

THE GOVERNOR'S COMMITTEE ON PREPARATORY RESEARCH

for the

NEW JERSEY CONSTITUTIONAL CONVENTION

CONSTITUTIONAL LIMITATIONS ON THE CREATION OF STATE DEBT

by

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CONSTITUTIONAL LIMITATIONS ON THE

CREATION OF STATE DEBT

COLONIAL AND STATE DEBTS TO 1844

The issuance of circulating notes by the Colonies has been called the origin of American state debts. It has been suggested that these notes were issued equally as much to supply a medium of exchange as to raise funds.¹ While this may have been the case in the beginning, the continued and expanded practice was to create money and raise funds for the Treasury, to create funds to be loaned out on mortgages, to supply funds to cover the costs of wars and to cover deficits in ordinary expenses of the Colonies.²

During the period of the Revolution, the new states authorized the emission of paper money or certificates as a means of meeting the expenses incidental to the establishment of new governments and the prosecution of the war. After the war, the debts so incurred by the states were largely assumed by the Federal Government. It is estimated that by 1795, the debt of the states had been reduced to \$3,000,000.³ New Jersey is listed among those states whose debts were nominal or non-existent.

The development of state debts as they are more commonly recognized to-day, occurred after 1820 when the states began to borrow for internal improvements. These loans were voluntary; the states "funded" their debts and state bonds made their appearance on the investment market.⁴ Although New Jersey remained one of the nine non-borrowing states, by 1843, state indebtedness exceeded \$230,000,000. This was a staggering sum when considered in relation to the population and the tax revenues enjoyed by the twenty-one states which had incurred the liability.

Until 1830, state borrowing was orderly and was indulged in mainly by the older states of the East and South. After 1830, the movement got out of hand. Most of the indebtedness was incurred for projects which were expected to be self-supporting, such as banks, canals and railroads.⁵ For a time many of these projects were highly profitable, as was evidenced by New York's spectacular success with the Erie Canal.

In the very midst of this program of internal improvements, the states found themselves confronted by the severe panic of 1837. Following the banking collapse of 1839, all of the borrowing states were in difficulties and by 1842, nine states had defaulted and several others avoided defalcation by a very narrow margin.⁶

As a result of the sad experiences of the borrowing states for the decade previous to the New Jersey Constitutional Convention of 1844, it is not surprising that New Jersey elected to safeguard its future credit position by adopting limitations in its new Constitution against dangers of similar unwise debt expansion. Previous to 1840, no state constitution limited the debt which the legislature might incur. In 1842, Rhode Island led the way by adopting an amendment forbidding the legislature, without the consent of the people, to pledge the faith of the state, or to incur debts in excess of \$50,000 except in times of war, insurrection, or invasion. The New Jersey provision, adopted two years later, was widely copied. Within a period of fifteen years the constitutions of nineteen states were amended to include debt limitation provisions. Eventually similar provisions on borrowing were written into nearly all the state constitutions.⁷

THE NEW JERSEY CONSTITUTIONAL CONVENTION OF 1844

The dispatch with which the several committees, charged with the responsibility of drafting the proposed constitution, acted has been commented upon by students of the Convention of 1844.⁸ On May 28, 1844, the committee on the Legislative Department submitted its report. Section XIX of the Legislative Article dealt with limitations on the incidence of state debt: the section is duplicated immediately below for purposes of study and comparison.

"The legislature shall not, in any manner, create any debt or debts, liability or liabilities, of the State, which shall singly, or in the aggregate, at any time exceed \$100,000, except for purposes of war, or to repeal invasion, or to suppress insurrection, unless the same shall be authorized by a law for some single object or work, to be distinctly specified therein; which law shall impose and provide for a direct annual tax sufficient, with such other appropriations as may be made therein, exclusive of loans, to pay the interest of such debt or liability as it falls due, and also to pay and discharge the principal of such debt or liability within twenty years from the time of the contracting thereof: and no such law shall take effect until it shall, at a general election, have been submitted to the people, and have received the sanction of a majority of all the votes cast for or against it at such election; and all the money to be raised by the authority of such law shall be applied, only, to the specific object stated in such law, and to the payment of the debt thereby created."⁹

While most of the delegates assembled were in substantial agreement with the provisions set forth in Section XIX, a few did not appear to be unduly impressed by the bitter experience of some of New Jersey's sister states. These delegates agitated for the addition of a proviso which would enable the State to exercise its future option to acquire, without restraint, certain public works, namely, the Camden and Amboy Railroad and the Morris Canal and its feeders. Opposition developed on the grounds that members of the Legislature might be "bought" to vote for the purchase of the facilities under discussion.

It was finally agreed, however, that the twenty-year retirement stipulation, as set forth in the report, would make difficult the future purchase of the facilities, and on this consideration, the Convention approved an amendment to substitute in its stead, a thirty-five year maximum.¹⁰ Earlier in the deliberations of the Convention, a suggestion to amend the same provision by extending the debt retirement period to thirty years had failed on the theory that such an extended time would arouse the speculative appetite of future legislatures.¹¹

Other amendments to Section XIX discussed and approved included:

- (1) "Monies that are or may be deposited with this State by the Federal Government,"¹² shall be exempt from the provisions of Section XIX;
- (2) There shall be inserted after the word, "aggregate" the words, "with any previous debts or liabilities;"¹³ and
- (3) In order that some subsequent legislature could not repudiate the state debt by repealing the tax prescribed to liquidate the debt, there be inserted after the words "contracting thereof," the words "and shall be irrevocable until such debt or liability, and the interest thereon are fully paid and satisfied."¹⁴

(For a later discussion of this same subject, see chapters dealing with the public hearings of 1942 and 1944)

Except for very minor changes in phraseology, the amendments considered above were the only ones which materially changed Section XIX as originally drafted by the Committee on the Legislative Department. The Convention completed its work on June 29, 1844, and the people, by public vote, ratified the new Constitution, August 13, 1844. Section XIX as amended and approved became Article IV, Section 6, Paragraph 4. This section of our present Constitution reads as follows:

"The legislature shall not, in any manner, create any debt or debts, liability or liabilities, of the State, which shall singly or in the aggregate with any previous debts or liabilities at any time exceed one hundred thousand dollars, except for purposes of war, or to repel invasion, or to suppress insurrection, unless the same shall be authorized by a law for some single object or work, to be distinctly specified therein; which law shall provide the ways and means, exclusive of loans, to pay the interest of such debt or liability as it falls due, and also to pay and discharge the principal of such debt or liability within thirty-five years from the time of the contraction thereof, and shall be irrevocable until such debt or liability, and the interest thereon, are fully paid and discharged; and no such law shall take effect until it shall, at a general election, have been submitted to the people, and have received the sanction of a majority of the votes cast for and against it at such election; and all money to be raised by the authority of such law shall be applied only to the specific object stated therein, and to the payment of the debt thereby created. This section shall not be construed to refer to any money that has been, or may be deposited with this state by the government of the United States."¹⁵

THE HISTORY OF STATE DEBTS FROM 1844 TO 1945 WITH EMPHASIS UPON TRENDS IN NEW JERSEY

Improved business conditions, the restoration of state credit after 1845, and the demand for better railroad facilities, to be financed largely through the use of state credit, account in large measure for the rapid increase in state debts just previous to the Civil War.¹⁶ Total state debt for all thirty-three states rose from \$189,909,000 in 1841 to \$257,328,000 in 1860. (See Table 1)

The desperate plight and subsequent debt repudiation of the Confederate states following the war is too well known to require comment here.¹⁷ It should be noted, however, that during the latter part of the nineteenth century, state borrowing was generally unpopular. Although the borrowing habit persisted in a few Southern states, there was a general reduction in the total of state debt between

TABLE 1

NET DEBTS OF THE STATES
SELECTED YEARS, 1841-1942
(IN THOUSANDS OF DOLLARS)

<u>State</u>	<u>1841</u>	<u>1860</u>	<u>1902</u>	<u>1916</u>	<u>1932</u>	<u>1942</u>
Alabama	\$ 15,400	\$ 3,445	\$ 12,727	\$ 13,564	\$ 82,342	\$ 74,739
Arizona	-	-	3,099	844	3,676	3,134
Arkansas	2,676	3,093	1,101	1,239	164,424	154,558
California	-	3,824	2,955	33,376	145,723	219,436
Colorado	-	-	3,797	3,753	6,747	24,099
Connecticut	-	-	1,678	13,064	108	30,213
Delaware	-	-	762	796	2,072	5,174
Dist. of Columbia	-	-	14,540	5,470	-	-
Florida	4,000	383	1,032	602	391	-
Georgia	1,310	2,671	7,876	6,322	12,488	22,967
Idaho	-	-	324	1,712	6,961	2,689
Illinois	13,527	10,277	2,155	2,067	221,404	149,252
Indiana	12,751	10,179	2,914	768	4,730	7,923
Iowa	-	352	50	-	16,495	2,038
Kansas	-	-	632	-	21,810	15,522
Kentucky	3,085	5,479	2,291	2,607	16,224	9,053
Louisiana	23,985	4,561	13,593	13,479	83,743	182,112
Maine	1,735	699	2,785	2,638	27,219	26,323
Maryland	15,215	14,877	4,942	16,575	31,198	57,965
Massachusetts	5,424	7,133	65,964	86,043	62,856	111,187
Michigan	5,611	2,316	6,566	6,915	60,582	41,094
Minnesota	-	319	1,755	1,516	40,156	105,221
Mississippi	7,000	5,753	2,877	5,127	36,320	82,998
Missouri	842	25,952	4,366	7,033	103,302	87,907
Montana	-	-	1,204	1,186	9,316	13,509
Nebraska	-	53	2,005	-	929	947
Nevada	-	-	624	680	1,370	431
New Hampshire	-	50	1,551	1,951	6,505	17,912
New Jersey	-	-	-	116	62,198	105,906
New Mexico	-	-	999	2,562	11,470	27,242
New York	21,797	33,570	8,187	148,740	463,063	703,412
North Carolina	-	9,130	6,755	8,884	177,210	135,445
North Dakota	-	-	958	511	5,005	29,971
Ohio	10,924	16,923	4,685	5,341	7,696	12,062
Oklahoma	-	-	510	6,447	11,438	40,159
Oregon	-	-	236	-	33,388	31,225
Pennsylvania	33,301	37,970	339	473	75,958	288,784
Rhode Island	-	-	2,620	6,391	16,807	29,333
South Carolina	3,691	4,047	6,730	5,387	77,984	86,537
South Dakota	-	-	457	-	15,510	32,056
Tennessee	3,398	20,899	17,984	15,864	94,032	94,394
Texas	-	-	3,993	4,548	10,317	18,169
Vermont	-	-	974	2,691	5,694	2,019
Washington	-	120	363	611	9,545	6,850

State	1841	1860	1902	1916	1932	1942
Virginia	\$ 4,037	\$ 33,248	\$ 23,546	\$ 23,772	\$ 25,983	\$ 25,716
Washington	-	-	1,271	1,209	8,257	16,262
West Virginia	-	-	-	-	86,394	79,695
Wisconsin	200	-	2,278	2,157	1,184	1,184
Wyoming	-	-	301	108	5,568	3,240
Totals	\$189,909	\$257,328	\$249,411	\$465,139	\$2,369,713	\$3,218,064

Source: Bureau of the Census; American State Debts, pp. 127 and 254 and Graves, American State Government, p. 601.

1860 and 1902. In the latter year, the total net debt of the states stood at \$249,411,000 (Table 1) despite the admission of fifteen additional states and a population increase of 150%.

The advent of the automobile and the demand for improved highways between 1902 and 1916 were responsible for a doubling of indebtedness. Table 1 shows that the total debt in 1916 jumped to \$465,139,000.

State loans which had been held to a minimum during the first World War increased after the war to amounts far above any ever before known. This was attributable to growing demands for highways and other post-war factors. In 1921 the states borrowed heavily for highway improvement and soldiers' bonuses. The depression of 1930 brought new financial demands for unemployment relief, and borrowing even by 1932 had again broken all previous records. Table 1 reveals the fact that state indebtedness in 1932 had mounted to \$2,369,713,000, and this upward trend continued until 1934 when the Federal Government began its program of generous financial assistance.

When the United States entered the Second World War in 1941, the net indebtedness of the states again stood at a new high. Despite unparalleled state revenue increases, the total state debt in 1942 was \$3,218,064,000. (Table 1) During 1943, however, state debt retirement was pronounced and total indebtedness reverted to a figure more in keeping with that of 1932. Continued high tax revenues have enabled the states to further reduce their debt obligations since 1943. Net indebtedness for all forty-eight states as reported by the Bureau of the Census for 1945 was considerably under the 1932 figure and amounted to \$1,838,971,000.

Table 2 has been prepared as a means of presenting the New Jersey debt trends from 1844 to 1946. Previous to the outbreak of the Civil War, New Jersey, together with five sister states,¹⁸ was debt-free. Between 1861 and 1864 the State approved, without the need of a public referendum, three measures authorizing the issuance of war bonds in a total amount not to exceed \$4,000,000. From available records, not too easy of interpretation, it appears that the State's total war debt was about \$3,395,000,¹⁹ and that by March of 1905, the Federal Government had repaid to the State \$2,226,000.²⁰ There are indications, however, that by 1902 New Jersey had freed itself from its share of the Civil War debt.

The beginnings of New Jersey's bonded indebtedness may really be said to have originated in 1920 when the people approved, by public referendum, Chapter 159 (P.L.1920) which authorized the issuance of bonds in the amount of \$12,000,000 to pay a bonus to veterans of the first World War. Previously, in 1916, the people had approved a \$7,000,000 bond issue for highway improvement. These bonds were never issued due to this country's participation in the war. From 1920 to 1932, all laws authorizing bond issues approved by the people were for purposes of internal improvement, mainly highways. In 1921 the people rejected Chapter 201 (P.L.1921) which called for issuance of bonds in the amount of \$14,000,000 for institutions. (See Note 3, Table 2)

New Jersey's borrowing from 1932 to 1939 was mainly for the purpose of financing unemployment relief, with one issue in 1933 dedicated to educational aid. From 1939 to 1945 there was no borrowing. In 1946 the people approved Chapter 324 (P.L.1946) authorizing the issuance of bonds in the amount of \$35,000,000

TABLE 2

SCHEDULE OF NEW JERSEY STATE BOND ISSUES
YEARS 1844 TO 1946
(IN THOUSANDS OF DOLLARS)

<u>P.L. and Chap. Reference</u>	<u>Purpose</u>	<u>Type of Issue</u>	<u>Revenue Source</u>	<u>Amount</u>	<u>Present Status</u>
1861, Chap. 8	Civil War		Property	\$ 2,000	Paid
1863, " 250	" "		"	1,000	"
1864, " 433	" "		"	1,000	"
1916, " 285	Highway Improvement		Motor Vehicle	7,000	Never Issued (1)
1920, " 159	Soldiers' Bonus	S.F.	Property	12,000	Paid
1920, " 352	Highway Extension	S.F.	Property & Operating Profit	28,000	" (2)
1921, " 201	Institutions	S.F.	Property	14,000	Defeated Referendum (3)
1922, " 262	Roads & Bridges	S.F.	Property	40,000	Paid
1924, " 262	Highway Extension	S.F.	Property & Operating Profit	8,000	"
1927, " 181	Highway Improvement	S.F.	Property	30,000	One-third Paid
1930, " 226	Water Supply	S.B.	Motor Fuels	7,000	Partly Amortized
1930, " 227	State Institutions	S.B.	" "	10,000	" "
1930, " 228	Highway Improvement	S.B.	" "	83,000	" " (4)
1932, " 250	Reduced above by			-20,000	
1932, " 251	Unemployment Relief	S.B.	Motor Fuels	20,000	Paid
1933, " 387	Educational Aid	S.B.	" "	7,000	"
1933, " 388	Repealed Chap. 226, P.L. 1930			-7,000	
1933, " 398	Unemployment Relief	S.B.	Motor Fuels	5,000	Paid
1934, " 255	" "	S.B.	Prop. & Inheritance	10,000	"
1939, " 329	" "	S.B.	Multiple	21,000	"
1946, " 324	Veterans' Housing	S.B.	"	35,000	" (5)

Source: State Treasurer's Office and Laws of New Jersey

- (1) Highway improvement prevented by World War I.
- (2) Construction of Camden Bridge and Holland Tunnel.
- (3) A careful search fails to reveal any other bond issue ever rejected by the people on a referendum. The vote was 151,726 for, and 212,643 against.
- (4) P.L. 1932, Chap. 250, approved, reduced amount to \$63,000,000, of which only \$46,400,000 has been issued.
- (5) Only 7,400,000 has been issued.

for veterans' housing. Of this amount only \$7,400,000 has been issued to date and it is very unlikely that the balance will ever be issued.

The peak of New Jersey's bonded indebtedness was reached in 1935, at which time the State's outstanding obligations totaled \$197,000,000. The low in the State's debt since 1935 was realized by July, 1946 when outstanding obligations totaled \$63,000,000. The balance of redeemed state bonds on January 1, 1947 was \$72,200,000.²¹

REPORT OF THE COMMISSION ON REVISION OF THE NEW JERSEY CONSTITUTION,
May 1942, AND THE PUBLIC HEARINGS OF 1942.

No attempt was made to amend the New Jersey constitutional provision limiting the State's indebtedness (Art.4, Sect.6, Par.4) until 1942. On May 18th of that year the legislative Commission on Revision of the New Jersey Constitution (constituted under Joint Resolution No. 2, approved 11-18-41 and reconstituted under Joint Resolution No. 1, approved 1-24-42 as amended 4-1-42) submitted to the Legislature and the Governor the text of "A Revised Constitution for the State of New Jersey."

The proposed revised Constitution contemplated a separate article for all matters pertinent to state finance (Article VII) and treated the subject of "Debt Limitations" in three distinct paragraphs (Pars. 7, 8, 9) which are quoted directly below.

7. "Except for purposes of war, or to repel invasion or to suppress insurrection, no debt or liability shall be contracted by or on behalf of the State in any amount which, singly or in the aggregate with any previous debts or liabilities, shall at any time exceed one hundred thousand dollars, unless authorized by a law which shall, at a general election, have been submitted to the people, and have received the sanction of a majority of all the votes cast for and against it."

8. "Any such law shall provide for some single object or work, to be distinctly specified therein, and for the payment of the debt or liability thereby authorized in equal annual installments, the first of which shall be payable not more than one year, and the last of which shall be payable not more than thirty-five years after such debt or liability, or any portion thereof, shall have been contracted. In contracting any debt or liability, however, the privilege of paying all or any part thereof prior to maturity may be reserved to the State in such manner and upon such terms as may be provided by law."
9. "All money to be raised by authority of any law authorizing the contracting of a debt or liability by or on behalf of the State shall be applied only to the specific object or work stated therein or to the payment of such debt or liability. Such law shall provide the ways and means, exclusive of loans, to pay and discharge the principal and interest of the debt or liability thereby authorized. If such law should be repealed prior to such payment and discharge, the Legislature shall make adequate provisions for payment of the remaining annual installments of principal and interest, and upon failure thereof a sufficient sum shall be set apart by the State Treasurer from the first revenues received and shall be applied to such purpose."²²

The changes proposed by paragraphs 7, 8, and 9 were summarized and explained by the Commission in this manner:

"The history of State government has proved the wisdom of rigid restrictions upon State borrowing. For this reason the requirement of a referendum upon all indebtedness exceeding \$100,000 is carefully retained. Serial bonds which call for amortization of the debt each year are made mandatory because they eliminate the need for State sinking funds. The former requirement that the law which authorized the bonds must pledge the source of payment is deleted because it imposes an unfair rigidity to the State's fiscal policies for as much as thirty-five years. In order to protect the State's credit position, however, a substitute for the old provision requires the State Treasurer to pay the annual public debt charges out of the first moneys he receives."²³

(For a discussion of the provision enabling the State to retire a debt obligation at its option, the only other change not discussed above, see "Hearings of 1944" to follow.)

On August 19, 1942 public hearings were conducted on Article VII, Paragraphs 7, 8, and 9 of the proposed revised Constitution. Among those speaking in favor of the provisions as contained in the paragraphs were:

Spencer Miller, Jr., Chairman of the New Jersey Committee on Constitutional Convention.²⁴

Russell Watson, Vice-Chairman of the New Jersey State Chamber of Commerce,²⁵ and

Mrs. Alloway, Member of the State Board of the New Jersey League of Women Voters.²⁶

Mr. Russell Watson in discussing Paragraph 9, placed emphasis upon his approval of the provision enabling the Legislature to repeal the original law authorizing the source of revenue to retire a debt and to substitute therefor alternate methods. He reasoned that within a period of thirty-five years, or during the life of a bond issue many factors might conspire to make desirable and imperative additional or new sources of revenue to complete the debt retirement. The revenue source as contained in the original law might diminish or entirely disappear or other events might dictate its repeal.

Opposition to many of the changes proposed in paragraphs 7, 8, and 9 were registered by Mr. R. Robinson Chance representing the Manufacturers' Association of New Jersey.²⁷ They will be discussed in the order of their presentation.

While Mr. Chance recognized merit in using serial bonds, he felt that future occasions might well prove that there were equal advantages in the utilization of term bonds and sinking funds. He recommended that rather than place the Legislature in a future "straight-jacket," the matter of selection between term or serial bonds be left to the judgment of the Legislature.

Speaking of the feature contained in paragraph 9 enabling the Legislature to repeal a revenue measure specifically enacted to

retire a given state debt, Mr. Chance said: "----- under the present Constitution when a bond is issued the investor who buys the bond has a definite specified irrevocable contract as to where the money is coming from to redeem the principal and pay the interest. In place of such an irrevocable arrangement, the proposal would require a bond for the payment of which no particular ways and means were actually guaranteed, since the ones originally specified might be wiped out by the repeal of the law." He continued with the reasoning that such uncertain methods of financing the state debt might affect the State's credit and the future salability of its bonds.

The position taken by Mr. Chance in regard to the provision contained in paragraph 8 limiting the State to the use of serial bond issues has recently been supported by the Office of the State Treasurer. There is quoted immediately below a statement prepared for this study by G. S. Fisher, Assistant Cashier of that office, with the consent and approval of the present State Treasurer.

"In general a Sinking Fund Issue will command a better figure (i.e. lower coupon rate and larger premium) than a Serial Issue due to the added security and the simplicity of arranging yield and re-distribution.

The State of New Jersey has had very good experiences with its Sinking Funds. Not only have they been able to meet maturities but they have been able to exercise their prior call privileges. They have all enjoyed substantial surpluses from which they have paid other obligations. The surplus of the Soldiers Bonus Sinking Fund retired a deferred payment due by the State to the Teachers' Pension and Annuity Fund-that of the Highway Extension Sinking Fund helped materially to pay the Unemployment Relief Bonds, and that of the Road and Bridge Sinking Fund is pledged to retire an interest bearing promise to the Teachers' Pension and Annuity Fund.

The Sinking Funds were able to support the credit of New Jersey Municipalities, thereby keeping the interest rate (and incidently the tax rate) down. The full extent of this will never be entirely known, but during the depression it was not necessary to ask for laws extending the interest level beyond the existing limit of six per cent.

This aid to the Municipalities reacted favorably in the Sinking Funds, and is one of the factors in establishing the substantial surpluses.

Supporting the New Jersey Municipal Bond market, also established the State's credit and indirectly helped the banks following the "Bank Holiday."

It would be as unwise to eliminate Sinking Fund Issues as to eliminate Serial Issues. The Issuing Officials or the Legislature should be unhampered so they can take advantage of the prevailing conditions when a bond issue is contemplated."

PUBLIC HEARINGS OF 1944 BEFORE THE JOINT LEGISLATIVE COMMITTEE ON THE
PROPOSED REVISED CONSTITUTION

Under Senate Concurrent Resolution No. 1, adopted January 11, 1944, a Joint Legislative Committee was constituted to conduct a further series of public hearings on a redraft of the proposed revised Constitution. The subcommittee on the Legislative Section was authorized also to consider Article VII, Finance. In this draft of the proposed revised Constitution, all three paragraphs (7,8,9) contained in the draft of 1942 with changes, were combined in one paragraph, identified as Paragraph 5, Article VII, the complete text of which follows:

"The Legislature shall not, in any manner, create any debt or debts, liability or liabilities, of this State, which shall singly or in the aggregate with any previous debts or liabilities at any time exceed one hundred thousand dollars, except for purposes of war or to repel invasion, or to suppress insurrection, or to meet an emergency caused by act of God or disaster;²⁸ unless the same shall be authorized by law for some single object or work to be distinctly specified therein; which law shall provide the ways and means, exclusive of loans, to pay the principal and interest of such debt or liability as it falls due, No such law shall take effect until it shall, at a general election, have been submitted to the people, and have received the sanction of a majority of all the votes cast for and against it at such election. Any such debt or liability thereby authorized shall be paid in annual installments, the first of which shall be payable not more

than one year, and the last of which shall be payable not more than thirty-five years after such debt or liability shall have been contracted. In contracting any such debt or liability, however, the privilege of paying all or any part thereof prior to maturity may be reserved to the State in such manner and upon such terms as may be provided by law. All money to be raised by the authority of any such law shall be applied only to the specific object or work stated therein and to the payment of the debt or liability thereby created. No such law shall be repealable until such debt or liability, and the interest thereon, are fully paid and discharged or until equally secure provision is otherwise made for the payment of the remaining annual installments of the principal and interest of such debt or liability."²⁹

Mr. Charles O. Frye, Director of the American Citizenship Foundation, appears to have been the only individual whose presence and testimony at the hearing resulted in changes to Paragraph 5, Article VII as cited above.

Mr. Frye agreed that it was very desirable to reserve to the Legislature the right to relieve bonds prior to their maturity. He felt, however, that such a reservation should be stated so clearly as to make this fact plain to the investor at the particular moment of purchase of any bond issue. He pointed to litigation in the courts of two states where fixed callable dates had appeared on the face of the bonds and which were subsequently called at an earlier date. To avoid any uncertainty in the matter he proposed instead of the words "upon such terms as may be provided by law," the insertion of the words, "upon such terms as may be provided by the law authorizing the debt."³⁰

Referring to the last sentence in Paragraph 5, Mr. Frye took exception to the reservation enabling the Legislature to substitute "equally secure provisions" for the payment of the remaining debt, as leaving the investor and the State in an "extreme uncertainty." He contended that the uncertain element so introduced would appeal

to the more speculative investor who would demand a higher interest rate on the bonds. He suggested, therefore, that the last sentence terminate at the word "discharged," with the remainder of the sentence deleted.³¹ Both of Mr. Frye's amendments were incorporated in the following final draft of Article VII, Paragraph 5 of the proposed revised Constitution as it was submitted to the people on November 7, 1944. Except for minute changes in terminology, it will be noted that no other differences of account appear.

"The Legislature shall not, in any manner, create any debt or debts, liability or liabilities of this State, which shall singly or in the aggregate with any previous debts or liabilities at any time exceed one hundred thousand dollars, except for purposes of war or to repeal invasion, or to suppress insurrection, or to meet an emergency caused by act of God or disaster; unless the same shall be authorized by a law for some single object or work to be distinctly specified therein; which law shall provide the ways and means, exclusive of loans to pay the principal and interest of such debt or liability as it falls due. No such law shall take effect until it shall, at a general election, have been submitted to the people, and have received the sanction of a majority of all the votes cast for and against it at such election. Any such debt or liability thereby authorized shall be paid in annual installments, the first of which shall be payable not more than one year and the last of which shall be payable not more than thirty-five years after such debt or liability shall have been contracted; but the privilege of paying all or any part thereof prior to maturity may be reserved to the State as may be provided in the law authorizing such debt or liability. All money to be raised by the authority of any such law shall be applied only to the specific object or work stated therein and to the payment of the debt or liability thereby created. No such law shall be repealable until such debt or liability, and the interest thereof, are fully paid and discharged."

CONSTITUTIONAL DEBT LIMITATION PROVISIONS IN THE 48 STATES AND THEIR RELATIVE EFFECTIVENESS

The mere tabulation of a state's indebtedness alone, while of considerable value and interest, is not sufficient to evaluate that state's actual debt load or its relative position in a comparative

TABLE 3

GROSS STATE DEBTS 1945
 PER CAPITA DEBT AND RANK 1945, 44, 40
 (GROSS DEBT IN THOUSANDS)

State	Gross Debt Totals	1945		1944		1940	
		Per Capita	Rank	Per Capita	Rank	Per Capita	Rank
Alabama	\$ 66,810	\$24.58	16	\$26.43	17	\$28.00	23
Arizona	3,328	5.35	35	6.07	36	6.09	40
Arkansas	139,494	80.37	1	83.21	1	79.67	2
California	172,929	21.94	18	30.80	14	48.69	6
Colorado	18,298	17.15	23	18.85	25	26.07	24
Connecticut	23,600	13.50	29	14.40	30	14.17	32
Delaware	4,502	16.45	25	17.30	26	16.61	29
Florida	1,297	.64	46	.66	47	.53	48
Georgia	15,210	5.11	36	6.25	35	9.57	36
Idaho	535	1.13	44	2.97	39	7.02	38
Illinois	115,122	15.22	26	16.54	27	22.10	27
Indiana	6,431	1.90	41	2.04	42	2.60	43
Iowa	1,403	.62	47	.72	46	1.91	44
Kansas	11,548	6.88	33	7.65	33	10.12	35
Kentucky	6,083	2.39	39	2.70	40	6.64	39
Louisiana	164,359	70.95	2	72.80	2	80.52	1
Maine	19,178	24.51	17	27.07	16	33.02	16
Maryland	38,359	19.34	20	22.11	21	32.28	20
Massachusetts	70,160	17.14	24	19.54	24	33.71	15
Michigan	15,808	2.94	38	4.38	37	16.93	28
Minnesota	75,080	29.73	13	32.63	13	42.33	9
Mississippi	70,276	35.20	10	37.26	10	37.17	13
Missouri	73,499	20.85	19	22.95	20	28.52	22
Montana	11,736	24.97	15	26.13	18	25.92	25
Nebraska	970	.82	45	.95	45	1.10	47
Nevada	-	-	-	-	-	4.90	41
New Hampshire	14,350	31.65	12	35.67	12	32.79	17
New Jersey	76,957	18.36	21	24.32	19	40.60	11
New Mexico	22,875	46.67	3	50.58	4	50.40	5
New York	571,993	45.97	5	49.25	5	54.20	4
North Carolina	111,202	33.22	11	35.86	11	42.28	10
North Dakota	20,342	37.92	8	39.62	9	39.61	12
Ohio	10,604	1.55	42	1.69	43	1.74	45
Oklahoma	26,877	13.52	28	15.05	28	15.14	31
Oregon	20,327	17.33	22	21.10	22	35.67	14
Pennsylvania	130,129	14.03	27	20.48	23	30.59	21
Rhode Island	26,189	37.70	9	39.72	8	45.69	7
South Carolina	77,854	43.50	6	46.06	6	32.71	18
South Dakota	25,301	46.44	4	50.87	3	68.43	3
Tennessee	78,095	27.71	14	29.89	15	32.62	19
Texas	11,964	1.91	40	2.33	41	4.41	42

<u>State</u>	<u>Gross Debt Totals</u>	<u>1945</u>		<u>1944</u>		<u>1940</u>	
		<u>Per Capita</u>	<u>Rank</u>	<u>Per Capita</u>	<u>Rank</u>	<u>Per Capita</u>	<u>Rank</u>
Utah	\$ 1,718	\$ 2.94	37	\$ 3.71	38	\$ 8.22	37
Vermont	3,674	11.62	31	13.77	31	23.91	26
Virginia	23,316	8.42	32	9.43	32	10.79	34
Washington	12,951	6.80	34	7.64	34	12.44	33
West Virginia	71,317	41.17	7	43.38	7	42.54	8
Wisconsin	3,943	1.34	43	1.42	44	1.72	46
Wyoming	3,168	13.44	30	14.80	29	15.21	30
Total & Averages	\$2,471,161	\$19.54		\$22.08		\$27.87	

Source: Bureau of the Census, State Finances, Vol. 2, (1945)

analysis of each state's debt position. Accordingly, Table 3 has been prepared to indicate the gross per capita debt load of each state and its rank among the other forty-seven states for selective years between 1940 and 1945.

It will be remembered that in 1935 New Jersey's indebtedness reached the high point in its entire debt history, and that from 1936 to 1946 there was a gradual yet substantial reduction. Table 3 indicates that New Jersey ranked eleventh among the states in its per capita debt load in 1940. In 1944 its position was considerably improved, ranking nineteenth and in 1945, despite the absence of rich tax revenues enjoyed by a majority of the states, its position was twenty-first.

While Table 3 establishes New Jersey's relative position among the forty-eight states in per capita debt load for the past five years, it does nothing to establish the effectiveness of New Jersey's constitutional debt limitation provision or of the various types of constitutional debt limitation provisions in effect in the forty-eight states. For the purpose of a rough appraisal, it is possible, from a study of Summary 1,³² to divide the forty-eight states into three groups according to the borrowing powers conferred upon each by its respective constitution. A study of Table 4 will indicate that the states have been divided in accordance with the provisions governing the more important uses of state credit. Fully explained, states in the first group have constitutional provisions which, with minor exceptions, forbid the legislature to incur any debt except those authorized by a constitutional amendment. States in this group may be said, therefore, to have the most stringent debt limitation provisions.

States in the second group are those which, with certain ex-

TABLE 4

STATES GROUPED ACCORDING TO CONSTITUTIONAL BORROWING POWER
GROSS DEBT AND RANK FOR YEAR 1945
(GROSS DEBT IN THOUSANDS)

<u>BY CONSTITUTIONAL AMENDMENT</u>			<u>BY REFERENDUM</u>			<u>LEGISLATIVE ACTION NO LIMIT</u>		
<u>State</u>	<u>Debt</u>	<u>Per Capita Rank</u>	<u>State</u>	<u>Debt</u>	<u>Per Capita Rank</u>	<u>State</u>	<u>Debt</u>	<u>Per Capita Rank</u>
Alabama	\$ 66,810	16	California	\$172,929	18	Arkansas (Before 1934)	\$139,494	1
Arizona	3,328	35	Idaho	535	44	Connecticut	23,600	29
Colorado	18,298	23	Illinois	115,122	26	Delaware	4,502	25
Florida	1,297	46	Iowa	1,403	47	Maryland	38,359	20
Georgia	15,210	36	Kansas	11,548	33	Massachusetts	70,160	24
Indiana	6,431	41	Kentucky	6,083	39	Mississippi	70,276	10
Louisiana	164,359	2	Montana	11,736	15	New Hampshire	14,350	12
Maine	19,178	17	New Jersey	76,957	21	Nevada	-	-
Michigan	15,808	38	New Mexico	22,875	3	No. Carolina (Before 1936)	111,202	11
Minnesota	75,080	13	New York	571,993	5	No. Dakota	20,342	8
Missouri (Before 1935)	73,499	19	Oklahoma	26,877	28	So. Carolina	77,854	6
Nebraska	970	45	Rhode Island	26,189	9	So. Dakota	25,301	4
Ohio	10,604	42	Virginia	23,316	32	Tennessee	78,095	14
Oregon	20,327	22	Washington	12,951	34	Utah	1,718	37
Pennsylvania	130,129	27	Wyoming	3,168	30	Vermont	3,674	31
Texas	11,964	40						
West Virginia	71,317	7						
Wisconsin	3,943	43						

Source: Bureau of the Census, State Finances, Vol. 2 (1945)
Provisions in State Constitutions Controlling Debt, The Tax Foundation (1945)
Ratchford, American State Debts, p. 443

ceptions, have constitutions which require each individual law, authorizing borrowing, to be submitted to a popular referendum. New Jersey is typical of this group.

States in the third group are those wherein the legislature may be said to exercise all powers over the extension of the state's credit.

The reader, in his appraisal of Table 4, should be conscious of the fact that at least one exceptional state distorts the final results in each of the three groups. Louisiana and to some extent West Virginia are representative of those states in the first group whose constitutions are ambiguous and whose courts have been overgenerous in their interpretations. New York, in Group 2, is representative of the state with the single largest indebtedness. In 1938, for example, its total net debt was nineteen per cent of the total for the whole country. Arkansas, in Group 3, is a decided exception to the general rule and Nevada, which has no necessity to create a debt because of its exceptional source of tax revenue, represents an extreme which few states have cared to copy.

In addition to the exceptions outlined above, the reader should also evaluate Table 4 with due consideration to: population density, industrial density, per capita income, tax revenue yields per capita, the limitations of the tax base and related factors.³³

For purposes of comparison, the full text of three states' constitutions, one typical state in each group depicted in Table 4, is duplicated below in detail, insofar as it relates to this subject.

SUMMARY 1

Summary of State Constitutional Limitations on Debt.

(In nearly all states provision is made for borrowing to repel invasion, suppress insurrection, or to aid the U.S. in time of war)

- Alabama: Governor may negotiate temporary loans up to \$300,000. After 1933 no additional state debt is possible without a constitutional amendment.
- Arizona: The state may contract debts up to a \$350,000 total. Additional borrowings require constitutional amendments.
- Arkansas: Except for highway purposes, education, war pensions, and existing debts, the General Assembly is prohibited from appropriating or expending more than 2½ million dollars in any biennium. Additional state debt must be approved by a majority of the voters at a general or special election.
- California: Legislature may create debt up to \$300,000. Additional debt requires authorization by voters at an election and must be accompanied by provisions by which the principal and interest can be met within 75 years. A sinking fund also is required.
- Colorado: If the appropriations of the legislature exceed the total tax provided for by law additional taxes must be levied within the defined limits or the appropriations reduced.

Additional debt requires a constitutional amendment. Existing amendments authorize highway bonds and earmark certain revenues.
- Connecticut: No applicable provision.
- Delaware: Debt may be created by concurrence of 3/4 of all members of each house.
- Florida: A constitutional amendment would be needed to create state debt.
- Georgia: Debt shall not exceed taxes lawfully levied each year; however, \$500,000 is permitted to meet casual deficiencies. Additional indebtedness requires sanction by constitutional amendment.
- Idaho: Appropriations or expenditures may not exceed the total tax unless provision is made to increase the tax within the over-all limitation. At a general election the voters may authorize additional borrowings, but these must be accompanied by measures to raise the necessary amount to pay interest and principal.

Illinois: Loans up to \$250,000 are permitted to meet casual deficits. Additional borrowing must be submitted to the voters at a general election and receive the approval of a majority. Provision must be made for a tax to be levied sufficient to meet the interest payments.

Indiana: Additional debt must be authorized by a constitutional amendment.

Iowa: Debts up to \$250,000 are permitted to meet casual deficits. Other debts must be authorized by law which shall also provide revenues to meet interest and repay the principal within 20 years.

Kansas: Debts up to \$1,000,000 are permitted for extraordinary expenses. Every other debt shall be authorized by a vote of the electors at a general election; such debts must be accompanied by provision for taxes to pay the principal and interest.

Kentucky: No applicable provision.

Louisiana: Additional borrowings require constitutional amendment.

Maine: Debt limited to \$2,000,000 except for highways and bridges. Otherwise a constitutional amendment is needed.

Maryland: Borrowing requires provision for meeting interest and paying principal in 15 years.

Massachusetts: The commonwealth may borrow by a vote of 2/3 of each house present and voting.

Michigan: \$250,000 is debt limit to meet deficits in revenue. Fifty million may be borrowed for highways, and thirty million for veterans' bonus.

Minnesota: For meeting extraordinary expenses, up to \$250,000 may be borrowed. Additional loans would require a constitutional amendment.

Mississippi: The only provision is the one which requires all revenue bills to be approved by members of each house.

Missouri: From the present time on borrowings in excess of \$250,000 must be submitted by the Assembly to the voters who must give the measure approval by a 2/3 majority.

Montana: No appropriation shall exceed the total tax provided by law applicable to such expenditure. Borrowing for casual deficits must not exceed \$100,000. Additional debts must be approved by a majority of the voters and means must be provided to meet principal and interest.

Nebraska: Debts in excess of \$100,000 total requires constitutional amendment.

Nevada: Debt must not exceed 1 per cent of assessed valuation. All debt authorization must be accompanied by provision to pay principal and interest.

New Hampshire: No applicable provision.

New Jersey: Debt of \$100,000 is permitted for casual deficiencies. Additional debt must be approved by a majority of voters at an election; provision to pay interest and extinguish principal in 35 years must be made.

New Mexico: Debt of \$200,000 is permitted for casual deficits. Additional debt must be approved by a majority of state electors and there must be provision for payment of interest and principal within 50 years.

New York: State debt requires approval by majority of voters.

North Carolina: State may borrow in anticipation of taxes, to meet casual deficits or when the existing debt is reduced. Other borrowings must be voted upon by the people of the state.

North Dakota: State may borrow when authorized by law and provision is made to pay the interest and principal within thirty days.

Ohio: Debts to meet casual deficits are limited to \$750,000. Additional debt must be by means of constitutional amendment and there must be provided means to meet interest payments and to provide a sinking fund to redeem the principal.

Oklahoma: \$400,000 may be borrowed to meet casual deficits. Additional borrowing must be authorized by law and approved by the people voting at a general election. Such law must provide for payment of interest and principal within 25 years.

Oregon: \$50,000 debt is permitted and up to 4 per cent assessed valuation for highways. Other debts require constitutional amendment.

Pennsylvania: \$1,000,000 is permitted for deficiencies in revenue and \$100,000,000 may be borrowed for highways.

Rhode Island: \$50,000 is the limit on borrowing by the General Assembly.

South Carolina: Additional debt must be approved by 2/3 the state's voters and the assembly shall levy a tax sufficient to pay interest.

South Dakota: \$100,000 may be borrowed for casual deficits. Other indebtedness up to 5 per cent of valuation may be made by a vote of 2/3 the members of each branch of the Legislature.

Tennessee: No applicable provision.

Texas: \$200,000 may be borrowed for revenue deficiencies in revenue. Additional borrowing requires a constitutional amendment.

Utah: Appropriations must not exceed the total tax. Borrowings to a maximum of $1\frac{1}{2}$ per cent of assessed valuation may be made for revenue deficiencies.

Vermont: No applicable provision.

Virginia: Casual deficits may be met by borrowing. Other debts must be approved by the voters and a sinking fund must be provided.

Washington: \$400,000 may be borrowed to meet failures in revenues. Additional debt must be approved by voters and provide means to pay interest and principal within 20 years.

West Virginia: Debt may be contracted to meet casual deficits.

Wisconsin: \$100,000 debt is permitted for extraordinary expenditures.

Wyoming: No debt in excess of taxes for current year may be created without approval of the voters.

GROUP 1

Nebraska Constitution (1920)

Article XIII-Section 1

"The state may, to meet casual deficits, or failures in the revenues, contract debts never to exceed in the aggregate \$100,000, and no greater indebtedness shall be incurred except for the purpose of repelling invasion, suppressing insurrection, or defending the state in war, and provision shall be made for the payment of the interest annually, as it shall accrue, by a tax levied for the purpose, or from other sources of revenue, which law providing for the payment of such interest by such tax shall be irrevocable until such debt be paid."

(The language of the section quoted above is such, that debt may only be incurred by amending the Constitution)

GROUP 2

Kansas Constitution (1936)

Article II-Section 6

"For the purpose of defraying extraordinary expenses and making public improvements the state may contract public debts; but such debts shall never, in the aggregate, exceed one million dollars, except as hereinafter provided. Every such debt shall be authorized by law for some purpose specified therein and the vote of a majority of all the members elected to each house shall be necessary to the passage of such law; and every such law shall provide for levying an annual tax sufficient to pay the annual interest of such debt, and the principal thereof, when it shall become due; and shall specifically appropriate the proceeds of such taxes to the payment of such principal and interest; and such appropriation shall not be repealed nor the taxes postponed or diminished, until the interest and principal of such debt shall have been wholly paid."

Article II-Section 7

"No debt shall be contracted by the state except as herein provided, unless the proposed law for creating such debt shall first be submitted to a direct vote of the electors of the state at some general election; and if such proposed law shall be ratified by a majority of all votes cast at such general election, then it shall be the duty of the legislature next after such election to enact such law and create such debt, subject to all the provisions and restrictions provided in the preceding section of this article."

Article II-Section 8

"The state may borrow money to repel invasion, suppress insurrection, or defend the state in time of war; but the money thus raised, shall be applied exclusively to the object for which the loan was authorized, or to the repayment of the debt thereby created."

Article II-Section 9

"The state shall never be a party in carrying on any work of internal improvement except that it may adopt, construct, reconstruct and maintain a state system of highways, but no general property tax shall ever be laid nor bonds issued by the state for such highways."

GROUP 3

Massachusetts Constitution (1927)

Article LXII-Section 2

"The commonwealth may borrow money to repel invasion, suppress insurrection, defend the commonwealth, or assist the United States in time of war, and may also borrow money in anticipation of receipts from taxes or other sources, such loan to be paid out of the revenue of the year in which it is created."

Article LXII-Section 3

"In addition to the loans which may be contracted as before provided; the commonwealth may borrow money only by a note, taken by yeas and nays, of two-thirds of each house of the general court present and voting thereon. The governor shall recommend to the general court the term for which any loan shall be contracted."

