

The sales and use taxes increased \$83,468,000 or 5.9 percent over the previous year which is also attributable to the improvement in the national economy.

Interest and other investment income increased \$35,515,000 or 39.4 percent over the previous year as a result of increased amounts available for investment during the year.

Changes in levels of expenditures for major functions from the previous year (excluding capital projects) are shown in the following tabulation (amounts expressed in thousands):

Function	Amount	Percent of Total	Increase (Decrease) Over 1988 Actual	
			Amount	Percent
Current:				
General government	\$ 437,089	5.2%	\$ 26,570	6.5%
Education	1,902,965	22.8	143,515	8.2
Economic and employment development	118,804	1.4	5,199	4.6
Human resources	695,029	8.3	25,688	3.8
Health and mental hygiene	1,784,992	21.4	175,665	10.9
Environment	45,114	.5	7,974	21.5
Transportation	550,045	6.6	12,359	2.3
Public safety and judicial	648,200	7.8	88,396	15.8
Housing and community development	56,024	.7	3,751	7.2
Natural resources and recreation	107,450	1.3	8,909	9.0
Agriculture	37,193	.4	6,567	21.4
Intergovernmental	661,554	7.9	30,392	4.8
Debt service	454,474	5.5	18,588	4.3
Capital outlays for transportation	851,296	10.2	(5,442)	(.6)
Total	<u>\$8,350,229</u>	<u>100.0%</u>	<u>\$548,131</u>	<u>7.0%</u>

Expenditures for health and mental hygiene increased \$175,665,000 or 10.9 percent over 1988 primarily due to increases in Medicaid expenditures.

Expenditures related to the Environment category increased \$7,974,000 or 21.5 percent over 1988 primarily for leasing of facilities for "local" elements of the Department and development of data processing capabilities.

Expenditures for public safety and judicial increased \$88,396,000 or 15.8 percent over 1988 primarily due to the purchase of new helicopters and related equipment and higher operating costs to begin modernization of the MED-EVAC fleet and increased costs in operating the courts and prisons.

Expenditures for agriculture increased \$6,567,000 or 21.4 percent over 1988 primarily for agricultural land preservation.

Operating transfers in from the capital projects fund and enterprise funds (State Lottery) totaled \$4,151,000 and \$319,604,000 respectively. This represents a decrease of \$16,198,000 from the previous year. Operating transfers out to the capital projects fund, enterprise funds, and higher education funds totaled \$649,143,000 for an increase of \$113,954,000 over the preceding year.

The general fund unreserved fund balance at June 30, 1989 was \$722,499,000, representing an increase of \$177,644,000 over the previous year's balance which is primarily the result of an increase in the State Reserve Fund.

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, 1989. For information on differences between GAAP and the budgetary system, see footnote 3 to the financial statements.

The special revenue unreserved fund balance of \$136,193,000 increased \$33,988,000 over the preceding year primarily because of a substantial increase in proceeds from bonds. The debt service unreserved fund balance of \$112,514,000 decreased \$36,756,000 from the prior year. This decrease is the result of reserving loans and notes receivable maturing after one year because such amounts do not represent available expendable resources. Prior to 1989, the reserve was established for loans and notes receivable maturing after fifteen years.