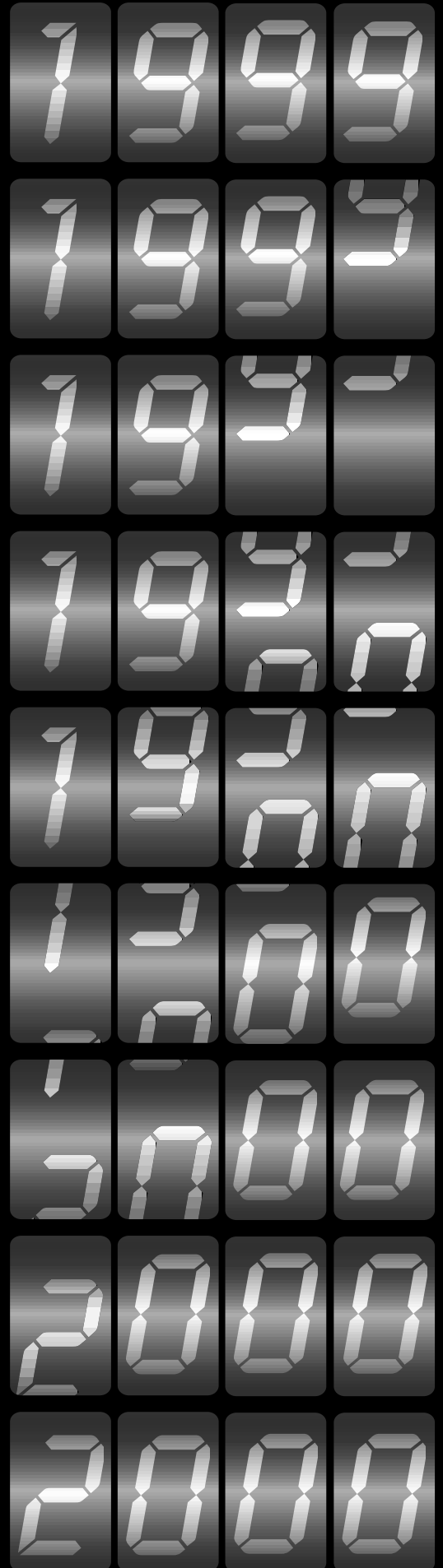


STATE OF MARYLAND

Comprehensive Annual Financial Report

for the year ended June 30, 1999

William Donald Schaefer
Comptroller of the Treasury



A NEW ERA



Comptroller William Donald Schaefer

Fiscal year 1999 was a watershed year for the Maryland Comptroller of the Treasury. It was highlighted by the election of a new comptroller in November of 1998 and the most significant state tax changes in 20 years.

The tax changes benefiting Maryland income taxpayers included a 10 percent tax reduction, the first opportunity to file state returns on the Internet and expanded tax relief for low income families.

The election of William Donald Schaefer as Comptroller of the Treasury brought a new comptroller into the office for the first time in 40 years.

Among the 32 comptrollers who have held the office since it was created nearly 150 years ago, Mr. Schaefer brings unique skills and experience to the job.

As a former mayor of Baltimore and governor of Maryland, he entered his new elective office with a record of success compiled through some of the most challenging times in Maryland history. As mayor of Baltimore from 1971–1987, he led the city’s nationally recognized renaissance. As governor of Maryland from 1987–1995, he steered the government through a period of challenging revenue constriction.

As the state’s new chief elected financial officer, Comptroller Schaefer has maintained the widely recognized high standards of the agency and launched initiatives to expand customer service, support Maryland businesses and encourage economic development.

The divider pages in this book will look closer at some of Comptroller Schaefer’s initiatives in public service, tax law enforcement, economic development, technology and legislation—initiatives that will drive the agency in the 21st century.

STATE OF MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the fiscal year ended June 30, 1999
PREPARED
by the State Comptroller's Office
William Donald Schaefer
Comptroller of the Treasury of Maryland

PUBLIC SERVICE

William Donald Schaefer set an ambitious agenda for efficiency and personal assistance for taxpayers in 1999, his first income tax filing season as Maryland's comptroller.

His state income tax representatives responded to twice as many inquiries sent by e-mail than ever before. They also provided extra evening hours of telephone tax help to 47 percent more callers, and satisfied 75 percent more requests from taxpayers for help with their Maryland tax forms free of charge. Enhancing the effectiveness of his 20 taxpayer service centers throughout the state, the Comptroller strategically relocated a field office on Maryland's Eastern Shore to better serve that fast-growing region.

The Comptroller issued nearly \$1.9 billion in state income tax refunds during fiscal year 1999.

In another important program, the agency returned \$12.5 million in unclaimed funds to rightful owners. Marylanders can search through the Comptroller's records of more than \$100 million worth of unclaimed wages, bank accounts and other abandoned funds by visiting the Comptroller's Internet



Helping people. Leroy Creek of the Comptroller's Revenue Administration Division completes yet another Maryland tax form among the 29,000 his agency completed during the 1999 tax filing season.

web-site at www.marylandtaxes.com. The owners or their heirs can claim the funds at any time.

The agency also joined ranks with 36 other states in offering an amnesty program for unclaimed property holders, allowing Maryland businesses until December 31, 1999, to report unclaimed property without incurring late fees.

In keeping with his career-long concern for those with special needs, Comptroller Schaefer helped enlist the support of many service stations across Maryland to offer full pump service at self-service prices for people with disabilities.

**STATE OF MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS**

INTRODUCTORY SECTION	Page(s)
Selected State Officials.....	7
State Organization Chart.....	8
Certificate of Achievement	9
State Comptroller's Letter	11–22
FINANCIAL SECTION	
Report of Independent Public Accountants.....	25–26
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined balance sheet — All Fund Types, Account Groups and Discretely Presented Component Units	28–29
Combined statement of revenues, expenditures, other sources and uses of financial resources and changes in fund balances — All Governmental Fund Types and Expendable Trust Funds.....	30
Combined statement of revenues, expenses and changes in retained earnings — Enterprise Funds and Component Unit Proprietary Funds	31
Combined statement of changes in plan net assets — Investment and Pension Trust Funds.....	32
Combined statement of cash flows — Enterprise Funds and Component Unit Proprietary Funds.....	33
Combined statement of revenues, expenditures and encumbrances, other sources and uses of financial resources, and changes in fund balances — budget and actual — Budgetary General, Special and Federal Funds	34–35
Combining balance sheet — Component Unit Proprietary Funds	36
Combining statement of revenues, expenses and changes in retained earnings — Component Unit Proprietary Funds.....	37
Combining statement of cash flows — Component Unit Proprietary Funds	38
Statement of current fund revenues, expenditures and other changes — Component Unit Higher Education Funds	39
Statement of changes in fund balances — Component Unit Higher Education Funds.....	40
Notes to general purpose financial statements	41–70
REQUIRED SUPPLEMENTARY INFORMATION	
Supplemental Year 2000 Disclosure	72–73
Required Supplemental Schedule of funding progress for Pension and Retirement System	74
Required Supplemental Schedule of funding progress for Mass Transit Administration Pension Plan	75
Required Supplemental Schedule of Employer Contributions for Mass Transit Administration Pension Plan	75
COMBINING FINANCIAL STATEMENTS AND SCHEDULES	
Special Revenue Funds:	
Combining balance sheet.....	78
Combining statement of revenues, expenditures, other sources and uses of financial resources and changes in fund balances.....	79

COMBINING FINANCIAL STATEMENTS AND SCHEDULES, continued

Debt Service Funds:

- Combining balance sheet 80
- Combining statement of revenues, expenditures, other sources and uses of financial resources and changes in fund balances..... 81

Enterprise Funds:

- Combining balance sheet 82
- Combining statement of revenues, expenses and changes in retained earnings..... 83
- Combining statement of cash flows 84

Fiduciary Fund Types:

- Combining balance sheet 85
- Combining balance sheet — Retirement and Pension System of Maryland 86
- Combining statement of revenues, expenditures and changes in fund balances — Expendable Trust Funds 86
- Combining statement of changes in plan net assets — Pension Trust Funds..... 87
- Combining statement of changes in assets and liabilities — All Agency Funds 88

Component Unit Funds: Higher Education

- Combining balance sheet 89

Schedule of fixed assets and accumulated depreciation..... 90

Schedule of changes in general fixed assets by function 90

Schedules required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated code of Maryland:

- Schedule of estimated and actual revenues by source — Budgetary basis 91
- Schedule of budget and actual expenditures and encumbrances by major function — Budgetary basis 92
- Schedule of changes in fund equities — Budgetary basis 93
- Schedule of funds transferred to political subdivisions 94
- Schedule of taxes receivable from collectors of state property taxes 94
- Schedule of estimated revenues — Budgetary basis 95
- Schedule of general, special, federal, current unrestricted and current restricted fund appropriations — Budgetary basis 96

STATISTICAL SECTION

- Schedule of general government revenues by source, expenditures by function and other sources (uses) of financial resources and changes in fund balances — General, Special Revenue, Debt Service and Capital Project Funds — Last ten fiscal years 98
- Schedule of property tax levies and collections — Last ten fiscal years..... 99
- Schedule of assessed and estimated actual value of taxable property — Last ten fiscal years 99
- Schedule of property tax rates — Direct and overlapping governments — Last ten fiscal years 100
- Schedule of employment by sector..... 101
- Schedule of ratio of general long-term debt to assessed value and general long-term debt per capita — Last ten fiscal years 101
- Schedule of ratio of annual debt service for general long-term debt to total general expenditures — Last ten fiscal years 102
- Schedule of taxes pledged to consolidated transportation bonds and net revenues as defined for purposes of consolidated transportation bonds coverage tests — Last ten fiscal years 102
- Schedule of demographic statistics — Last ten fiscal years 103
- Schedule of property value — Last ten fiscal years 103
- Schedule of miscellaneous statistics 103

INTRODUCTORY SECTION

LAW ENFORCEMENT

“If you buy a product out of state simply to avoid paying the sales and use tax, you are putting Maryland businesses at a disadvantage,” announced Comptroller William Donald Schaefer in May, 1999, as he began a major enforcement action to collect sales taxes owed on large out-of-state purchases brought into Maryland.

In effect since 1947, Maryland’s five percent sales and use tax applies to all tangible property that is consumed, possessed, stored or used in Maryland, regardless of where it is purchased. Items purchased out of state—either directly, through mail order, by telephone or over the Internet—are taxable in Maryland to the extent that they were not taxed at the Maryland sales tax rate at the place of purchase. Maryland is one of the 45 states that impose this use tax on out-of-state purchases.

The Comptroller’s Field Enforcement Division began checking truck manifests for any liability under Maryland’s five percent sales and use tax law. Within weeks, hundreds of taxpayers paid the use tax.



Keeping tabs. Enforcement agent Mark Brandenburg (right) from the State Comptroller’s Office reviews truck manifests to spot purchases from out-of-state vendors that may be liable under Maryland’s sales and use tax.

During fiscal year 1999, the Comptroller and tax officials in Delaware launched the nation’s first program to use tax refunds owed by one state to pay tax liabilities due in another state. Maryland received nearly \$153,000 that Delaware withheld from its residents who owed taxes to Maryland, while Maryland returned to Delaware approximately \$164,000 in refunds offset from Maryland residents with unpaid Delaware tax liabilities.

