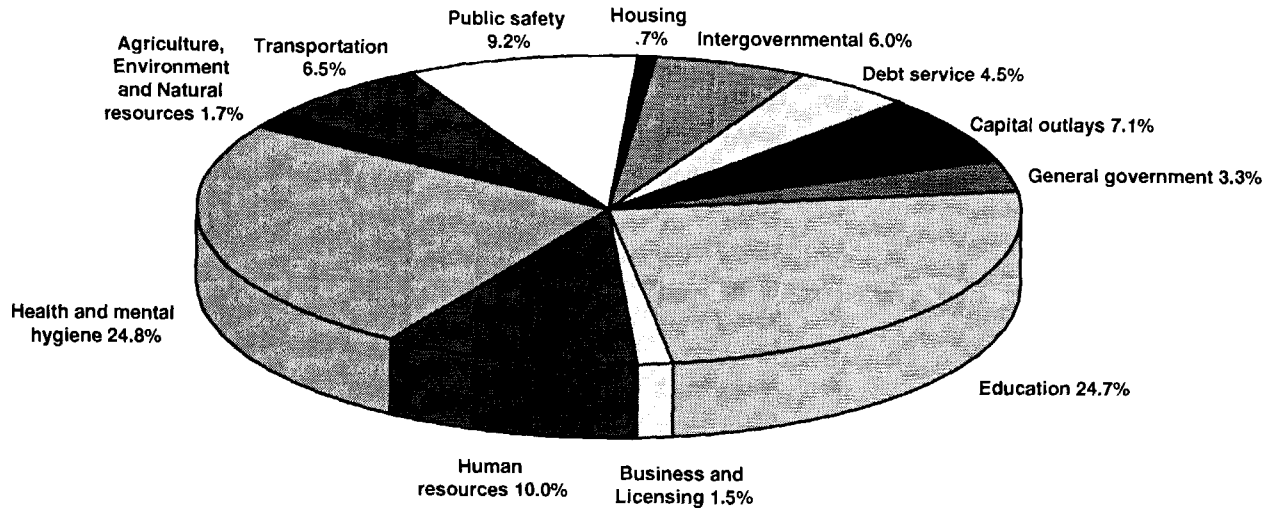


Expenditures by Function



Source: Expenditure Reports by General Accounting Division of Maryland State Comptroller's Office, June 30, 1998.

Education expenditures increased from the previous year due to increases in aid to local school and library systems.

Business and economic development expenditures increased from over the previous year primarily due to increased funding for the Division of Tourism, Film and the Arts.

Expenditures for agriculture increased primarily for agricultural land preservation.

Operating transfers in, to the general fund, from capital projects, enterprise funds (State Lottery Agency, Economic Development-Insurance Programs, and Economic Development-Loan Programs) and component units (Maryland Industrial Development Financing Authority and higher education) totaled \$408,239,000. This represents an increase of \$7,356,000 over the previous year due primarily to increases in lottery transfers. Operating transfers out, from the general fund, to capital projects, enterprise funds, and higher education and proprietary component units totaled \$828,507,000. This represents an increase of \$60,469,000 over the previous year due primarily to increased funding for higher education, pay-as-you-go capital projects and economic development — loan programs.

The fund balance for the general fund as of June 30, 1998, was \$1,595,192,000 representing an increase of \$536,129,000 over the previous year's balance. The fund balance for the general fund has shown a pattern of continuous and substantial increase during the last five years.

Management of financial resources is exercised through the legally mandated budgetary system of the State. The budgetary general fund balance as of June 30, 1998, reflected a total fund balance and undesignated balance in the amounts of \$1,264,430,000 and \$117,097,000 respectively. For information on differences between GAAP and the budgetary system, see footnote 3 to the general purpose financial statements.

The special revenue unreserved fund balance of \$315,546,000, as of June 30, 1998, increased \$60,757,000, from the preceding year. The debt service unreserved fund balance of \$114,529,000 increased \$18,191,000 from the previous year.

CAPITAL PROJECTS FUND

Proceeds of general obligation bond issues are accounted for in the capital projects fund. Completed projects and uncompleted construction in progress at year end, which are assets of the State, are capitalized in the general fixed assets account group, the appropriate enterprise fund for self-supporting projects or the component units fund types. During fiscal year 1998, State projects costing \$482,444,000 were completed. State grants for capital projects of local governments and other public organizations amounted to \$324,211,000 in the fiscal year, an increase of \$41,068,000 over 1997.

Authorized but unissued general obligation bonds as of June 30, 1998 totaled \$622,512,000.