

of that fund since that day, making the present amount held by the Sinking Fund, \$5,794,080.22, or more than a moiety of the interest bearing debt of the State.

It is for you to determine whether under these circumstances it is advisable to still treat this as a part of the actual debt of the State and annually to provide by taxes and other means for the payment of the interest thereon. The original object of that fund would seem to be sufficiently secured when such an amount of it is left as to ensure by means of its own accretions, and other provisions for its increase, the redemption of the outstanding public debt as fast as it matures. But that fund has now reached such an amount as not only to far exceed the necessities for such a purpose, but seriously to embarrass the operations of the Treasury. The annual interest now accruing on it, amounts to upwards of \$347,000, and is of course continually increasing, and it is besides still further increased by the addition of such sums from the surplus revenues of the Treasury, as the Comptroller and Treasurer may deem expedient. The aggregate of these increments is required to be invested in the State's own bonds, which for the most part can only be purchased abroad, and the rates of exchange have become so high, that such investments can only be acquired here upon very disadvantageous terms. The situation and amount of the fund present also a serious difficulty in purchasing at fair rates such of our bonds as may be found in the domestic market; for their holders being well aware of the fact that a large amount is in the Treasury awaiting investments, which are restricted to this particular security, will invariably avail themselves of that circumstance, and a temporary increase in the market value of the bonds is the inevitable result. The consequence of this state of things has been that, during the past year, large amounts of cash to the credit of the Sinking Fund or the general balance of the Treasury, have remained there unproductive for want of the opportunity to invest them. For these reasons I concur in the recommendation of the Comptroller that a portion—say two-thirds of the State Bonds now held by that fund be cancelled, and as regards future investments of the interest of that fund, or of surplus revenue for its account, I would recommend that some discretion be allowed to the officers of the Treasury, by suffering them to purchase, not only the bonds of the State, but Government securities or the stocks of other States. The safety of such operations might, as it seems to me, be secured against all reasonable apprehensions, by making the concurrence of the Comptroller and Treasurer necessary to such purchases or requiring also the assent of the Executive. The knowledge