

The Maryland Constitution requires the Governor to submit to the General Assembly a 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. 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 \$12,722,304,000 for the fiscal year ended June 30, 1996. This represents an increase of 1.5% over revenues for the fiscal year 1995. Income tax, the largest source of revenue, produced 29.8% of general governmental revenues compared to 29.3% 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 1995 Actual</u>	
			<u>Amount</u>	<u>Percent</u>
Income taxes.....	\$ 3,796,251	29.8%	\$ 127,224	3.5%
Sales and use taxes .....	2,000,298	15.7	49,267	2.5
Motor vehicles taxes and fees .....	1,321,412	10.4	23,280	1.8
Other taxes.....	1,065,176	8.4	33,441	3.2
Other licenses and fees.....	211,817	1.7	(4,804)	(2.2)
Charges for services .....	670,828	5.3	(132,355)	(16.5)
Interest and other investment income .....	114,577	0.9	14,177	14.1
Federal revenue.....	3,357,959	26.4	80,662	2.5
Other.....	183,986	1.4	(5,084)	(2.7)
<b>Total.....</b>	<b><u>\$12,722,304</u></b>	<b><u>100%</u></b>	<b><u>\$ 185,808</u></b>	<b>1.5%</b>

Of the total income tax revenue for fiscal year 1996, \$3,480,668,000 was produced by the individual income tax and \$315,583,000 by the corporate income tax, representing an increase of \$120,042,000 and \$7,182,000 respectively, compared to the prior year. The individual income taxes increased due to continued gains in employment and personal income, while corporate income tax revenues increased by 2.3% reflecting moderate gains in total corporate profitability.

Charges for services decreased by \$132,355,000 or 16.5% from the previous year, primarily due to the reclassification of certain hospital patient recoveries from charges for services to federal revenue.

Interest on investments increased by \$14,177,000 or 14.1% over the previous year, due to higher interest rates and greater investable balances.