

Expenditures for transportation increased \$55,257,000 or 17.0 percent over 1983. This is primarily attributable to an increase in highway maintenance costs and the operating costs related to the new Baltimore City subway system which commenced operations in fiscal year 1984.

Personnel and retirement expenditures include costs of all benefits for State employees and social security, pension and retirement costs for certain employees of local public schools. In general, the increase in expenditures of \$90,727,000 or 21.9 percent over 1983 is attributable to the increase in fringe benefit costs.

Intergovernmental expenditures increased \$103,432,000 or 33.3 percent over 1983. The increase was primarily attributable to a reclassification of expenditures formerly shown under public safety and judicial for the payment of local license revenues collected by the clerks of courts on behalf of the political subdivisions.

Operating transfers in of \$218,816,000 increased \$10,380,000 from the preceding year, and operating transfers out of \$405,601,000 increased \$40,463,000 from the preceding year. The operating transfers out increase of 11.1 percent over the amount for 1983 was attributable to an increase in property transfer tax revenues used to fund outdoor recreation projects and an increase in the transfer of general funds to the higher education and university hospital fund.

The general fund unreserved fund deficit at June 30, 1984 was \$122,674,000 compared to an unreserved fund deficit at June 30, 1983 of \$102,314,000, a decline of \$20,360,000 during the year. This decline was the result of a planned reduction in the budgetary fund balance and changes in the timing differences between budgetary practices and generally accepted accounting principles.

Differences in accounting treatment between generally accepted accounting principles and the legally mandated budget have usually produced an adverse effect upon the general fund operating results and fund balances when they are reported under generally accepted accounting principles. Changes in the differences between 1984 and 1983 were attributable to an unanticipated growth in the dollar amount in expected areas rather than to an increase in the number of departures in the budgetary system from generally accepted accounting principles.

Management of financial resources is exercised through the legally mandated budgetary system of the State. As planned, the budgetary system produced a positive general fund balance at June 30, 1984. For further information on these differences, see footnote 3 to the financial statements.

The special revenue unreserved fund balance of \$162,404,000 increased \$44,492,000 over the preceding year because of significant increases in motor vehicle taxes and fees revenues and in the corporate income tax revenues, a portion of which is used for transportation activities. The debt service unreserved fund balance of \$527,489,000 increased \$53,010,000 from the prior year. This increase, which is consistent with prior years, is occurring to meet future debt service requirements.

#### Debt Administration

The ratio of net bonded debt to assessed value and the amounts of bonded debt per capita are considered to be useful indicators of the State's debt position to State management, citizens and investors. Data for fiscal years 1983 and 1984 are shown as follows:

	<u>Amount (expressed in thousands)</u>	<u>Ratio of Net Bonded Debt to Assessed Value (52.1% of Present Market)</u>	<u>Ratio of Debt to Present Market Value</u>	<u>Bonded Debt Per Capita</u>
General				
obligation bonds:				
1983	\$2,409,890	4.61%	2.47%	\$557.97
1984	\$2,314,315	4.08%	2.13%	\$531.54

Additionally, outstanding limited obligation bonds of the Department of Transportation amounted to \$776,485,000 at June 30, 1984. Debt service on these bonds is provided principally by excise taxes levied by statute. Self-supporting revenue bonds outstanding at June 30, 1984 were \$986,815,000. Long-term