

Expenditures for fringe benefit costs for state employees and certain employees of local public schools, which in the prior year were reported entirely as personnel and retirement expenditures were budgeted and charged in fiscal year 1985 to all of the "Current" expenditure categories. As a result, expenditures reported for personnel and retirement declined 93.7 percent from fiscal year 1984. After excluding the changes for fringe benefit costs, other types of current expenditures changed as follows:

- Expenditures for public safety and judicial increased \$47,071,000 or 14.8 percent over 1984. This increase is primarily attributable to the expansion of the prison system.
- Expenditures for natural resources and recreation increased \$6,197,000 or 10.5 percent over 1984. This increase is primarily attributable to expenses relating to the Chesapeake Bay cleanup program.

Expenditures for capital outlays for transportation increased \$102,909,000 or 25.9 percent over the previous year which is primarily attributable to the construction of new highways.

Operating transfers in of \$255,566,000 increased \$36,750,000 over the preceding year, and operating transfers out of \$393,540,000 decreased \$12,061,000 from the preceding year. The operating transfers in increase of 16.8 percent over the amount for 1984 was attributable to the majority of the net proceeds from the state lottery's lotto game being transferred to the state's general fund in 1985 versus the net proceeds being entirely distributed to the state's political subdivisions in 1984.

The general fund unreserved fund deficit at June 30, 1985 was \$64,621,000 compared to an unreserved fund deficit at June 30, 1984 of \$122,674,000 resulting in a positive effect of \$58,053,000 during the year. This improvement was primarily the result of revenues exceeding estimates and expenditures being less than appropriated.

Management of financial resources is exercised through the legally mandated budgetary system of the State. The budgetary system produced a positive general fund balance at June 30, 1985. For information on differences between GAAP and the budgetary system, see footnote 3 to the financial statements.

The special revenue unreserved fund balance of \$193,263,000 increased \$30,859,000 over the preceding year because of significant increases in motor vehicle taxes and fees revenues and in passenger revenues from the operation of the Baltimore City subway system. The debt service unreserved fund balance of \$584,307,000 increased \$56,818,000 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 property 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 1984 and 1985 are shown as follows:

|                   | <u>Amount<br/>(expressed in<br/>thousands)</u> | <u>Ratio of Net<br/>Bonded Debt<br/>to Assessed<br/>Value (50.9% of<br/>Present Market)</u> | <u>Ratio of Debt<br/>to Present<br/>Market Value</u> | <u>Bonded Debt<br/>Per Capita</u> |
|-------------------|--|---|--|-----------------------------------|
| General           |  |   |  |                                   |
| obligation bonds: |  |   |  |                                   |
| 1984              | \$2,314,315                                    | 4.08%   | 2.13%  | \$531.54                          |
| 1985              | \$2,231,295                                    | 3.67%   | 1.87%  | \$508.50                          |

Additionally, outstanding limited obligation bonds of the Department of Transportation amounted to \$796,260,000 at June 30, 1985. Debt service on these bonds is provided principally by excise taxes levied by statute. Self-supporting revenue bonds outstanding at June 30, 1985 were \$1,347,176,000. Long-term obligations for accrued retirement costs of \$560,322,000 represent the excess of retirement costs over retirement expenditures since 1978 and are being funded on a long-term basis through annual contributions, principally from general fund revenue. Long-term obligations for accrued annual leave of \$64,517,000 represent the value of accumulated earned but unused annual leave for general government employees at June 30, 1985.