

added to \$6,681.28, the balance remaining to the credit of the said fund at the close of the fiscal year 1870, make an aggregate of \$91,212.62.

The disbursements during the same period amounted to \$71,017.40, leaving a balance to the credit of the "Free School Fund," as of 30th Sept. 1871, of \$20,195.22, of which balance the sum of \$16,762.14 is to the credit of the Indigent Blind.

The receipts for the year ended 30th September, 1871, to the credit of the "Sinking Fund," amounted to \$94,287.20, which sum is invested in pursuance of Chapter 235 of 1868, in stock of the "Maryland Defence Loan," bearing interest from 1st July, 1871.

The operation of the Act of 1868, Chapter 235, Section 4, under which the accumulations of the "Sinking Fund" are invested in the "Defence Loan," is to create an additional new debt, to be held by that fund, and is, in my judgment, improper to be continued. I therefore recommend the repeal of that provision of the Act of 1868, and the enactment of a law authorising all the accretions of the "Sinking Fund" hereafter to be applied to the purchase of the existing debt of the State at par, and empowering the Treasurer to designate and call in an amount of the overdue debt of the State for that purpose, by giving notice that the interest on the same will cease on a prospective day. The effect of the circuitous process of the State issuing her own bonds, and collecting the interest thereon, and reinvesting the same in additional new bonds which are still to be held by the Treasury in the same way, is to complicate and mystify the accounts of the Department, and render them unintelligible to the people. In the same view, I recommend the cancellation of all the bonds of the State now held by the "Sinking Fund." This will diminish the debt of the State, to the same extent that it diminishes her available assets, and by that means lessen the possibility of loss to the State from accidents or inaccuracies in accounts.

The "Sinking Fund" would then be left to consist of the stock of the city of Baltimore, standing in the name of the State, amounting to \$154,550.00, and the surplus revenue provided by law for the augmentation of the fund. A provision of law compelling a certain amount of the surplus revenue remaining in the Treasury on a certain day in each year, to be set apart and devoted to the augmentation of the "Sinking Fund," and applied to the purchase of the bonds of the State, would be, in my judgment, less complicated and more beneficial to the interests of the State than the present arrangement.