the payment of which such tax may have been levied.

ART. XI, SEC. 7. All counties and cities bordering on the coast of the Gulf of Mexico are hereby authorized, upon a vote of two-thirds of the tax-payers therein (to be ascertained as may be provided by law), to levy and collect such tax for construction of sea-walls, breakwaters, or sanitary purposes as may be authorized by law, and may create a debt for such works, and issue bonds in evidence thereof; but no debt for any purpose shall ever be incurred in any manner by any city or county unless provision is made, at the time of creating the same, for levying and collecting a sufficient tax to pay the interest thereon and provide at least two per cent. as a sinking fund; and the condemnation of the right of way for the erection of such works shall be fully provided for.

Section 8 provides that the legislature may aid counties and cities mentioned in section 7.

#### ARKANSAS.

The constitution of the state of Arkansas does not restrict the legislature from incurring any indebtedness on behalf of the state, but does provide that the general assembly, in incorporating towns and cities, shall restrict their power of taxation, assessment, borrowing money, and contracting debts; nor can any state tax be allowed, except to raise means for the payment of the just debts of the state, defray the necessary expenses, sustain schools, repel invasion, and suppress insurrection, except by a majority of two-thirds of both houses of the assembly. The state is not prohibited from becoming a stockholder in companies, etc. Counties, cities, towns, and other municipal corporations cannot be stockholders in any company or corporation, or appropriate money for or loan their credit thereto. Municipal corporations cannot levy tax exceeding five mills on the dollar of the assessed value of real estate, except to pay existing indebtedness at the time of the adoption of the constitution (1874), for which an additional tax of five mills on the dollar may be levied.

#### CONSTITUTION OF 1874.

ART. V, SEC. 31. No state tax shall be allowed, or appropriation of money made, except to raise means for the payment of the just debts of the state, for defraying the necessary expenses of the government, to sustain common schools, to repel invasion, and suppress insurrection, except by a majority of two-thirds of both houses of the general assembly.

ART. XII, SEC. 3. The general assembly shall provide by general laws for the organization of cities (which may be classified) and incorporated towns, and restrict their power of taxation, assessment, borrowing money, and contracting debts, so as to prevent the abuse of such power.

SEC. 4. No municipal corporation shall \* \* \* levy any tax on real or personal property to a greater extent in one year than five mills on the dollar of the assessed value of the same: *Provided*, That to pay indebtedness existing at the time of the adoption of this constitution an additional tax of not more than five mills on the dollar may be levied.

SEC. 5. No county, city, town, or other municipal corporation shall become a stockholder in any company, association, or corporation, or obtain or appropriate money for, or loan its credit to, any corporation, association, institution, or individual.

#### KENTUCKY.

In the state of Kentucky debts may be contracted to meet casual deficits or failures in the revenue not to exceed \$500,000. The state may, however, contract debts to repel invasion, suppress insurrection, and provide for

the public defense. Other debts may be contracted, but a law authorizing the same must make provision to levy and collect an annual tax sufficient to pay the interest and discharge the principal within thirty years, and such law does not take effect unless sanctioned by a majority of all votes cast for or against it at a general election. Debts may be contracted by the general assembly without such vote, when the money to be derived therefrom is to be used for the purpose of paying an existing debt. The credit of the state cannot be given or loaned.

## CONSTITUTION OF 1850.

ART. II, SEC. 35. The general assembly may contract debts to meet casual deficits or failures in the revenue, but such debts, direct or contingent, singly or in the aggregate, shall not at any time exceed five hundred thousand dollars; and the moneys arising from loans creating such debts shall be applied to the purposes for which they were obtained or to repay such debts: *Provided*, That the state may contract debts to repel invasion, suppress insurrection, or, if hostilities are threatened, provide for the public defense.

ART. II, SEC. 36. No act of the general assembly shall authorize any debt to be contracted on behalf of the commonwealth, except for the purposes mentioned in the thirty-fifth section of this article, unless provision be made therein to lay and collect an annual tax sufficient to pay the interest stipulated and to discharge the debt within thirty years; nor shall such act take effect until it shall have been submitted to the people at a general election, and shall have received a majority of all the votes cast for or against it: *Provided*, That the general assembly may contract debts by borrowing money to pay any part of the debt of the state without submission to the people, and without making provision in the act authorizing the same for a tax to discharge the debt so contracted, or the interest thereon.

ART. II, SEC. 33. The credit of this commonwealth shall never be given or loaned in aid of any person, association, municipality, or corporation.

## TENNESSEE.

The credit of the state of Tennessee cannot now be loaned or given in aid of any person, association, or company, nor can any bonds of the state be issued to any railroad company, under prior constitutions and laws, which shall then be in default in paying the interest upon said bonds previously loaned to them, or which shall, after the adoption of the constitution (1870), sell or dispose of any such bonds loaned to it for less than par. The credit of no county, city, or town can be loaned, nor can either of them become a stockholder with others in any company, association, or corporation, except upon an election first held, and the assent of three-fourths of the votes cast at said election is obtained.

## CONSTITUTION OF 1870.

ART. II, SEC. 33. No bonds of the state shall be issued to any railroad company which, at the time of its application for the same, shall be in default in paying the interest upon the state bonds previously loaned to it, or that shall hereafter, before such application, sell or absolutely dispose of any state bonds loaned to it for less than par.

ART. II, SEC. 31. The credit of the state shall not be hereafter loaned or given to or in aid of any person, association, company, corporation, or municipality.

ART. II, SEC. 29. \* \* \* The credit of no county, city, or town shall be given or loaned to or in aid of any person, company, association, or corporation, except upon an election to be first held by the qualified voters of such county, city, or town, and the assent of three-fourths of the votes cast at said election. Nor shall any county, city, or town become a stockholder with others in any company, association, or corporation, except upon a like election and the assent of a like majority. a \* \* \*

## WESTERN STATES.

## OHIO.

To supply casual deficits or failures in revenues, and to meet expenses not otherwise provided for, the general assembly of the state of Ohio may contract debts not to exceed the sum of \$750,000, and in addition thereto may contract such debt as may be necessary to repel invasion and defend the state in war, and to redeem the outstanding indebtedness of the state existing at the time of the adoption of the constitution (1851). The state, counties, cities, towns, and townships cannot become stockholders in any joint stock company, corporation, or association, or loan their credit thereto. It is made the duty of the legislature to restrict the power of taxation and the creation of debts by cities and incorporated villages. The constitution also provides for a sinking fund, sufficient in amount to pay the annual interest on the public debt and to reduce the principal annually not less than \$100,000.

## CONSTITUTION OF 1851.

ART. VIII, SEC. 1. The state may contract debts to supply casual deficits or failures in revenues or to meet expenses not otherwise provided for, but the aggregate amount of such debts, direct and contingent, whether contracted by virtue of one or more acts of the general assembly or at different periods of time, shall never exceed seven hundred and fifty thousand dollars; and the money arising from the creation of such debts shall be applied to the purpose for which it was obtained or to repay the debts so contracted, and to no other purpose whatever.

a The section exempted certain counties from the three-fourths rule until 1880, and provided that a majority vote should be sufficient until that year. and that thereafter the three-fourths rule should apply.

ART. VIII, SEC. 2. In addition to the above limited power, the state may contract debts to repel invasion, suppress insurrection, defend the state in war, or to redeem the present outstanding indebtedness of the state; but the money arising from the contracting of such debts shall be applied to the purpose for which it was raised or to repay such debts, and to no other purpose whatever; and all debts incurred to redeem the present outstanding indebtedness of the state shall be so contracted as to be payable by the sinking fund, hereinafter provided for, as the same shall accumulate.

ART. VIII, SEC. 3. Except the debts above specified in sections 1 and 2 of this article, no debt whatever shall hereafter be created by or on behalf of the state.

