

It is next to be remarked, that this repayment by the general government, is on account of the sums expended by the state, for military purposes, in the course of the late war. These sums amounted to \$449,813 81 1-2, and were taken, with the exception of a very small part, from the capital of the state. The money, except this small part, was borrowed in the first instance, and repaid by a transfer of United States stock, which was held by the state, and constituted a part of the capital, from the interest of which its revenue was derived. The loans were made in the year 1816 and 1817, and amounted to \$436,000.— This sum, deducted from the amount of military expenses, \$449,813 81 1-2, leaves a balance of \$13,813 81 1-2, which is all that the state supplied from its revenue, towards these expenses; all the rest came out of its capital. Stock to the amount of the sum borrowed, \$436,000, was transferred in payment of it, in the year 1817, and from the moment of the transfer cut off so much of the states revenue, \$26,160, as had been derived from the interest of the stock transferred. Hence it is evident, that this sum of \$436,000 constituting almost the whole of the military expenses, was in effect taken from the capital of the state, and not from its revenue; and it follows, that the repayments made by the general government, on account of these expenses, ought, according to every dictate of prudent administration and economy, to be considered and treated as capital, and not as revenue. But so far as we apply these repayments to our ordinary annual expenditure, we treat them as revenue, and imitate the conduct of an improvident spendthrift, who every year consumes a part of his estate, in the expenses of living.

It must be recollected, that \$80,000 of this fund have already been consumed in this manner. The general government has repaid, at different times, \$180,000 on account of these military expenditures; \$100,000 lately, and \$80,000 at antecedent periods. The first payments have been applied to the ordinary current expenses of former years, and are gone. Should we apply, in the same manner, the \$100,000 last repaid, and now in the treasury, and rely in like manner on the further repayments, as part of the ways and means of the next and future years, we shall speedily come to the end of this large part of our estate, and then find ourselves with a revenue far short of our necessary annual expense.

And this time will soon arrive. For although our whole military expenditure in the late war, amounted to \$449,813 81 1-2, the general government has as yet assumed but \$292,818 15 1-2. Whether any part of the residue will be assumed, is very uncertain; and it may be considered as certain, that the whole of it will not; because a considerable part was expended in the purchase of arms and accoutrements, which now remain in the possession of the state. Of this assumed sum of \$292,818 15 1-2, there have already been paid \$180,000, of which \$80,000 are expended and gone. According to this scheme of finance the \$100,000 now in the treasury will be expended in the course of this year; and the balance still to be repaid, \$102,818 15 1-2, will be but little more than sufficient for the next. Thus, in the course of three years, by this most improvident and unwise system, we shall have expended \$300,000 of our capital, and find our revenue diminished by the whole amount of the interest on that sum, without any further disposable funds to supply the deficiency. It would seem wholly unnecessary to enlarge on the imprudence of such a course.

Although, therefore, at first view, the treasury appears to be well supplied, for this and the next year, sounder principles oblige us to present it under a very different aspect, and to disclose an alarming and increasing deficit. The expenditure of the year, excluding the journal of accounts for the next session, amounts as we have seen to \$218,807 95, or nearly \$219,000. This includes the balance of last year's appropriations unpaid, \$16,995 78; the expenses of the present session of the legislature, or journal of accounts for this year, \$35,000; and the general payments, \$166,812 17. Of this last sum \$40,000 is for the principal debt, formerly incurred in rebuilding the penitentiary, which with about \$2500 for the interest, ought to be deducted, as being for a particular object of a permanent nature, in which a part of the states' capital may on correct principles, or at least without so great a violation of them, be invested. This leaves the sum of \$176,307 95 for the ordinary expenditure of the state, arising from the expenses of this and former years, which must be paid this year. To meet this expenditure there is a revenue of \$122,398 19, arising from ordinary sources, and exclusive of the \$400,000 received lately from the general government, which ought to be considered as capital, and reinvested in some productive fund.— This leaves a deficiency of \$53,909 76. But as part of the sum to be paid this year, consists in a debt contracted for the current expenses of former years, to the amount with interest of \$29,500, that sum must be deducted from the deficiency, to shew correctly the actual proportion of our income to our expenditure, or the annual and permanent deficit in the revenue. This deduction being made from the deficiency stated above, shews an annual permanent deficit in the revenue of \$24,409 76, with a debt of \$29,500 arising from former deficiencies. And when we recollect that we have not only incurred this debt, but already expended \$80,000 of our capital, nothing more can be necessary to convince us, of the imprudence of persisting in such a course of measures.

The committee, having taken this view of the actual state of the finances, and of the consequences which must of necessity result from continuing in the course last year adopted; from continuing to employ the capital of the state in defraying its ordinary expenses, while a large and growing deficit is suffered to exist in its revenue; deem it proper now to advert to the means by which this state of the finances was produced. And here it affords them great pleasure to be able to state, that it arose at first, not from mismanagement, or a bad financial system, but from indispensable measures of self defence. At the commencement of the late war, the state possessed a revenue adequate to all its ordinary expenses, and to such occasional disbursements of an extraordinary nature, as were required by and given from time to time to public improvements, and by unforeseen and extraordinary exigencies. This revenue was derived from public property, without the aid of taxation. But the war, which pressed very heavily on this state, during a great part of its continuance, required expensive measures of defence, in aid of those adopted in this part of the union, by the general government. The government of the state did not hesitate to call forth its resources in this emergency. It adopted the necessary measures for defence, and made loans to defray the expenses which they required. The amount of these loans was \$436,000, which sum was borrowed in the years 1813 and 1814. The military expenses of the state, incurred chiefly in those years, amounted, as we have seen to \$449,813 81 1-2. Although part of this sum has been refunded by the general government, and a further part has been assumed, no interest has yet been paid or allowed. But the state was obliged to pay interest on the loans, from the times when they were obtained till they were repaid;