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On the State of the Treasury

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ON THE STATE OF THE TREASURY.

[To accompany bill H. R. No. 685.]

MARCH 23, 1838.

MR. CAMBRELENG, from the Committee of Ways and Means, submitted the following

REPORT:

The Committee of Ways and Means submit the following report on the probable receipts and expenditures for the year 1838:

By the act of October last, the ten millions of Treasury notes authorized to be issued were made receivable in payment for public lands, and for duties. More than three millions of these notes have been already returned in lieu of revenue, and it is probable that, under the operation of this provision, a very large reduction will be made in the revenue of the present year, which must be provided for, either by an authority to reissue the Treasury notes received, or by an issue of others in their place.

The Indian branch of the public service still calls, as it has done for some years past, for extraordinary appropriations for removal, subsistence, and hostilities. The annual estimates, submitted by the Secretary of the Treasury in December last, embraced no estimate of the amount which would be required for preventing and suppressing Indian hostilities in 1838. There was drawn from the Treasury during the last year for these expenditures \$5,600,000, and of the million appropriated at this session for this branch of the service, \$900,000 at least were paid for the arrearages of 1837; making \$6,500,000 for that year. The estimates of the War Department, already submitted to the House, for the expenses of preventing and suppressing Indian hostilities in 1838, amount to \$5,265,000. An extraordinary appropriation has been also required, and has been authorized, of \$625,000 for the protection of our Canadian frontier. Notwithstanding these additional estimates, the current resources of the year would, with proper economy, be equal to all the demands upon the Treasury, whether for ordinary or extraordinary purposes, but for two provisions of the Treasury-note act referred to: the one authorizing their receipt in payment of public dues, and the other prohibiting the Treasury from reissuing them. The result is, that they are returned to the Treasury almost as fast as they are issued; and before the close of the year, the revenue might be thus reduced to the amount of ten millions.

If the Treasury notes authorized by the act of October last were not receivable in payment of public dues, the following statements would exhibit the condition of our finances for the present year:

State of the Treasury on the 1st January last.

The amount which stood, on that day, to the credit of the Treasurer, exclusive of the \$1,100,000 of unavailable funds of long standing, was	-	-	\$36,455,154 27
Deduct the drafts of the Treasurer, prior to the 1st January, on the late deposite banks, and on all other depositories, on account of the above balance	-	\$1,514,723 42	
Deposites with the States	-	28,101,644 91	
			<u>29,616,368 33</u>
Balance undrawn for on the 1st January, 1838	-		<u>\$6,838,785 94</u>

Composed of the following items:

Balance due from the late deposite banks	\$6,423,121 87		
Deduct the drafts which had been drawn prior to the 1st January	-	1,011,757 36	
		<u>5,411,364 51</u>	
Amount in the Treasury held in trust for indemnities, investments for Indian tribes, &c.	-	-	572,207 00
Balance, viz:			
In the Mint, for the special service of that establishment	-	\$385,560 92	
Applicable to public expenditures	-	469,653 51	
			<u>855,214 43</u>
			<u>\$6,838,785 94</u>

To prevent erroneous estimates, founded upon Treasury statements which are apparently contradictory, it is proper to add that there are two distinct adjustments of this balance made at the Department. The preceding statement includes all the returns of public money known to the Treasurer on the 1st of January, and all his drafts prior to that date, whether they had been presented at the various depositories or were still in circulation. This gives the correct view of the balance which the Treasurer could on that day draw for, and is made the basis of our financial estimates for each year. Subsequent to that adjustment, the amounts have been received from the various depositories to the end of the year, which exhibit a balance in favor of the Treasury, including the deposites with the States, of \$35,961,872 79, instead of \$34,940,430 85; making an apparent difference of more than one million of dollars. This is easily explained. Of the drafts drawn by the Treasurer before the 1st of January, and deducted in the foregoing statement, 740,000 dollars had not been presented and paid prior to that date, and are consequently not charged in the accounts of the depositories, though credited by the Treasurer as outstanding. And there had been deposited before the 1st of January, \$280,000 of public money, of which no returns had been received by the Treasurer when the balance was ascertained at the Treasury, on the 1st of January last. These two items, amounting to 1,020,000 dollars, constitute the difference between the two statements. Our estimates must always be founded on the balance as ascertained at

the Treasury at any particular period, and not on the accounts of the depositories, which exclude all outstanding drafts, and include moneys not reported to the Department.

It is also proper to state that there was to the credit of the Post Office Department, on the 1st January, \$457,933 86; which, under the act of 1836, is not blended with other money in the Treasury, but is held for, and exclusively applied to, the service of that Department.

Besides these resources, the Treasury held four millions of postponed custom-house bonds, and six millions of United States Bank bonds, exclusive of interest. These, with the balances in the Treasury, in the Mint, and due from the late deposit banks, made an aggregate of more than sixteen millions, independent of the unavailable twenty-eight millions deposited with the States.

The following are the estimated resources of the year:

Balance in the Treasury, applicable to public expenditures, say	\$500,000 00
Treasury notes, not issued on the 1st January last	7,000,000 00
Probable amount which may be received from the late deposit banks, exclusive of the amount drawn for prior to the 1st January, and including the July instalment	2,000,000 00
Bond of the Bank of the United States, with interest due the 1st October	2,300,000 00
Custom-house bonds postponed	4,000,000 00
Revenue from customs	13,000,000 00
Revenue from lands	3,000,000 00
	\$31,800,000 00

The first item of charges upon the Treasury is the unexpended balances of appropriations for the preceding and former years, which had not been drawn from the Treasury prior to the 1st of January last. Two different statements are made by the Departments of these unexpended balances: one is made at the Second Comptroller's office, the other at the Register's. The former includes the requisitions as soon as they issue from the Departments, the latter the warrants after they are issued upon the requisitions. The consequence is a constant and material variation. The statements of these unexpended balances, annually transmitted by the War and Navy Departments, are of the requisitions upon, and not of, money actually drawn from the Treasury. They also embrace the balances which will have been unexpended for more than two years, and which go to the surplus fund at the close of the year. The Register's statement exhibits the amount remaining actually undrawn from the Treasury at the close of the year, and of the amount carried to the surplus fund: the former amounted to \$16,623,845 65, and the latter to \$543,459 24; leaving a balance of \$16,080,386 41 of undrawn appropriations chargeable upon the Treasury on the 1st day of January last.

Charges upon the Treasury for the present year.

Appropriations not drawn from the Treasury on 1st January	\$16,080,000
Appropriations under permanent laws	2,260,000
Civil and diplomatic	3,200,000
Army	4,620,000
Navy	\$5,760,000

Deduct the following unpended balances, which are included in the above \$16,080,000, and which are to be substituted for and deducted from the appropriations for the year 1838; viz :

For pay	\$1,000,000
provisions	150,000
repair of vessels in ordinary	50,000
gradual improvement	1,500,000
	<hr/>
	2,700,000
	<hr/>
	\$3,060,000
Indian annuities, removal of tribes, &c.	1,520,000
Pensions	2,050,000

Deduct the amount remaining in the hands of pension agents to pay pensions which have been due and unclaimed more than six months, stated to be \$710,000, to be hereafter applied to the payment of other pensions, say, available

	\$550,000
	<hr/>
	\$1,500,000
Cumberland and other roads	670,000
Harbors and rivers	1,430,000
West Point Academy	150,000
Fortifications	850,000
Indian hostilities	6,265,000
Canadian frontier	625,000
Extraordinary appropriations by Congress	1,000,000

Of which there will probably remain undrawn at the close of the year

11,000,000

Probable amount of charges upon the Treasury in 1838

\$32,230,000

If all the foregoing appropriations are authorized by Congress, the demands upon the Treasury might exceed the receipts about half a million of dollars, independent of the amount of Treasury notes received in lieu of revenue. But the extraordinary amount of the unexpended balances of appropriations makes it necessary to restrict new appropriations, as far as it may be practicable, to such amounts as may be expended within the year or early in the next. They have not been hitherto made sufficiently with a view to the current expenditure of the year. Large sums have been appropriated, whether the money would be drawn from the Treasury in one or more years. At the present time, when almost all our officers are employed in active military service, many of our public works cannot be prosecuted with advantage. Some of these appropri-

ations, if authorized, must consequently remain almost wholly unexpended during the present year. Some may, therefore, be suspended, and others reduced to the extent of one or two millions, without detriment to the public service, as it is impracticable, at this time, to devote to these branches of our expenditure the skill and talents of our most efficient officers.

With a very moderate reduction of the appropriations for the present year, it will only be necessary to provide means equal to the amount of Treasury notes which have been and may be received at our custom-houses and land offices in lieu of revenue. It is not possible to estimate what amount may be thus returned to the Treasury and cancelled. Of the six millions eight hundred thousand dollars heretofore issued, upwards of three millions have been already paid in, three or four millions more may be, and it is possible that the whole ten millions might be returned to the Treasury and cancelled before the end of the year. Those which bear a low rate of interest, amounting now to 4,500,000 dollars, will certainly be returned; besides others at five per cent., the term of which will have expired, when the interest ceases, according to the act of October last. Any sudden, though temporary, revival of trade, creating a desire to make other investments, would throw almost the whole ten millions into the Treasury. It would be unsafe, under such circumstances, not to authorize the notes issued or to be hereafter issued under the act of October last, to be again paid out, or to provide for an issue of Treasury notes equal to the ten millions authorized by that act. The Treasury may not require more than six or seven millions to replace the notes paid in and cancelled, but the authority should be extended to ten millions to meet any unexpected reduction in our receipts. There is no certainty that the late deposit banks will reduce their debt to the extent estimated; and, in the present state of trade, it is impossible to make any sure calculations on the revenue from customs or public lands for the present year. The former is estimated at \$13,000,000, the latter at \$3,000,000. The receipts from both sources, in the first two months, were very inconsiderable, and the Treasury must depend almost entirely upon the revenue to be received in the last half of the year. Upon the income of the whole year from these sources no estimate can be made which can be relied upon with confidence.

It would appear to be most simple and economical to repeal the restriction in the act of October last, and permit the Treasury to reissue the notes then authorized. But that act directed them to be cancelled when paid in, as some of them have been; and as the interest on the five per cent. notes ceases after twelve months, they would be unavailable. If it were otherwise, however, and they could be paid out or disposed of in any other manner, it would be inexpedient to authorize it, as they would be immediately returned to the Treasury, rendering it necessary to issue them for the third time. Such a process of payments and receipts would be particularly embarrassing to the Treasury, as the notes will soon bear no interest at all. The committee therefore recommend that authority be given to issue Treasury notes to such an amount as the public exigency may require, not to exceed ten millions, at an interest not exceeding six per centum per annum, and payable, one-third of them in twelve months, one-third in eighteen months, and one-third in two years; to be disposed of only to supply the wants of the Treasury, and as the money

may be required. For their redemption, it is proposed to pledge the balances due from all the banks, together with the faith of the United States. The amount which will be payable, by the late deposit banks in 1839, probably about four millions, including interest, and the bonds of the Bank of the United States, equal, with interest, to near five millions, payable in 1839 and 1840, will anticipate and be applied to the redemption of the Treasury notes now proposed, without any additional charge upon the revenue of either of those years.

The committee respectfully submit a bill authorizing an issue of Treasury notes, in case the public interest should require it, and to replace those which have been or may be received for public dues into the Treasury, according to the provisions of the act of October last.