Model State Constitution

Article VII-Section 702

"No debt shall be contracted by or in behalf of this State unless such debt shall be authorized by law for some single project or object distinctly specified therein; and no law shall, except for the purpose of repelling invasion, suppressing insurrection, defending the state in war, meeting natural catastrophes, or redeeming the indebtedness of the state, outstanding at the time this Constitution is approved, take effect until it shall have been submitted to the qualified voters at a general election and have received a favorable majority of the votes cast upon such question at such election; except that the state may, by law, borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues of such year, but all debts so contracted in anticipation of revenue shall be paid within one year."³⁴

THE EFFECTS OF CONSTITUTIONAL DEBT LIMITATIONS UPON CREATURES OF
THE STATE

Over the years the courts have frequently been called upon to decide whether certain obligations incurred by a state or one of its agencies is a debt within the meaning of the Constitution. With the passage of time the courts gradually developed what has become known as the "Special Fund Doctrine."³⁵

Although the courts of several states have resisted the Special Fund Doctrine,³⁶ it has spread to a remarkable degree and in some cases has greatly modified existing constitutional debt provisions.³⁷

Generally speaking, cases involving the application of the "Special Fund Doctrine" have been those wherein the bond issues were to be serviced from some special income or dedicated revenue, such as the revenue accruing from the operation of a special public project, or the revenue from a specific tax such as the Motor Fuel Tax when its entire proceeds are dedicated by constitution or statute to the purpose or purposes for which the bond issue was pledged.

In 1912 New Jersey enacted a law³⁸ authorizing the State Water Supply Commission (now the State Water Policy Commission) to issue bonds of par value of \$1,000,000 in payment of land acquired to protect the State's water supply. The bonds were to be secured only by the holdings of the Commission. The court declared the act unconstitutional on the grounds that the commission was merely a state agency, subject to all of the restrictions placed upon the State by the Constitution, and that the sinking fund to retire the bonds was to come from state appropriations. It held that the argument that the indebtedness was not a state debt because it was to be paid from a special fund was "an illogical argument that carries with it its own refutation."³⁹ New Jersey's position with regard to the Special Fund

Doctrine was, therefore, established at a very early date in its history of state indebtedness. Had the law of 1912 specified that the Commission could not pledge the credit of the State, it is possible that the court's decision might have been different.

There has been created in New Jersey and elsewhere, however, certain corporate entities of a governmental nature whose right to create debt obligations without regard to constitutional debt limitations is not questioned. Civic or state corporations of this character are often referred to as "authorities." To all intents and purposes they are agencies of the state, but are not "agents of the state." They may borrow only on their own credit and may not pledge the credit of the state, except as may be expressly permitted by the state. Such "authorities" or "commissions", as they are sometimes called, are usually controlled by a Board, the members of which are appointed by the governor, and to this extent they are representative of the executive level of the state government. Although in several states such "authorities" or "corporate entities" have been created by action of two or more municipalities, in New Jersey the most common types have been those created by compacts between neighboring states for the operation of certain joint facilities or resources, which, in the public interest, are better controlled in this fashion. Typical of such agreements in New Jersey have been the establishment of the Port of New York Authority, The Delaware River Joint Commission, the Palisades Interstate Park and the Interstate Sanitation Commission.

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- 1 Davis, A. McF., Currency and Banking in the Province of Massachusetts Bay, (New York, 1900), Part I, "Currency" p. 8
- 2 Ratchford, B. V., American State Debts, pp. 9-10
- 3 Ibid, pp. 33-35
- 4 Ibid, p. 73
- 5 Ibid, pp. 79-80
- 6 Ibid, pp. 98-99
- 7 MacDonald, A. F., American State Government and Administration, 3rd ed., (1945) p. 383
- 8 Proceedings of the New Jersey Constitutional Convention of 1844, (1942), p. LXV (Introduction)
- 9 Ibid, p. 114
- 10 Ibid, p. 343
- 11 Ibid, p. 310
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- 13 Ibid, p. 519
- 14 Ibid, p. 519
- 15 Sections underlined indicate amendments to Section XIX as originally reported by the Committee on the Legislative Department.
- 16 MacDonald, American State Government and Administration, pp.383-4.
- 17 For a concise and valuable description of the financial position of the Southern states following the Civil War, read Chapters VI and VII of Ratchford, American State Debts, pp. 135-196.
- 18 Connecticut, Delaware, Rhode Island, Texas and Wisconsin.
- 19 Compilation of State Treasurer's Reports, (1866) p. 230.
- 20 House Report, No. 1162, 74th Congress, 1st Session, pp. 6-7
- 21 These figures and facts were obtained through the cooperation of G. S. Fisher, Assistant Cashier, State Treasurer's Office.
- 22 Proceedings before New Jersey Joint Legislative Committee... as to Change in the New Jersey Constitution, 1942, p. 951.
- 23 Ibid, p. 928
- 24 Ibid, pp. 398-403

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- 25 Ibid, pp. 404-409
- 26 Ibid, p. 414
- 27 Ibid, pp. 446-451
- 28 Words underlined indicate the addition of a new provision not previously appearing in any redraft of the proposed Constitution.
- 29 Hearings before Joint Legislative Committee to Formulate a Draft of a Constitution, February 3, 1944, Sub-Committee on the Legislative Section. p. 19
- 30 Ibid, pp. 24-25
- 31 Ibid, p. 26
- 32 The Tax Foundation, Provisions in State Constitutions Controlling Debt, (1945).
- 33 A study of Table 3 will show that the groupings in Table 4 would remain substantially the same if any other year (1940 or 1944) were employed as a basis of comparison.
- 34 "Model State Constitution," Partial Revision 1946, prepared by the Committee on State Government of the National Municipal League, Article VII, Section 702, p. 15.
- 35 For a full treatment, see B. U. Ratchford, American State Debt., Chapter 18, pp. 446-466.
- 36 Newell v. People, 7 N. Y. 9, 12 (1852). State v. McMillan, 12 N. D. 280 (1903). State v. Candland, 36 Utah 406, 428 (1909). Rowley v. Clarke, 162 Iowa 732 (1913).
- 37 State v. State Highway Comm., 138 Kan. 913 (1934). Alabama State Bridge Comm. v. Smith, 317 Ala. 311 (1928). In re: California Toll Bridge Authority, 212 Calif. 298, 302 (1931). California Toll Bridge Authority v. Kelly, 218 Calif. 7 (1933).
- 38 Chapter 318, P.L. 1912, pp. 557-560.
- 39 Wilson v. State Water Supply Comm., 84 N.J., Eq. 150-158 (1915).

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