ART. VIII, SEC. 4. The credit of the state shall not, in any manner, be given or loaned to, or in aid of, any individual, association, or corporation whatever; nor shall the state ever hereafter become a joint owner or stockholder in any company or association, in this state or elsewhere, formed for any purpose whatever.

ART. VIII, SEC. 5. The state shall never assume the debts of any county, city, town, or township, or of any corporation, whatever, unless such debt shall have been created to repel invasion, suppress insurrection, or defend the state in war.

ART. XII, SEC. 6. The state shall never contract any debt for purposes of internal improvement.

ART. VIII, SEC. 6. The general assembly shall never authorize any county, city, town, or township, by vote of its citizens or otherwise, to become a stockholder in any joint stock company, corporation, or association whatever, or to raise money for, or loan its credit to or in aid of, any such company, corporation, or association.

ART. VIII, SEC. 7. The faith of the state being pledged for the payment of its public debt, in order to provide therefor there shall be created a sinking fund, which shall be sufficient to pay the accruing interest on such debt and annually to reduce the principal thereof by a sum not less than one hundred thousand dollars, increased yearly, and each and every year, by compounding, at the rate of six per cent. per annum. The said sinking fund shall consist of the net annual income of the public works and stocks owned by the state, of any other funds or resources that are or may be provided by law, and of such further sum, to be raised by taxation, as may be required for the purposes aforesaid.

ART. XIII, SEC. 6. The general assembly shall provide for the organization of cities and incorporated villages, by general laws, and restrict their power of taxation, assessment, borrowing money, contracting debts, and loaning their credit, so as to prevent the abuse of such power.

#### ILLINOIS.

In the state of Illinois debts not exceeding in the aggregate \$280,000 may be contracted to meet casual deficits or failures in revenues; but no other debt, except for the purpose of repelling invasion or defending the state in war, can be contracted, unless a law authorizing the same shall be first submitted to the people and receive a majority of the votes cast for members of the general assembly at such election. Such law must be first published for three months, and by its terms make provision for the payment of the interest annually. The state cannot assume or pay the debts or liabilities of, or give, loan, or extend its credit to, or in aid of, any public or other corporation, association, or individual, nor can the state become a stockholder in any corporation or stock company created for banking purposes. The constitution does not limit the power of the state to become such stockholder in other corporations. Banking charters must be submitted to the people and receive a majority of the votes cast at such election. Counties, cities, townships, school districts, and other municipal corporations are not allowed to become indebted to an amount, including existing obligations, exceeding 5 per cent. on the value of the taxable property therein, and before incurring such indebtedness must provide for the collection of a direct annual tax sufficient to pay the interest and discharge the principal within twenty years from the time of contracting the same; nor can either of such political divisions become subscribers to the capital stock of any railroad or private corporation, or make donation to or loan its credit in aid thereof. This provision does not affect the rights of such municipalities to make subscriptions where they have been authorized prior to the adoption of the constitution (1870).

#### CONSTITUTION OF 1870.

ART. IV, SEC. 18. \* \* \* The state may, to meet casual deficits or failures in revenues, contract debts, never to exceed, in the aggregate, \$250,000, and moneys thus borrowed shall be applied to the purpose for which they were obtained or to pay the debt thus created, and to no other purpose; and no other debt, except for the purpose of repelling invasion, suppressing insurrection, or defending the state in war (for payment of which the faith of the state shall be pledged), shall be contracted unless the law authorizing the same shall, at a general election, have been submitted to the people, and have received a majority of the votes cast for members of the general assembly at such election. The general assembly shall provide for the publication of said law for three months at least before the vote of the people shall be taken upon the same, and provision shall be made at the time for the payment of the interest annually, as it shall accrue, by a tax levied for the purpose, or from other sources of revenue, which law, providing for the payment of such interest by such tax, shall be irrevocable until such debt be paid: *And provided further, That the law levying the tax shall be submitted to the people, with the law authorizing the debt to be contracted.*

ART. IV, SEC. 20. The state shall never pay, assume, or become responsible for the debts or liabilities of, or in any manner give, loan, or extend its credit to or in aid of, any public or other corporation, association, or individual.

ART. XI, SEC. 5. No state bank shall hereafter be created, nor shall the state own or be liable for any stock in any corporation or joint stock company or association for banking purposes now created or to be hereafter created. No act of the general assembly authorizing or creating corporations or associations, with banking powers, whether of issue, deposit, or discount, nor amendments thereto, shall go into effect, or in any manner be in force, unless the same shall be submitted to a vote of the people at the general election next succeeding the passage of the same and be approved by a majority of all the votes cast at such election for or against such law.

Section superscribed "canal":

\* \* \* The general assembly shall never loan the credit of the state, or make appropriations from the treasury thereof, in aid of railroads or canals: *Provided, That any surplus earnings of any canal may be appropriated for its enlargement or extension.*

ART. IX, SEC. 12. No county, city, township, school district, or other municipal corporation shall be allowed to become indebted in any manner, or for any purpose, to an amount, including existing indebtedness, in the aggregate exceeding five per centum on the value of the taxable property therein, to be ascertained by the last assessment for the state and county taxes previous to the incurring of such indebtedness. Any county, city, school district, or other municipal corporation incurring any indebtedness as aforesaid shall, before or at the time of doing so, provide for the collection of a direct annual tax sufficient to pay the interest on such debt as it falls due, and also to pay and discharge the principal thereof within twenty years from the time of contracting the same. This section shall not be construed to prevent any county, city, township, school district, or other municipal corporation from issuing their bonds in compliance with any vote of the people which may have been had prior to the adoption of this constitution, in pursuance of any law providing therefor.

Another section, superscribed "municipal subscriptions to railroads or private corporations," provides:

No county, city, town, township, or other municipality shall ever become subscriber to the capital stock of any railroad or private corporation, or make donation to or loan its credit in aid of such corporation: *Provided, however,* That the adoption of this article shall not be construed as affecting the right of any such municipality to make such subscriptions where the same have been authorized, under existing laws, by a vote of the people of such municipalities prior to such adoption.

By section 24 of the schedule attached to this constitution it is provided that nothing contained in said constitution shall deprive the legislature of power to authorize the city of Quincy to create certain indebtedness, for which the people of said city had theretofore given their votes.

#### INDIANA.

The constitution of the state of Indiana prohibits the creation of any debt on behalf of the state, except to meet casual deficits in the revenue, pay interest on the state debt, to repel invasion, and provide for the public defense; nor can the state become a stockholder in any corporation or association, or loan the credit of the state to any person, association, or corporation, or assume the debts of any county, city, town, or township, or of any other corporation. Counties cannot subscribe for stock in any company, unless it is paid for at the time of the subscription, nor can such county loan its credit to any company, nor borrow money for the purpose of taking stock. An amendment ratified March 14, 1881, provides that no political or municipal corporation shall become indebted in any manner (except in times of war) to an amount exceeding 2 per cent. on the value of the taxable property therein, and all bonds or obligations in excess thereof are void.

#### CONSTITUTION OF 1851.

ART. X, SEC. 5. No law shall authorize any debt to be contracted on behalf of the state, except in the following cases: To meet casual deficits in the revenue, to pay the interest on the state debt, to repel invasion, suppress insurrection, or, if hostilities be threatened, provide for the public defense.

ART. X, SEC. 6. No county shall subscribe for stock in any incorporated company unless the same be paid for at the time of such subscription; nor shall any county loan its credit to any incorporated company, nor borrow money for the purpose of taking stock in any such company; nor shall the general assembly ever, on behalf of the state, assume the debts of any county, city, town, or township, nor of any corporation whatever.

