

3. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the following three Budgetary Funds:

General Fund:

The General Fund is the fund in which all general transactions of the State are recorded, unless otherwise directed to be included in another fund. Effective July 1, 1983, the reserve for loans to other funds was recognized as part of the budgetary general fund. The beginning fund balance has been restated to reflect this change.

Special Fund:

The Special Fund includes all of the transportation activities of the State (except for the Maryland Transportation Authority), dedicated funds such as university and college students' fees, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds.

Federal Fund:

The Federal Fund is the fund in which principally all grants from the Federal government are recorded.

In addition to the annual budget the General Assembly adopts authorizations for the issuance of general obligation bonds and the expenditures of the funds obtained thereby are accounted for in the capital projects fund. Because capital projects fund authorizations are not part of the annual budget, capital projects fund activities are not presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources and Changes in Fund Balances—Budget and Actual—Budgetary General, Special and Federal Funds.

All State budgetary expenditures for the general, special and federal funds are made pursuant to the appropriations in the annual budget, as amended from time to time by budget amendments. State governmental units may, with the Governor's approval, amend the appropriations by major function within the general fund, provided they do not exceed their total general fund appropriations as contained in the annual budget, which is the legal level of control. Increases in general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 1984, the General Assembly approved increases in General Fund appropriations aggregating \$13,458,000. Appropriations for programs funded in whole or in part from the special or federal funds may permit expenditures in excess of original special or federal fund appropriations to the extent that revenues from the particular special or federal fund sources exceed original budget estimates and such additional expenditures are approved by the Governor or, in the case of the University of Maryland, the Board of Public Works. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent encumbrances are approved by the Department of Budget and Fiscal Planning; all other appropriations lapse as of June 30, 1984. Unexpended appropriations from special and federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances approved by the Department of Budget and Fiscal Planning.

The amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources and Changes in Fund Balances—Budget and Actual—Budgetary General, Special and Federal Funds. The State's budgetary fund structure and the basis of accounting used for budgetary purposes, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. A summarization of the effect of the fund structure differences and exceptions to the modified accrual basis of accounting (amounts expressed in thousands) as of June 30, 1984, follows: