

MAJOR INITIATIVES

New laws enacted by the 1999 General Assembly and signed by Governor Parris N. Glendening provided for stronger patients' rights, an expansion of scholarship programs for Maryland students, a reduction of class size for 1st and 2nd grade reading classes and increased funding for school construction and higher education.

During the upcoming General Assembly Session, the Glendening Administration plans to introduce legislation and budget initiatives to strengthen Maryland's Smart Growth laws, prohibit the sale of guns that are not childproof and address needs for smoking cessation programs, cancer research and cancer treatment. The Governor also plans to increase funding for school construction and capital projects at higher education institutions.

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 the single audit 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 \$14,947,316,000 for the fiscal year ended June 30, 1999. This represents an increase of 6.4% over revenues for the fiscal year 1998. Income tax, the largest source of revenue, produced 32.4% of general governmental revenues compared to 32.0% 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>Increase Over 1998 Actual</u>	
		<u>Amount</u>	<u>Percent</u>
Income taxes	\$ 4,845,406	\$354,022	7.9%
Sales and use taxes	2,299,266	138,108	6.4
Motor vehicle taxes and fees	1,507,898	81,558	5.7
Other taxes	1,203,907	54,815	4.8
Other licenses and fees	328,442	39,028	13.5
Charges for services	758,698	21,599	2.9
Interest and other investment income	157,085	5,789	3.8
Federal revenue	3,681,692	171,875	4.9
Other	164,922	30,391	22.6
Total	\$14,947,316	\$897,185	6.4%

Individual and corporate income tax totaled \$4,443,937,000 and \$401,469,000 respectively, representing an increase of \$304,129,000 and \$49,893,000, compared to the prior year. The individual income taxes increased 7.4% due to continued increases in jobs, wages and capital gains while corporate income tax revenues increased by 14.2% reflecting increases in productivity and strong gains in corporate profitability.