ART. XI, SEC. 12. The state shall not be a stockholder in any bank after the expiration of the present bank charter; nor shall the credit of the state ever be given or loaned in aid of any person, association, or corporation; nor shall the state hereafter become a stockholder in any corporation or association.

The following amendment, ratified March 14, 1881, is known as amendment No. 9:

SEC. 1. No political or municipal corporation in this state shall ever become indebted in any manner or for any purpose to an amount, in the aggregate, exceeding two per centum on the value of the taxable property within such corporation, to be ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness; and all bonds or obligations in excess of such amount given by such corporations shall be void: *Provided,* That in time of war, foreign invasion, or other great public calamity, on petition of a majority of the property owners, in number and value, within the limits of such corporation, the public authorities, in their discretion, may incur obligations necessary for the public protection and defense to such amount as may be requested in such petition.

#### MICHIGAN.

To meet deficits in revenue the general assembly of Michigan may contract debts on behalf of the state not to exceed \$50,000. Debts may also be contracted to repel invasion, suppress insurrection, and defend the state in war. The state cannot subscribe to or be interested in the stock of any company, association, or corporation, nor can the credit of the state be loaned in any manner. No scrip, certificate, or other evidence of state indebtedness can be issued, except for the redemption of stock issued previous to the adoption of the constitution (1850), or for such debts as are expressly authorized by the constitution. The state cannot engage in any work of internal improvement, or be interested therein, except in the expenditure of grants to the state of land or other property. The legislature is directed to provide for the incorporation and organization of cities and villages, and to restrict their powers of taxation, borrowing money, contracting debts, and loaning their credit.

#### CONSTITUTION OF 1850.

ART. XIV, SEC. 3. The state may contract debts to meet deficits in revenue. Such debts shall not in the aggregate at any one time exceed fifty thousand dollars. The moneys so raised shall be applied to the purposes for which they were obtained, or to the payment of the debts so contracted.

ART. XIV, SEC. 4. The state may contract debts to repel invasion, suppress insurrection, or defend the state in time of war. The money arising from the contracting of such debts shall be applied to the purposes for which it was raised or to repay such debts.

ART. XIV, SEC. 6. The credit of the state shall not be granted to or in aid of any person, association, or corporation.

ART. XIV, SEC. 7. No scrip, certificate, or other evidence of state indebtedness shall be issued, except for the redemption of stock previously issued, or for such debts as are expressly authorized in this constitution.

ART. XIV, SEC. 8. The state shall not subscribe to or be interested in the stock of any company, association, or corporation.

ART. XIV, SEC. 9. The state shall not be a party to, or interested in, any work of internal improvement, nor engaged in carrying on any such work, except in the expenditure of grants to the state of land or other property.

ART. XV, SEC. 13. The legislature shall provide for the incorporation and organization of cities and villages, and shall restrict their powers of taxation, borrowing money, contracting debts, and loaning their credit.

#### WISCONSIN.

In the provisions of the constitution of the state of Wisconsin the legislature is authorized to borrow money to repel invasion, suppress insurrection, or defend the state in war; and for the purpose of defraying the extraordinary expenses of the state debts may also be contracted, not to exceed, in the latter case, \$100,000.

The law authorizing the creation of such debt must specify the object thereof, receive a majority of the votes of all the members elected to each house, and levy an annual tax sufficient to pay the interest and the principal within five years. The state cannot contract any debt for works of internal improvement, or be a party to carry on such works, but may devote the avails of grants of lands or other property made to the state in aid of the completion of such works. Counties, cities, towns, villages, school districts, and other municipal corporations cannot become indebted to an amount exceeding in the aggregate 5 per cent. on the taxable property therein, and before incurring any indebtedness must provide for the collection of a direct annual tax sufficient to pay the interest and discharge the principal within twenty years.

#### CONSTITUTION OF 1848.

ART. VIII, SEC. 3. The credit of the state shall never be given or loaned in aid of any individual, association, or corporation.

ART. VIII, SEC. 4. The state shall never contract any public debt except in the cases and manner herein provided.

ART. VIII, SEC. 6. For the purpose of defraying extraordinary expenditures the state may contract public debts, but such debts shall never in the aggregate exceed one hundred thousand dollars. Every such debt shall be authorized by law, for some purpose or purposes to be distinctly specified therein, and the vote of a majority of all the members elected to each house, to be taken by yeas and nays, shall be necessary to the passage of such law, and every such law shall provide for levying an annual tax sufficient to pay the annual interest of such debt and the principal within five years from the passage of such law, and shall specially appropriate the proceeds of such taxes to the payment of such principal and interest; and such appropriation shall not be repealed, nor the taxes be postponed or diminished, until the principal and interest of such debt shall have been wholly paid.

ART. VIII, SEC. 7. The legislature may also borrow money to repel invasion, suppress insurrection, or defend the state in time of war; but the money thus raised shall be applied exclusively to the object for which the loan was authorized, or to the repayment of the debt thereby created.

ART. VIII, SEC. 9. No scrip, certificate, or other evidence of state debt whatsoever shall be issued, except for such debts as are authorized by the sixth and seventh sections of this article.

ART. VIII, SEC. 10. The state shall never contract any debt for works of internal improvement, or be a party in carrying on such works; but whenever grants of land or other property shall have been made to the state, especially dedicated by the grant to particular works of internal improvement, the state may carry on such particular works, and shall devote thereto the avails of such grants, and may pledge or appropriate the revenues derived from such works in aid of their completion.

#### Amendment adopted in 1874:

ART. XI, SEC. 3. No county, city, town, village, school district, or other municipal corporation shall be allowed to become indebted in any manner, or for any purpose, to any amount, including existing indebtedness, in the aggregate exceeding five per centum on the value of the taxable property therein, to be ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness. Any county, city, town, village, school district, or other municipal corporation incurring any indebtedness as aforesaid shall, before or at the time of doing so, provide for the collection of a direct annual tax sufficient to pay the interest on such debt as it falls due, and also to pay and discharge the principal thereof within twenty years from the time of contracting the same.

#### IOWA.

In the state of Iowa debts may be contracted to repel invasion, suppress insurrection, and defend the state in war. Debts may also be contracted to supply casual deficits in the revenue, and to meet expenses not otherwise provided for, not exceeding, however, the sum of \$250,000. No other debts can be incurred unless the same be authorized by law for some single work or object, which shall also impose and provide for the collection of a direct annual tax sufficient to pay the interest and discharge the principal within twenty years from the time of contracting the same. Such law, before it takes effect, must be submitted to the people at a general election, and receive a majority of all the votes cast for and against it thereat, and must have been published in one newspaper in each county throughout the state for three months preceding the election. The state cannot become a stockholder in any corporation, nor assume the debts thereof, unless incurred in time of war for the benefit of the state, nor can the credit of the state be loaned or given in aid of any individual, association, or corporation. Political and municipal corporations are prohibited from becoming stockholders in any banking corporation.

## CONSTITUTION OF 1857.

ART. VII, SEC. 1. The credit of the state shall not, in any manner, be given or loaned to, or in aid of, any individual, association, or corporation; and the state shall never assume or become responsible for the debts or liabilities of any individual, association, or corporation.

ART. VII, SEC. 2. The state may contract debts to supply casual deficits or failures in revenues, or to meet expenses not otherwise provided for, but the aggregate amount of such debts, direct and contingent, whether contracted by virtue of one or more acts of the general assembly or at different periods of time, shall never exceed the sum of two hundred and fifty thousand dollars; and the money arising from the creation of such debts shall be applied to the purpose for which it was obtained or to repay the debts so contracted, and to no other purpose whatever.\*

ART. VII, SEC. 4. In addition to the above limited power to contract debts, the state may contract debts to repel invasion, suppress insurrection, or defend the state in war; but the money arising from the debts so contracted shall be applied to the purpose for which it was raised, or to repay such debts, and to no other purpose whatever.

ART. VII, SEC. 5. Except the debts hereinbefore specified in this article, no debt shall be hereafter contracted, by or on behalf of this state, unless such debt shall be authorized by some law for some single work or object, to be distinctly specified therein; and such law shall impose and provide for the collection of a direct annual tax sufficient to pay the interest on such debt as it falls due, and also to pay and discharge the principal of such debt within twenty years from the time of the contracting thereof; but no such law shall take effect until at a general election it shall have been submitted to the people and have received a majority of all the votes cast for or against it at such election; and all the money raised by authority of such law shall be applied only to the specific object therein stated, or to the payment of the debt created thereby; and such law shall be published in at least one newspaper in each county, if one is published therein, throughout the state, for three months preceding the election at which it is submitted to the people.

ART. VII, SEC. 6. The legislature may at any time after the approval of such law by the people, if no debt shall have been contracted in pursuance thereof, repeal the same, and may at any time forbid the contracting of any further debt or liability under such law; but the tax imposed by such law, in proportion to the debt or liability which may have been contracted in pursuance thereof, shall remain in force and be irrevocable, and be annually collected, until the principal and interest are fully paid.

ART. VIII, SEC. 3. The state shall not become a stockholder in any corporation, nor shall it assume or pay the debt or liability of any corporation unless incurred in time of war for the benefit of the state.

ART. VIII, SEC. 4. No political or municipal corporation shall become a stockholder in any banking corporation, directly or indirectly.

## MINNESOTA.

In the state of Minnesota public debts may be contracted, not exceeding \$250,000, for the purpose of defraying extraordinary expenses. Such debt must be authorized by law, be passed by a vote of two-thirds of the members of each branch of the legislature, and be recorded on the journal of each house, and must levy a tax sufficient to pay the annual interest of the debt and to discharge the principal within ten years from the final passage of the law. The state cannot contract any debt for works of internal improvement, or be a party in carrying on the same, except in cases where grants of land or other property shall have been made to the state, dedicated by the grant to a specific purpose, and in such cases the avails of such grants shall be voted thereto, and the revenues derived from such works may be pledged or appropriated in aid of the completion thereof. Public debts may also be contracted in time of war or to repel invasion or suppress insurrection. The credit of the state cannot be given or loaned in aid of any individual, association, or corporation. Under the provisions of the amendment adopted in 1858, bonds known as Minnesota state railroad bonds were authorized to be issued. This provision was repealed in 1860, and an amendment then adopted provides that no law levying a tax or making other provision for the payment of interest or principal of such bonds shall take effect until the same is submitted to a vote of the people and adopted by a majority of those voting upon the proposition. An amendment ratified in 1872 authorizes the further creation of a public debt to an amount, in addition to that already provided for, not exceeding \$250,000, for the purpose of erecting and completing certain public buildings, the bonds to be issued therefor to be payable in not less than ten nor more than thirty years from date. Counties, cities, townships, and other corporations cannot issue bonds or become indebted in any manner to aid in the construction of equipment or railroads to an amount exceeding 5 per cent. of the value of the taxable property therein.

Article IX of the constitution of 1857 provides as follows:

SEC. 5. For the purpose of defraying extraordinary expenditures the state may contract public debts, but such debts shall never, in the aggregate, exceed two hundred and fifty thousand dollars. Every such debt shall be authorized by law for some single object, to be distinctly specified therein, and no such law shall take effect until it shall have been passed by the vote of two-thirds of the members of each branch of the legislature, to be recorded by yeas and nays on the journals of each house, respectively; and every such law shall levy a tax annually sufficient to pay the annual interest of such debt, and also a tax sufficient to pay the principal of such debt within ten years from the final passage of such law, and shall specially appropriate the proceeds of such taxes to the payment of such principal and interest, and such appropriation and taxes shall not be repealed, postponed, or diminished until the principal and interest of such debt shall have been wholly paid. The state shall never contract any debts for works of internal improvement, or be a party in carrying on such works, except in cases where grants of land or other property shall have been made to the state, especially dedicated by the grant to specific purposes, and in such cases the state shall devote thereto the avails of such grants, and may pledge or appropriate the revenues derived from such works in aid of their completion.

SEC. 6. All debts authorized by the preceding section shall be contracted by loan on state bonds of amounts not less than five hundred dollars each, on interest, payable within ten years after the final passage of the law authorizing such debt, and such bonds shall not be sold by the state under par. A correct registry of all such bonds shall be kept by the treasurer in numerical order, so as always to exhibit the number and amount unpaid and to whom severally made payable.

\* Losses to the permanent school or university fund, occasioned by defalcation, etc., are not to be included in the above limit (sec. 3).

SEC. 7. The state shall never contract any public debt, unless in time of war, to repel invasion or suppress insurrection, except in the cases and in the manner provided in the fifth and sixth sections of this article.

SEC. 8. The money arising from any loan made or debt or liability contracted shall be applied to the object specified in the act authorizing such debt or liability, or to the repayment of such debt or liability, and to no other purpose whatever.

The following amendment to the constitution was ratified in 1860:

ART. IX, SEC. 10.\* So altered and amended as to read: The credit of the state shall never be given or loaned in aid of any individual, association, or corporation. Nor shall there be any further issue of bonds denominated "Minnesota railroad bonds", under what purports to be an amendment to section 10 of article 9 of the constitution, adopted on the fifteenth of April, eighteen hundred and fifty-eight, which is hereby expunged from the constitution, excepting and reserving to the state, nevertheless, all rights, remedies, and forfeitures accruing under said amendment.

Amendment adopted in 1860:

ART. IX, SEC. 2. So altered and amended as to read: \* \* \* But no law levying a tax or making other provision for the payment of interest or principal of the bonds denominated "Minnesota state railroad bonds" shall take effect or be in force until such law shall have been submitted to a vote of the people of the state and adopted by a majority of the electors of the state voting upon the same.

Amendment ratified in 1872:

ART. IX, SEC. 14. For the purpose of erecting and completing buildings for a hospital for the insane, a deaf, dumb, and blind asylum, and state prison, the legislature may by law increase the public debt of the state to an amount not exceeding two hundred and fifty thousand dollars, in addition to the public debt already heretofore authorized by the constitution; and for that purpose may provide by law for issuing and negotiating the bonds of the state, and appropriate the money only for the purpose aforesaid, which bonds shall be payable in not less than ten nor more than thirty years from the date of the same, at the option of the state.

Amendment ratified in 1879:

ART. IX, SEC. 15. The legislature shall not authorize any county, township, city, or other municipal corporation to issue bonds or to become indebted in any manner to aid in the construction or equipment of any or all railroads to any amount that shall exceed five per centum of the value of the taxable property within such county, township, city, or other municipal corporation, the amount of such taxable property to be ascertained and determined by the last assessment of said property, made for the purpose of state and county taxation previous to the incurring of such indebtedness.

