

ON THIS DAY IN WEST VIRGINIA HISTORY FEBRUARY 15



West Virginia State Treasurer W. S. Johnson presenting a check to Virginia Attorney General Judge Rhea for debt settlement

On February 15, 1871, the West Virginia legislature adopted a joint resolution authorizing the appointment of commissioners to confer with the state of Virginia and report on West Virginia's portion of the Virginia debt.

CSO: SS.8.23, ELA.8.7, ELA.8.20, ELA.8.21

Investigate the Document: (*Biennial Report of the Treasurer of West Virginia for the period ending June 30, 1920*)

1. What do you suppose “voluminous” means?
2. The Supreme Court judge ruled in favor of whom? What percentage of interest was West Virginia required to pay on their debt from 1861-1891? 1891-1915? What is an interest rate?
3. Describe the payment that was made to the Virginia Debt Commission on April 18, 1919. What was the significance of the payment?

Think Critically: Using your own words, describe the “Virginia Debt Question.” Why did Virginia feel that West Virginia owed them a share of their pre-1861 debt? Using what you know about the controversy, do you feel as if the adjudication by the Supreme Court reached an acceptable conclusion? Why or why not?

INTRODUCTION

In submitting this report I desire to explain some portions of same in order that they may be more intelligible to the public and I also feel that it is my duty to make some recommendations and suggestions regarding the State's financial system with the hope that the next legislature will revise the present antiquated and cumbersome law relating to the handling of the millions of dollars paid annually into the Treasury by the tax-payers of the state.

On June 30th of this year the balance in the State Fund General Revenue was only \$44,000.00. This amount was much lower than for any corresponding period for several years. This was due to the fact:

FIRST: That the Legislature at its regular meeting in 1919 passed a law providing for the payment of the West Virginia Debt, amounting to \$14,500,000.00. \$1,620,867.16 of which was required to be paid in cash, thereby consuming practically all of the surplus that had been carried in the State Fund for years.

SECOND: For the purpose of reimbursing the State Fund the Legislature the same year passed a law providing for a tax on oil and gas companies doing business in this state, which was estimated would net the State approximately \$1,250,000.00 in revenue. The oil and gas companies contested the validity of this law and the matter is now pending in the Circuit Court of Kanawha County, therefore, the cash payment and interest on the Virginia Debt and the inability of the State to collect this oil and gas tax money is responsible for the extremely low balance in the State Fund.

This condition will continue until this Case is finally adjudicated by the courts and the taxes collected or the Legislature meets and provides for additional revenue.

PAYMENT OF THE VIRGINIA DEBT

The final adjudication by the Supreme Court of the United States of the controversy between the Commonwealth of Virginia and this State, commonly known as the Virginia Debt question, while not altogether satisfactory to the citizens and tax-payers of this State, was accepted with a feeling of relief. The decision of the Supreme Court and the later act of our Legislature definitely determines the amount and terms of payment. In discussing this important subject, I feel that it is proper for me to give the citizens and taxpayers a brief explanation and history of the Case from the beginning up to the present time. After going through voluminous records of the Case and reading long speeches and articles bearing upon the origin and the proceedings had in connection therewith, I find that the plainest and most concise

statement of the facts in connection with same is given in speeches delivered by the Honorable W. E. Wells of Newell, West Virginia, a member of the Virginia Debt Commission, before the West Virginia Manufacturers Association at Huntington on January 16, 1919 and before the same body at Wheeling on January 30, 1920, both of which addresses, with the permission of Mr. Wells, I herewith quote in full. Preceding these addresses I am giving a synopsis of the decision of the Court and the steps taken by West Virginia in connection therewith.

On June 14, 1915 the Court rendered a formal judgment in favor of Virginia against West Virginia for \$4,215,622.28 and interest on same at 4% from January 1st, 1861 to 1891 and at 3% from January 1891 to July 1, 1915, making a total interest charge of \$8,178,307.22 and a total of interest and principal on this date of \$12,393,929.50.

The Court further decreed that this amount should draw interest at 5% until paid. The total on January 1, 1919 was \$14,562,867.16.

The West Virginia legislature at its regular 1919 session passed a law providing for the payment of this judgment as follows: \$13,500,000.00, 20 year 3½% bonds in favor of the Commonwealth of Virginia and a cash payment of \$1,062,867.16.

On April 18, 1919, Attorney General England and myself delivered to the Virginia Debt Commission the cash payment at the New Willard Hotel in the City of Washington, D. C. The above picture shows the Treasurer of West Virginia delivering to Hon. Wm. F. Rhea, Chairman Virginia Debt Commission, checks aggregating \$1,062,869.16, the largest single payment ever made by this State in its history.

On July 3, 1919, Secretary of State Houston G. Young, Auditor, J. S. Darst and myself, delivered to the Virginia Debt Commission at Richmond, \$12,366,500.00 in bonds. The Remainder of the \$13,500,000.00 of bonds amounting to \$1,133,500.00 was held in escrow by the State Board of Public Works pending the filing of the balance of the outstanding Virginia Debt certificates.

The law provides that the interest on these bonds is to be paid semi-annually and that one twentieth of the principal is to be redeemed on the 1st day of January of each year for twenty years.

On July 30th of this year, Colonel Joseph Button, Auditor of the Commonwealth of Virginia and Colonel Williams, both representing the Virginia Debt Commission, appeared before the Board of Public Works of this State and furnished satisfactory evidence that an additional number of Virginia Debt certificates had been filed with the Commission, amounting to \$272,000.00 and in compliance with the provision of the West Virginia law providing for the payment of this debt, the Board of Public Works delivered to these gentlemen for the Virginia Debt Commission, \$272,000.00 of the bonds held in escrow by the State Board of Public Works for this purpose.