

## MAJOR INITIATIVES

New laws enacted by the 1997 General Assembly and signed by Governor Parris N. Glendening provided for a personal income tax reduction and directed state resources into existing neighborhoods and designated growth areas.

During the upcoming General Assembly session, the Glendening Administration plans to introduce legislation to create a comprehensive children's health insurance program, to provide scholarship assistance to Maryland students who are pursuing degrees in technology-related fields and to respond to the environmental and human health hazards posed by toxic outbreaks of *Pfiesteria* in Maryland waterways.

## FINANCIAL INFORMATION

The State has issued guidelines to its agencies for establishing an effective system of internal control. Internal control is the overall plan of organization and all the coordinate methods used to safeguard assets, ensure the reliability of the accounting data, promote efficient operations and ensure compliance with established governmental policies, laws, regulations and contracts. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

As a recipient of federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Additionally, the State 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-133 "Audits of States, Local Governments, and Non-Profit Organizations." Detail information related to these single audits is included in separate reports.

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, which is 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 \$13,472,491,000 for the fiscal year ended June 30, 1997. This represents an increase of 5.1% over revenues for the fiscal year 1996. Income tax, the largest source of revenue, produced 30.3% of general governmental revenues compared to 29.8% 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 1996 Actual</u>	
			<u>Amount</u>	<u>Percent</u>
Income taxes.....	\$ 4,084,147	30.3%	\$287,896	7.6%
Sales and use taxes .....	2,093,876	15.5	93,578	4.7
Motor vehicle taxes and fees.....	1,373,002	10.2	51,590	3.9
Other taxes.....	1,057,592	7.9	(7,584)	(0.7)
Other licenses and fees.....	208,009	1.5	(3,808)	(1.8)
Charges for services.....	658,583	4.9	(12,245)	(1.8)
Interest and other investment income .....	137,595	1.0	23,018	20.1
Federal revenue.....	3,726,882	27.7	273,923*	7.9
Other.....	132,805	1.0	(51,181)	(27.9)
Total.....	<u>\$13,472,491</u>	<u>100.0%</u>	<u>\$655,187</u>	<u>5.1%</u>

\* After the reclassification of certain prior year revenue amounts.