

As a recipient of federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This is accomplished through the internal control guidelines. Additionally, the State, excluding higher education institutions, is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular A-128. The State's higher education institutions single audit is performed under Circular A-110. Detailed information related to these single audits is included in separate reports.

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure, but migration to a fund structure based on generally accepted accounting principles has begun, starting with the higher education funds. Each state agency is provided appropriations at a program level, the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations.

Maryland maintains its accounts to conform with generally accepted accounting principles and also to comply with the legally mandated budget. Financial control is generally exercised under the budgetary system.

### General Governmental Functions

Revenues of the general governmental functions (excluding capital projects) totaled \$9,104,905,000 for the fiscal year ended June 30, 1990. This represents an increase of 3.2 percent over revenues for the fiscal year 1989. Income tax, the largest source of revenue, produced 34.0 percent of general governmental revenues compared to 34.5 percent last year. The revenues from various sources and the changes from last year are shown in the following tabulation (amounts expressed in thousands):

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 1989 Actual</u>	
			<u>Amount</u>	<u>Percent</u>
Income taxes	\$3,096,423	34.0%	\$ 58,523	1.9%
Sales and use taxes	1,571,867	17.3	64,814	4.3
Motor vehicle taxes and fees	955,253	10.5	(7,866)	(.8)
Other taxes	894,729	9.8	32,971	3.8
Other licenses and fees	113,189	1.2	3,666	3.3
Charges for services	331,312	3.6	(2,030)	(.6)
Interest and other investment income	125,518	1.4	(33)	.0
Other	190,861	2.1	6,547	3.6
Federal revenue	1,825,753	20.1	132,464	7.8
Total	<u>\$9,104,905</u>	<u>100.0%</u>	<u>\$289,056</u>	<u>3.3%</u>

Of the total income tax revenue for fiscal year 1990, \$2,861,766,000 was produced by the individual income tax and \$234,657,000 by the corporate income tax, representing an increase of \$100,700,000 and a decline of \$42,177,000, respectively, compared to the prior year. The increase in individual income tax revenues of 3.6 percent over the prior year is attributable to population growth and a higher personal income level for the State's taxpayers. The decrease in the corporate income tax revenues of 15.2 percent from the prior year is attributable to a downturn in the national economy which had an impact on corporate profits.