#### MISSOURI.

No debts can be contracted in the state of Missouri on behalf of the state, except as follows: First, to renew existing bonds when there is not a sufficient amount in the sinking fund; second, upon the recommendation of the governor, upon the occurrence of an unforeseen emergency or deficit in the revenue, to an amount not exceeding \$250,000, be paid in not more than two years from the date of this creation; third, if the temporary liability incurred, or to be incurred, on the occurrence of such unforeseen emergency or deficiency in the revenue, exceed the sum of \$250,000, the legislature may submit an act providing for a loan or for contracting a liability containing a provision for levying a sufficient tax to pay the interest and principal when they become due (the principal to be paid in not more than thirteen years) to the qualified voters of the state. Such act must be published for three months, and submitted to the people at a special election held for that purpose, and ratified by a two-thirds majority. The credit of the state cannot be loaned or given to, nor can any grant be made to any individual, association of individuals, municipal or other corporations. Counties, townships, and other municipalities cannot subscribe to the capital stock of any corporation or institution, or make appropriations or donations, or loan their credit thereto. This provision does not prohibit the carrying out of any contract made prior to the adoption of the constitution (1875). The constitution places the following limitation upon the power of taxation: For county purposes, in counties having \$6,000,000 valuation or less, not exceeding fifty cents on the \$100 valuation; in counties having between \$6,000,000 and \$10,000,000, not to exceed forty cents on the \$100; in counties having \$10,000,000 and under \$30,000,000, not exceeding fifty cents on the \$100; and in counties having \$30,000,000 or more, the rate shall not exceed thirty-five cents on the \$100 valuation. For city and town purposes, the annual rate in cities and towns having thirty thousand inhabitants or more, not exceeding one hundred cents on \$100; in cities and towns having less than thirty thousand and over ten thousand, not exceeding sixty cents on the \$100; in cities and towns having less than ten thousand and more than one thousand, not exceeding fifty cents on the \$100; and in towns having one thousand or less, not exceeding twenty-five cents on the \$100. For school purposes in districts the annual rate shall not exceed forty cents on the \$100. This may be increased, however, in districts formed of cities and towns to an amount not to exceed one dollar, and in other districts to an amount not to exceed sixty-five cents on the \$100, whenever a majority of the voters, who are taxpayers, voting at an election held to decide the question, vote for the increase. For the purpose of erecting public buildings in any county, city, or school district the rate may be increased to such an amount as may be necessary, provided two-thirds of the qualified voters of the county assent thereto at an election held for that purpose. If the limit of indebtedness above described has already been exceeded at the time of the adoption of the constitution (1875) in cities containing over two hundred thousand

\*The constitution of 1857 provided as follows, Article IX, section 10:

"The credit of the state shall never be given or loaned in aid of any individual, association, or corporation."

In the following year the section quoted was amended so as to allow state bonds to be issued to the amount of \$5,000,000 to aid in the construction of railroads. The amendment above set out was adopted in 1860.

inhabitants, then seven-eighths of the entire revenue may be pledged in anticipation of the collection thereof, but the bonded indebtedness cannot be increased, nor can any bonds be issued until such excess ceases, except for the renewal of other bonds.

Article IV of the constitution of 1875 provides:

SEC. 44. The general assembly shall have no power to contract or to authorize the contracting of any debt or liability on behalf of the state, or to issue bonds or other evidences of indebtedness thereof, except in the following cases: First. In renewal of existing bonds when they cannot be paid at maturity out of the sinking fund or other resources. Second. On the occurring of an unforeseen emergency, or casual deficiency of the revenue, when the temporary liability incurred, upon the recommendation of the governor first had, shall not exceed the sum of two hundred and fifty thousand dollars for any one year, to be paid in not more than two years from and after its creation. Third. On the occurring of any unforeseen emergency or casual deficiency of the revenue, when the temporary liability incurred or to be incurred shall exceed the sum of two hundred and fifty thousand dollars for any one year, the general assembly may submit an act providing for the loan, or for the contracting of the liability, and containing a provision for levying a tax sufficient to pay the interest and principal when they become due (the latter in not more than thirteen years from the date of its creation), to the qualified voters of the state; and when the act so submitted shall have been ratified by a two-thirds majority, at an election held for that purpose, due publication having been made of the provisions of the act for at least three months before such election, and the act thus ratified shall be irrevocable until the debt thereby incurred shall be paid, principal and interest.

SEC. 45. The general assembly shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the state in aid of or to any person, association, or corporation, whether municipal or other, or to pledge the credit of the state in any manner whatsoever, for the payment of the liabilities, present or prospective, of any individual, association of individuals, municipal or other corporation whatsoever.

SEC. 46. The general assembly shall have no power to make any grant, or to authorize the making of any grant, of public money or thing of value to any individual, association of individuals, municipal or other corporation whatsoever: *Provided*, That this shall not be so construed as to prevent the grant of aid in a case of public calamity.

SEC. 47. The general assembly shall have no power to authorize any county, city, town, or township, or other political corporation or subdivision of the state now existing, or that may be hereafter established, to lend its credit or to grant public money or thing of value in aid of or to any individual, association, or corporation whatsoever, or to become a stockholder in such corporation, association, or company.

ART. IX, SEC. 6. No county, township, city, or other municipality shall hereafter become a subscriber to the capital stock of any railroad or other corporation or association, or make appropriation or donation, or loan its credit to or in aid of any such corporation or association, or to or in aid of any college or institution of learning or other institution, whether created for or to be controlled by the state or others. All authority heretofore conferred for any of the purposes aforesaid by the general assembly, or by the charter of any corporation, is hereby repealed: *Provided, however*, That nothing in this constitution contained shall affect the right of any such municipality to make such subscription where the same has been authorized under existing laws by a vote of the people of such municipality prior to its adoption, or to prevent the issue of renewal bonds, or the use of such other means as are or may be prescribed by law for the liquidation or payment of such subscription, or of any existing indebtedness.

ART. X, SEC. 11. Taxes for county, city, town, and school purposes may be levied on all subjects and objects of taxation, but the valuation of property therefor shall not exceed the valuation of the same property in such town, city, or school district for state and county purposes. For county purposes, the annual rate on property, in counties having six million dollars or less, shall not, in the aggregate, exceed fifty cents on the hundred dollars' valuation; in counties having six million dollars and under ten million dollars, said rate shall not exceed forty cents on the hundred dollars' valuation; in counties having ten million dollars and under thirty million dollars, said rate shall not exceed fifty cents on the hundred dollars' valuation; and in counties having thirty million dollars or more, said rate shall not exceed thirty-five cents on the hundred dollars' valuation. For city and town purposes, the annual rate on property in cities and towns having thirty thousand inhabitants or more, shall not, in the aggregate, exceed one hundred cents on the hundred dollars' valuation; in cities and towns having less than thirty thousand and over ten thousand inhabitants, said rate shall not exceed sixty cents on the hundred dollars' valuation; in cities and towns having less than ten thousand and more than one thousand inhabitants, said rate shall not exceed fifty cents on the hundred dollars' valuation; and in towns having one thousand inhabitants or less, said rate shall not exceed twenty-five cents on the hundred dollars' valuation. For school purposes in districts, the annual rate on property shall not exceed forty cents on the hundred dollars' valuation: *Provided*, The aforesaid annual rates for school purposes may be increased in districts formed of cities and towns to an amount not to exceed one dollar on the hundred dollars' valuation, and in other districts to an amount not to exceed sixty-five cents on the hundred dollars' valuation, on the condition that a majority of the voters who are tax-payers, voting at an election held to decide the question, vote for said increase. For the purpose of erecting public buildings in counties, cities, or school districts the rates of taxation herein limited may be increased when the rate of such increase and the purpose for which it is intended shall have been submitted to a vote of the people, and two-thirds of the qualified voters of such county, city, or school district, voting at such election, shall vote therefor. The rate herein allowed to each county shall be ascertained by the amount of taxable property therein, according to the last assessment for state and county purposes, and the rate allowed to each city or town by the number of inhabitants, according to the last census taken under the authority of the state or of the United States; said restrictions, as to rates, shall apply to taxes of every kind and description, whether general or special, except taxes to pay valid indebtedness now existing, or bonds which may be issued in renewal of such indebtedness.

ART. IX, SEC. 19. The corporate authorities of any county, city, or other municipal subdivision of this state, having more than two hundred thousand inhabitants, which has already exceeded the limit of indebtedness prescribed in section 12 of article 10 of this constitution, may, in anticipation of the customary annual revenue thereof, appropriate, during any fiscal year, toward the general governmental expenses thereof, a sum not exceeding seven-eighths of the entire revenue applicable to general governmental purposes (exclusive of the payment of the bonded debt of such county, city, or municipality) that was actually raised by taxation alone during the preceding fiscal year; but until such excess of indebtedness cease no further bonded debt shall be incurred, except for the renewal of other bonds.

