

Discussion And Analysis Of The Combined Summary Of Revenues, Expenditures, Other Sources And Uses Of Financial Resources And Changes In Fund Balances

In the years ended June 30, 1980 and 1979, governmental financial activities were recorded in the General, Special Revenue, Debt Service and Capital Projects Funds ("GAAP Funds") in conformity with generally accepted accounting principles. In prior years, governmental financial activities were recorded in the Budgetary General, Special, Federal, Annuity Bond and Loan Funds ("Budgetary Funds") in conformity with accounting practices followed for budgeting purposes. The Combined Summary of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Fund Balances was prepared from the financial statements of the GAAP Funds for the years ended June 30, 1980 and 1979; and from the financial statements of the Budgetary Funds for the years ended June 30, 1976 through 1978.

The financial activities recorded in the Budgetary Funds for the years ended June 30, 1976 through 1978 are generally comparable to the financial activities recorded in the GAAP Funds after adjustments to the Budgetary Funds to remove transactions related to activities recorded in proprietary GAAP funds.

Certain adjustments were made to fund balances as of July 1, 1978 to present the financial statements for the year ended June 30, 1979 in conformity with generally accepted accounting principles. These adjustments principally consist of adjustments to revenues and expenditures of prior years reported in Budgetary Funds. It is not practicable to adjust the financial statements of prior years to reflect these adjustments. However, the Office of the Comptroller believes the effect of such adjustments would not be material to the Combined Summary of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Fund Balances for the years ended June 30, 1976 through 1978.

The following legislative changes and other matters affect the year to year comparability of the Combined Summary of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Fund Balances:

Revenues:

Motor vehicle taxes and fees declined in 1980 principally because of a reduction in motor vehicle fuel consumption and a reduction in the number of vehicle registrations.

For the 1979 year, the property tax was reduced from 23¢ to 20¢ per \$100 of assessed value, resulting in a reduction of \$10,900,000 over the revenues that would have been reported as other taxes had the rate remained at 23¢.

The sales and use tax was increased on June 1, 1977 from 4% to 5%. This had the effect of increasing revenues from those taxes in 1978 by \$122,979,000 over the revenues that would have been realized at the former rate. The motor vehicle titling tax was also increased from 4% to 5% on June 1, 1977, resulting in \$24,936,000 more in revenues in 1978 than would have been realized if the rate had remained at 4%.

Revenues for the year 1977 reflect increases in the property tax, the sales and use tax and the motor vehicle titling tax. In the 1977 year, the State property tax was increased from 21¢ to 23¢ per \$100 of assessed value, resulting in additional revenues of \$6,040,000 over the revenues that would have been realized had the rate remained at 21¢. As discussed above, the sales and use taxes and the motor vehicle titling tax were increased from 4% to 5% on June 1, 1977. Accordingly, year 1977 contains one month of revenues at the higher rate, resulting in an additional \$9,890,000 in the sales and use tax and \$2,624,000 in the motor vehicle titling tax over the revenues that would have been otherwise realized.

Expenditures and Operating Transfers:

In 1980 general government expenditures include approximately \$31 million of payments to political subdivisions for unclaimed local income tax withholdings applicable to tax years prior to 1977 (see Note 13 to the combined financial statements included in the Annual Report), and approximately \$28 million in special grants to political subdivisions.

For the years ended June 30, 1980 and 1979 material employee benefit costs applicable to proprietary funds were transferred to proprietary funds. Accordingly, operating transfers out include employee benefit costs in the approximate amounts of \$50 million and \$46 million, respectively, transferred to proprietary funds.

Operating transfers in principally reflect the amounts received by the General Fund from the Maryland State Lottery Agency. Annual increases in the amounts reflect the increasing volume of Lottery ticket sales.