

Some propositions of settlement will doubtless be made, either by the Susquehanna and Tide-water Canal Companies or their lessee.

But whether they are made or not, it will be the duty of the Legislature, to provide for the protection of the State's interest in the mortgages, which it holds against these canals, either by foreclosure or re-entry.

As the law now stands in this regard, it is considered doubtful whether the treasury officers or the Board of Public Works have any authority, without further legislation, to compel either the canal companies or their lessee to make a settlement of these mortgages, or the arrearages due thereunder.

In this connection it is proper to state that the claim which the State held against the Philadelphia and Reading Railroad Company for debenture scrip, amounting to one hundred and fifty thousand dollars, and which had been considered of no value, has been settled upon the payment of forty-five thousand dollars.

THE STATE DEBT.

The debt of the State, on the 30th day of September, 1887, is shown by statement J, to be \$10,960,535.56. The State holds stocks and bonds on which interest or dividends are paid, amounting to the sum of \$5,299,301.60. Deduct these and there remains as the net debt of the State, 30th September, 1887, the sum of \$5,661,233.96. The net debt of the State, on the 30th day of September, 1886, was \$6,113,159.68; which shows a total reduction in the debt during the fiscal year 1887, of the sum of \$451,925.72.

Before the meeting of the next Legislature the sterling debt of the State, amounting to \$4,001,111.11, will fall due and mature. No special tax has ever been laid for the redemption of this debt, and, therefore, there is no sinking fund for its payment.

This debt was created in the year 1838, for the purpose of raising money to enable the State to aid in the