#### KANSAS.

The constitution of the state of Kansas provides for the contracting of public debts in an amount of \$1,000,000 for the purpose of defraying the extraordinary expenses of the state and making public improvements. Such debt must be authorized by law for a specified purpose, and must be adopted by a majority of the members elected to

each house, the vote to be taken by yeas and nays; and every such law must provide for levying an annual tax sufficient to pay the interest and the principal when the same become due. Other debts may be contracted by the state, provided the proposed law authorizing the same be first submitted to a direct vote of the electors of the state at a general election, and ratified by a majority of all the votes cast thereat. Money may also be borrowed to repel invasion, suppress insurrection, and defend the state in war. The state cannot be a party in carrying on any work of internal improvement, or become a stockholder in any banking institution.

#### CONSTITUTION OF 1859.

ART. XI, SEC. 5. For the purpose of defraying extraordinary expenses and making public improvements the state may contract public debts; but such debts shall never, in the aggregate, exceed one million dollars, except as hereinafter provided. Every such debt shall be authorized by law for some purpose specified therein, and the vote of a majority of all the members elected to each house, to be taken by the yeas and nays, shall be necessary to the passage of such law; and every such law shall provide for levying an annual tax sufficient to pay the annual interest of such debt, and the principal thereof, when it shall become due, and shall specifically appropriate the proceeds of such taxes to the payment of such principal and interest; and such appropriation shall not be repealed, nor the taxes postponed or diminished, until the interest and principal of such debts shall have been wholly paid.

ART. XI, SEC. 6. No debt shall be contracted by the state, except as herein provided, unless the proposed law for creating such debt shall first be submitted to a direct vote of the electors of the state at some general election; and if such proposed law shall be ratified by a majority of all the votes cast at such general election, then it shall be the duty of the legislature next after such election to enact such law and create such debt, subject to all the provisions and restrictions provided in the preceding sections of this article.

ART. XI, SEC. 7. The state may borrow money to repel invasion, suppress insurrection, or defend the state in time of war; but the money thus raised shall be applied exclusively to the object for which the loan was authorized, or to the repayment of the debt thereby created.

ART. XI, SEC. 8. The state shall never be a party in carrying on any works of internal improvement.

ART. XIII, SEC. 5. The state shall not be a stockholder in any banking institution.

#### NEBRASKA.

In the state of Nebraska debts may be contracted, not to exceed \$100,000, to meet casual deficits or failures in revenues, but no other indebtedness shall be incurred, except for the purpose of repelling invasion, suppressing insurrection, or defending the state in war. The law authorizing the creation of any debt must provide for the levying of a tax for the payment of the interest until the debt is paid. The credit of the state cannot be loaned. Cities, counties, towns, precincts, and other subdivisions of the state cannot become subscribers to the capital stock of any railroad or private corporation or association, or owners of such stock; nor can they make donation to any railroad or other work of internal improvement unless the proposition to do so shall have been first voted on at an election. Such donations of the county, with the donations of the subdivisions, cannot exceed 10 per cent. of the assessed valuation of the county, but may be increased 5 per cent. by a two-thirds vote. All bonds or evidences of indebtedness issued by any such subdivision are not valid unless there be indorsed thereon the certificate by the secretary and auditor of the state, showing that the same is issued pursuant to law.

Article XII of the constitution of 1875 provides:

SEC. 1. The state may, to meet casual deficits or failures in the revenues, contract debts, never to exceed, in the aggregate, one hundred thousand dollars; and no greater indebtedness shall be incurred, except for the purpose of repelling invasion, suppressing insurrection, or defending the state in war; and provision shall be made for the payment of the interest annually, as it shall accrue, by a tax levied for the purpose, or from other sources of revenue, which law providing for the payment of such interest by such tax shall be irrevocable until such debt be paid.

SEC. 2. No city, county, town, precinct, municipality, or other subdivision of the state shall ever make donations to any railroad or other work of internal improvement unless a proposition so to do shall have been first submitted to the qualified electors thereof at an election by authority of law: *Provided*, That such donations of a county, with the donations of such subdivisions, in the aggregate shall not exceed ten per cent. of the assessed valuation of such county: *Provided, further*, That any city or county may, by a two-thirds vote, increase such indebtedness five per cent. in addition to such ten per cent., and no bonds or evidences of indebtedness so issued shall be valid unless the same shall have indorsed thereon a certificate, signed by the secretary and auditor of state, showing that the same is issued pursuant to law.

SEC. 3. The credit of the state shall never be given or loaned in aid of any individual, association, or corporation.

#### MUNICIPAL CORPORATIONS.

ART. XI, SEC. 1. No city, county, town, precinct, municipality, or other subdivision of the state shall ever become a subscriber to the capital stock, or owner of such stock, or any portion or interest therein, of any railroad or private corporation or association.

#### COLORADO.

In Colorado, neither state nor any county, city, town, township, or school district, shall loan or pledge their credit, or become responsible for any debt contracted or liability of any person, company, or corporation, or make any donation or grant to, or in aid of, or become a subscriber to, or shareholder, in any corporation or company. Debts may be contracted by the state to provide for casual deficiencies in revenue, to erect public buildings, suppress insurrection, defend the state, or assist in defending the United States. The amount of debt contracted in any one year to provide for deficiencies of revenue shall not exceed one-fourth mill on each dollar of taxable property within the state, and the aggregate amount shall not at any time exceed three-fourths of a mill on each

dollar of valuation, until the valuation shall equal \$100,000,000, and, therefore, such debt shall not exceed \$100,000. The debt incurred in any one year for erection of public buildings shall not exceed one-half mill on each dollar of valuation, and the aggregate amount shall never exceed the sum of \$50,000, which may be increased in the aggregate to three mills on each dollar of valuation, provided a law for that purpose be ratified by vote of a majority of such qualified electors of the state as shall vote on the proposition. Laws authorizing the creation of a debt are irrevocable until the indebtedness provided for shall have been fully paid or discharged. They must specify the purpose to which the funds are to be applied, provide for the levy of a tax to pay the interest and extinguish the principal, which in the case of debts contracted for the erection of public buildings or to supply deficiencies of revenue shall not be in less than ten or more than fifteen years. Counties cannot contract any debt except for the purpose of erecting public buildings and making and repairing public roads and bridges, and such indebtedness for any one year is limited as follows: In counties wherein the assessed valuation of taxable property exceeds \$5,000,000, \$1.50 on each \$1,000; counties in which the valuation is less than \$5,000,000, \$3 on each \$1,000; and the entire amount of indebtedness of any county for all purposes, exclusive of the debt contracted before the adoption of the constitution (1876), cannot at any time exceed twice the amount above limited, unless the question of incurring such debt shall be authorized by a majority of the taxpaying voters of such county. School districts can create no debt except upon the vote of the qualified electors who have paid school taxes during the preceding year. Except in supplying water, no city or town can contract any debt except by means of an ordinance, which shall be irrevocable, until the indebtedness is paid, not to exceed at one time twelve mills on each dollar of valuation, and which shall have been submitted to and adopted by a majority of the qualified voters who have paid a property tax during the preceding year. The debts thus created must be paid in not less than ten nor more than fifteen years, and cannot in the aggregate exceed 3 per cent. of the taxable valuation of the property. These several provisions do not apply to contracts made prior to the adoption of the constitution.

