

<u>Function</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 1985 Actual</u>	
			<u>Amount</u>	<u>Percent</u>
Current:				
General government	\$ 248,951	3.9%	\$ 15,510	6.6%
Education	1,516,492	23.4	94,484	6.6
Human resources	674,346	10.4	71,950	11.9
Health and mental hygiene	1,406,629	21.7	140,780	11.1
Transportation	544,004	8.4	129,774	31.3
Public safety and judicial	471,621	7.3	37,717	8.7
Economic and community development	26,434	.4	(738)	(2.7)
Natural resources and recreation	82,787	1.3	8,835	11.9
Agriculture	27,909	.4	4,568	19.6
Personnel and retirement	21,273	.3	(10,511)	(33.1)
Intergovernmental	408,519	6.3	(33,999)	(7.7)
Debt service	455,880	7.0	22,398	5.2
Capital outlays for transportation	595,137	9.2	94,878	19.0
Total	<u>\$6,479,982</u>	<u>100.0%</u>	<u>\$575,646</u>	<u>9.8%</u>

Expenditures for transportation increased \$129,774,000 or 31.3 percent over 1985 and intergovernmental decreased \$33,999,000 or 7.7 percent from 1985 because of certain expenditures being reported as transportation expenditures in 1986, while such expenditures were reported as intergovernmental expenditures in 1985.

Expenditures for agriculture increased \$4,568,000 or 19.6 percent over 1985. This is primarily attributable to an increase in the Agricultural Land Preservation program.

Expenditures for personnel and retirement decreased \$10,511,000 or 33.1 percent from 1985 which is attributable to the majority of health insurance costs for retirees being allocated to the various "Current" expenditure categories in 1986 versus being reported under the personnel and retirement category in 1985.

Expenditures for capital outlays for transportation increased \$94,878,000 or 19.0 percent over 1985 which is primarily attributable to the construction of new highways.

Operating transfers in from the capital projects fund and enterprise funds totaled \$3,661,000 and \$323,423,000 respectively. This represents an increase of \$71,518,000 over the previous year. Operating transfers out to the capital projects fund, enterprise funds, and higher education funds totaling \$593,051,000 increased \$199,511,000 over the preceding year. The operating transfers in increase of 28.0 percent over the amount for 1985 was the result of increased earnings of the lottery including net proceeds from an additional instant game and a full year's net proceeds from the lotto game being transferred to the general fund. The operating transfers out increase of 50.7 percent over the amount for 1985 included transfers of \$55,000,000 from the general fund and \$100,000,000 from the Department of Transportation Trust Fund to the Maryland Deposit Insurance Fund Corporation as part of the savings and loan depositors' distribution plan. The majority of the remaining increase in transfers out was for additional monies provided to the Higher Education Funds.

The general fund unreserved fund deficit at June 30, 1986 was \$22,090,000 compared to an unreserved fund deficit at June 30, 1985 of \$64,621,000 resulting in a positive effect of \$42,531,000 during the year. This improvement was primarily the result of revenues exceeding estimates.

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, 1986. For information on differences between GAAP and the budgetary system, see footnote 3 to the financial statements.