## CONSTITUTION OF 1876.

ART. XI, SEC. 1. Neither the state, nor any county, city, town, township, or school district, shall lend or pledge the credit or faith thereof, directly or indirectly, in any manner to, or in aid of, any person, company, or corporation, public or private, for any amount or for any purpose whatever, or become responsible for any debt, contract, or liability of any person, company, or corporation, public or private, in or out of the state.

SEC. 2. Neither the state, nor any county, city, town, township, or school district, shall make any donation or grant to, or in aid of, or become a subscriber to, or shareholder in, any corporation or company, or a joint owner with any person, company, or corporation, public or private, in or out of the state, except as to such ownership as may accrue to the state by escheat or by forfeiture, by operation or provision of law; and except as to such ownership as may accrue to the state, or to any county, city, town, township, or school district, or to either or any of them, jointly with any person, company, or corporation, by forfeiture or sale of real estate for non-payment of taxes, or by donation or devise for public use, or by purchase by or on behalf of any or either of them, jointly with any or either of them, under execution in cases of fine, penalties, or forfeiture of recognizance, breach of condition of official bond, or of bond to secure public moneys, or the performance of any contract in which they or any of them may be jointly or severally interested.

SEC. 3. The state shall not contract any debt by loan, in any form, except to provide for casual deficiencies of revenue, erect public buildings for use of the state, suppress insurrection, defend the state, or, in time of war, assist in defending the United States; and the amount of debt contracted in any one year to provide for deficiencies of the revenue shall not exceed one-fourth of a mill on each dollar of valuation of taxable property within the state, and the aggregate amount of such debt shall not at any time exceed three-fourths of a mill on each dollar of said valuation until the valuation shall equal one hundred millions of dollars, and thereafter such debt shall not exceed one hundred thousand dollars, and the debt incurred in any one year for erection of public buildings shall not exceed one-half mill on each dollar of said valuation, and the aggregate amount of such debt shall never at any time exceed the sum of fifty thousand dollars (except as provided in section five of this article); and in all cases the valuation in this section mentioned shall be that of the assessment last preceding the creation of said debt.

SEC. 4. In no case shall any debt above mentioned in this article be created, except by a law, which shall be irrevocable, until the indebtedness therein provided for shall have been fully paid or discharged; such law shall specify the purposes to which the funds so raised shall be applied, and provide for the levy of a tax sufficient to pay the interest on, and extinguish the principal of, such debt within the time limited by such law for the payment thereof, which, in the case of debts contracted for the erection of public buildings and supplying deficiencies of revenue, shall not be less than ten nor more than fifteen years; and the funds arising from the collection of any such tax shall not be applied to any other purpose than that provided in the law levying the same; and when the debt thereby created shall be paid or discharged, such tax shall cease, and the balance, if any, to the credit of the fund, shall immediately be placed to the credit of the general fund of the state.

SEC. 5. A debt for the purpose of erecting public buildings may be created by law, as provided for in section four of this article, not exceeding in the aggregate three mills on each dollar of said valuation: *Provided*, That before going into effect such law shall be ratified by the vote of a majority of such qualified electors of the state as shall vote thereon at a general election, under such regulations as the general assembly may prescribe.

SEC. 6. No county shall contract any debt by loan in any form, except for the purpose of erecting necessary public buildings, making or repairing public roads and bridges; and such indebtedness contracted in any one year shall not exceed the rates upon the taxable property in such county following, to wit: counties in which the assessed valuation of taxable property shall exceed five millions of dollars, one dollar and fifty cents on each thousand dollars thereof; counties in which such valuation shall be less than five millions of dollars, three dollars on each thousand dollars thereof; and the aggregate amount of indebtedness of any county, for all purposes, exclusive of debts contracted before the adoption of this constitution, shall not at any time exceed twice the amount above herein limited, unless when, in manner provided by law, the question of incurring such debt shall, at a general election, be submitted to such of the qualified electors of such county as in the year last preceding such election shall have paid a tax upon property assessed to them in such county, and a majority of those voting thereon shall vote in favor of incurring the debt; but the bonds, if any be issued therefor, shall

not run less than ten years; and the aggregate amount of debt so contracted shall not at any time exceed twice the rate upon the valuation last herein mentioned: *Provided*, That this section shall not apply to counties having a valuation of less than one million of dollars.

SEC. 7. No debt by loan in any form shall be contracted by any school district for the purpose of erecting and furnishing school-buildings or purchasing grounds unless the proposition to create such debt shall first be submitted to such qualified electors of the districts as shall have paid a school tax therein in the year next preceding such election, and a majority of those voting thereon shall vote in favor of incurring such debt.

SEC. 8. No city or town shall contract any debt by loan in any form, except by means of an ordinance, which shall be irrevocable until the indebtedness therein provided for shall have been fully paid or discharged, specifying the purposes to which the funds to be raised shall be applied, and providing for the levy of a tax, not exceeding twelve mills on each dollar of valuation of taxable property within such city or town, sufficient to pay the annual interest and extinguish the principal of such debt within fifteen, but not less than ten, years from the creation thereof; and such tax, when collected, shall be applied only to the purposes in such ordinance specified until the indebtedness shall be paid or discharged; but no such debt shall be created unless the question of incurring the same shall, at a regular election for councilmen, aldermen, or officers of such city or town, be submitted to a vote of such qualified electors thereof as shall, in the year next preceding, have paid a property tax therein, and a majority of those voting on the question, by ballot deposited in a separate ballot-box, shall vote in favor of creating such debt; but the aggregate amount of debt so created, together with the debt existing at the time of such election, shall not at any time exceed three per cent. of the valuation last aforesaid. Debts contracted for supplying water to such city or town are excepted from the operation of this section. The valuation in this section mentioned shall be in all cases that of the assessment next preceding the last assessment before the adoption of such ordinance.

SEC. 9. Nothing contained in this article shall be so construed as to either impair or add to the obligation of any debt heretofore contracted by any county, city, town, or school district, in accordance with the laws of Colorado territory, or prevent the contracting of any debt, or the issuing of bonds therefor, in accordance with said laws, upon any proposition for that purpose which may have been, according to said laws, submitted to a vote of the qualified electors of any county, city, town, or school district before the day on which this constitution takes effect.

#### NEVADA.

In the state of Nevada public debts to the amount of \$300,000 may be contracted. In addition to this, money may be borrowed to repel invasion, suppress insurrection, and defend the state in war. Every debt incurred must be authorized by a law which provides for the levying of a tax sufficient to pay the interest on the same annually and the principal within twenty years. The appropriation thus made is not repealable, nor can the payment of the taxes be postponed until the principal and the interest of the debt are discharged. The state cannot loan its money or credit, subscribe to or be interested in the stock of any company, association, or corporation (except those formed for educational and charitable purposes), nor assume the debts of any county, town, city, or other corporation, unless the same have been created to repel invasion or suppress insurrection. In addition to the above limit, the debts and liabilities of the territory of Nevada are assumed by the state. Counties, cities, towns, and other municipal corporations cannot become stockholders in any joint stock company or corporation, or loan their credit in aid of such company or corporation, except railroad corporations, companies, or associations. The legislature is directed to provide for the organization of cities and towns, and to restrict their powers of taxation, assessment, borrowing money, contracting debts, and loaning their credit, except for procuring supplies of water.

Article IX of the constitution of 1864 provides:

SEC. 3. For the purpose of enabling the state to transact its business upon a cash basis from its organization the state may contract public debts; but such debts shall never in the aggregate, exclusive of interest, exceed the sum of three hundred thousand dollars, except for the purpose of defraying extraordinary expenses, as hereinafter mentioned. Every such debt shall be authorized by law for some purpose or purposes, to be distinctly specified therein, and every such law shall provide for levying an annual tax sufficient to pay the interest semi-annually and the principal within twenty years from the passage of such law, and shall specially appropriate the proceeds of said taxes to the payment of said principal and interest; and such appropriation shall not be repealed, nor the taxes be postponed or diminished, until the principal and interest of said debts shall have been wholly paid. Every contract of indebtedness entered into or assumed by or on behalf of the state, when all its debts and liabilities amount to said sum before mentioned, shall be void and of no effect, except in cases of money borrowed to repel invasion, suppress insurrection, defend the state in time of war, or, if hostilities be threatened, to provide for the public defense.

SEC. 4. The state shall never assume the debts of any county, town, city, or other corporation whatever unless such debts have been created to repel invasion, suppress insurrection, or to provide for the public defense.

ART. VIII, SEC. 9. The state shall not donate or loan money or its credit, subscribe to or be interested in the stock of any company, association, or corporation, except corporations formed for educational or charitable purposes.

SCHEDULE, SEC. 7. All debts and liabilities of the territory of Nevada lawfully incurred, and which remain unpaid at the time of the admission of this state into the Union, shall be assumed by and become the debt of the state of Nevada: *Provided*, That the assumption of such indebtedness shall not prevent the state from contracting the additional indebtedness, as provided in section three of article nine of this constitution.

ART. VIII, SEC. 10. No county, city, town, or other municipal corporation shall become a stockholder in any joint stock company, corporation, or association whatever, or loan its credit in aid of any such company, corporation, or association, except railroad corporations, companies, or associations.

SEC. 8. The legislature shall provide for the organization of cities and towns by general laws; and restrict their powers of taxation, assessment, borrowing money, contracting debts, and loaning their credit, except for procuring supplies of water.

#### OREGON.

In the state of Oregon neither the state, nor any county, city, town, or other municipal corporation, shall become a stockholder in any joint stock company, or be interested therein; nor can either of them, except the state, raise

any money for such corporations, or loan its credit thereto. The state cannot assume the debts of any county, city, town, or other corporation, unless the same have been created to repel invasion, suppress insurrection, or defend the state in war. Except in case of war, or to repel invasion or suppress insurrection, the legislative assembly can create no debts or liabilities which shall exceed in the aggregate \$50,000. Counties cannot create debts exceeding \$5,000 except in time of war or to suppress insurrection, and exclusive of the debt owing by such counties at the time of the adoption of the constitution (1857).

## CONSTITUTION OF 1857.

ART. XI, SEC. 6. The state shall not subscribe to, or be interested in, the stock of any company, association, or corporation.

ART. XI, SEC. 7. The legislative assembly shall not, in any manner, create any debt or liabilities which shall singly, or in the aggregate, with previous debts or liabilities, exceed the sum of fifty thousand dollars, except in case of war, or to repel invasion or suppress insurrection; and every contract of indebtedness entered into, or assumed by or on behalf of the state, when all its liabilities and debts amount to said sum, shall be void and of no effect.

ART. XI, SEC. 8. The state shall never assume the debts of any county, town, city, or other corporation whatever, unless such debts shall have been created to repel invasion, suppress insurrection, or defend the state in war.

ART. IX, SEC. 2. The legislative assembly shall provide for raising revenue sufficient to defray the expenses of the state for each fiscal year, and also a sufficient sum to pay the interest on the state debt, if there be any.

ART. XI, SEC. 5. Acts of the legislative assembly incorporating towns and cities shall restrict their powers of taxation, borrowing money, contracting debts, and loaning their credit.

ART. XI, SEC. 9. No county, city, town, or other municipal corporation, by vote of its citizens or otherwise, shall become a stockholder in any joint stock company, corporation, or association whatever, or raise money for, or loan its credit to or in aid of, any such company, corporation, or association.

ART. XI, SEC. 10. No county shall create any debt or liabilities which shall singly, or in the aggregate, exceed the sum of five thousand dollars, except to suppress insurrection or repel invasion; but the debts of any county at the time this constitution takes effect shall be disregarded in estimating the sum to which such county is limited.

## CALIFORNIA.

In the state of California debts may be incurred for the purpose of repelling invasion, suppressing insurrection, and defending the state in war. Other debts may be created not exceeding in the aggregate \$300,000, provided the same be authorized by law for some single object or work, which law shall provide ways and means, exclusive of loans, for payment of the interest and to discharge the principal of the debt within twenty years. The law, however, does not take effect unless the same be published in at least one newspaper in each county, or city and county, throughout the state for three months, be submitted to the people at a general election, and receive a majority of the votes cast on the proposition. The state cannot loan its credit, nor subscribe to nor be interested in the stock of any company, association, or corporation, nor can they authorize any county, city and county, township, or other political corporation to loan such credit, or to authorize the making of any gift of any public money or thing of value to any individual, municipal or other corporation.\*

Counties, cities, townships, boards of education, and school districts cannot incur any indebtedness or liability exceeding in any year the income and revenue provided for it for such year without the assent of two-thirds of the qualified electors thereof, voting at a special election; nor unless provision be made for the collection of an annual tax sufficient to pay the interest on the indebtedness as it falls due, and also to constitute a sinking fund for the payment of the principal within twenty years. The state may grant aid to institutions conducted for the support of minor orphans, or half orphans, or abandoned children, or aged persons in indigent circumstances.

## CONSTITUTION OF 1879.

ART. XVI, SEC. 1. The legislature shall not, in any manner, create any debt or debts, liability or liabilities, which shall, singly or in the aggregate, with any previous debts or liabilities, exceed the sum of three hundred thousand dollars, except in case of war, to repel an invasion, or suppress insurrection, unless the same shall be authorized by law for some single object or work, to be distinctly specified therein, which law shall provide ways and means, exclusive of loans, for the payment of the interest of such debt or liability as it falls due, and also to pay and discharge the principal of such debt or liability within twenty years of the time of the contracting thereof, and shall be irrevocable until the principal and interest thereon shall be paid and discharged; but no such law shall take effect until, at a general election, it shall have been submitted to the people, and shall have received a majority of all the votes cast for and against it at such election; and all moneys raised by authority of such law shall be applied only to the specific object therein stated, or to the payment of the debt thereby created; and such law shall be published in at least one newspaper in each county, or city and county, if one be published therein, throughout the state, for three months next preceding the election at which it is submitted to the people. \* \* \*

ART. XII, SEC. 13. The state shall not in any manner loan its credit, nor shall it subscribe to or be interested in the stock of any company, association, or corporation.

ART. IV, SEC. 31. The legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the state, or of any county, city and county, city, township, or other political corporation or subdivision of the state now existing, or that may be hereafter established, in aid of, or to any person, association, or corporation, whether municipal or otherwise, or to pledge the credit thereof, in any manner whatever, for the payment of the liabilities of any individual, association, municipal or other corporation whatever; nor shall it have power to make any gift, or authorize the making of any gift, of any public money or thing of value to

\* The constitution does not restrict the minor political divisions from becoming stockholders.

any individual, municipal or other corporation whatever: *Provided*, That nothing in this section shall prevent the legislature granting aid, pursuant to section twenty-two of this article; and it shall not have power to authorize the state, or any political subdivision thereof, to subscribe for stock, or to become a stockholder in any corporation whatever.

Section 22, referred to, provides that the state may grant aid to institutions conducted for the support and maintenance of minor orphans, or half orphans, or abandoned children, or aged persons in indigent circumstances, etc.

ART. XI, SEC. 18. No county, city, town, township, board of education, or school district shall incur any indebtedness or liability in any manner, or for any purpose, exceeding in any year the income and revenue provided for it for such year, without the assent of two-thirds of the qualified electors thereof voting at an election to be held for that purpose, nor unless, before or at the time of incurring such indebtedness, provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and also to constitute a sinking fund for the payment of the principal thereof within twenty years from the time of contracting the same. Any indebtedness or liability incurred contrary to this provision shall be void.