STATE OF MARYLAND
SELECTED STATE OFFICIALS

EXECUTIVE

Parris N. Glendening

Governor

Kathleen Kennedy Townsend

Lieutenant Governor

William Donald Schaefer

Comptroller

J. Joseph Curran, Jr.

Attorney General

Richard N. Dixon

Treasurer

JUDICIAL

Robert M. Bell

Chief Judge

Court of Appeals of Maryland

LEGISLATIVE

Thomas V. M. Miller, Jr

President of the Senate

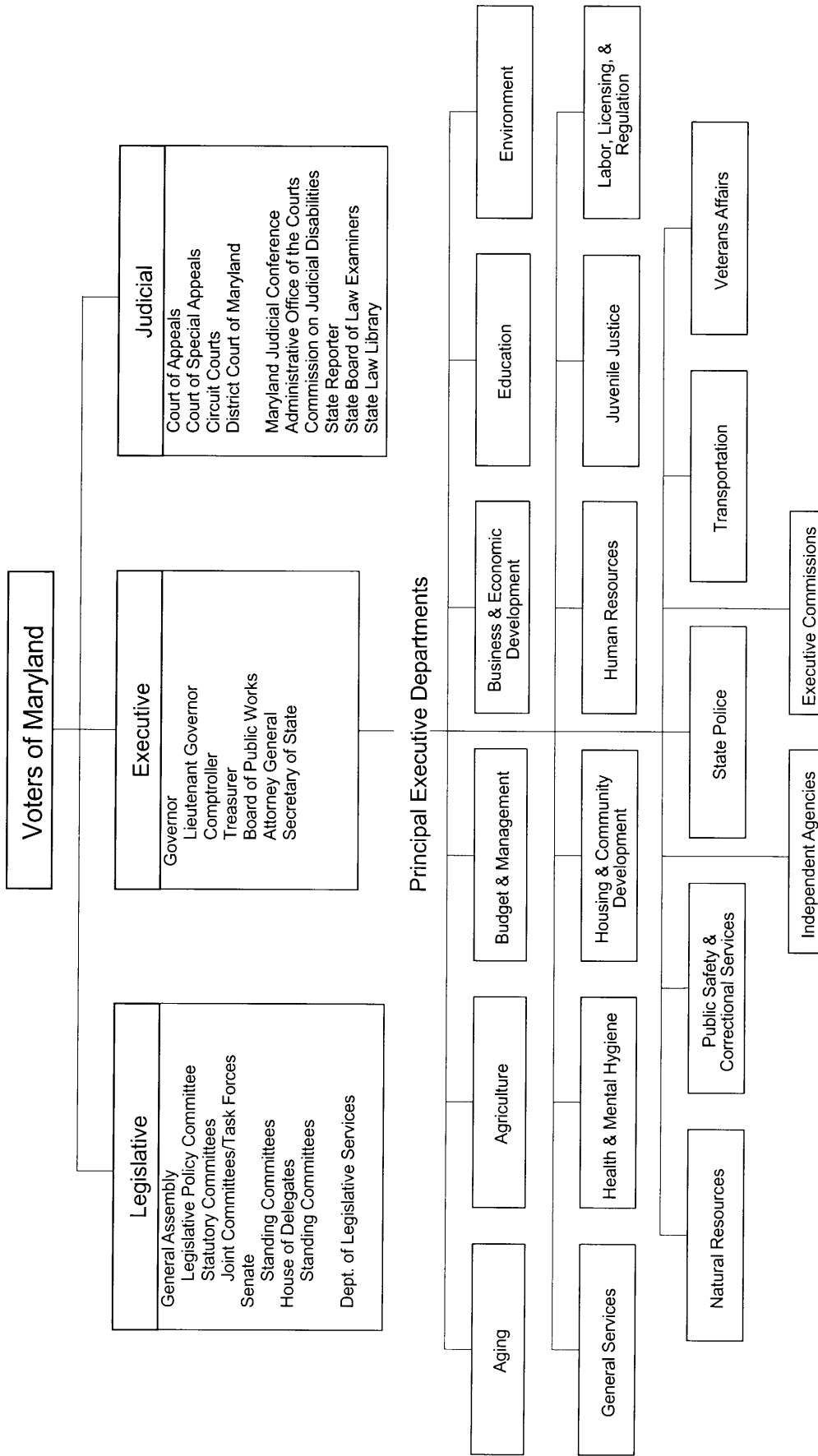
(47 Senators)

Casper R. Taylor, Jr.

Speaker of the House of the Delegates

(141 Delegates)

OVERVIEW OF MARYLAND STATE GOVERNMENT



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

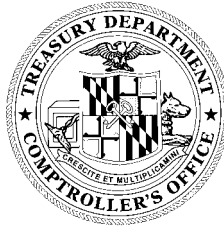


Cary Brubaker
President
Jeffrey L. Essler
Executive Director



William Donald Schaefer
Maryland State Comptroller

Louis L. Goldstein Treasury Building
P.O. Box 466
Annapolis, Maryland 21404-0466



Toll free: 1-800-552-3941
E-mail: wdschaefer@comp.state.md.us
fax: 410-974-3808

WILLIAM DONALD SCHAEFER
Comptroller

Honorable Members of the General
Assembly and the Governor,
State of Maryland:

November 1, 1999

INTRODUCTION

The Comprehensive Annual Financial Report of the State of Maryland, for the fiscal year ended June 30, 1999, submitted herewith, includes financial statements of the State of Maryland as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller. I believe that the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

This Report is presented in three sections; introductory, financial, and statistical. The introductory section includes this transmittal letter, the State's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the report of independent public accountants on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The accompanying financial statements include all funds and account groups of the State of Maryland (primary government), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

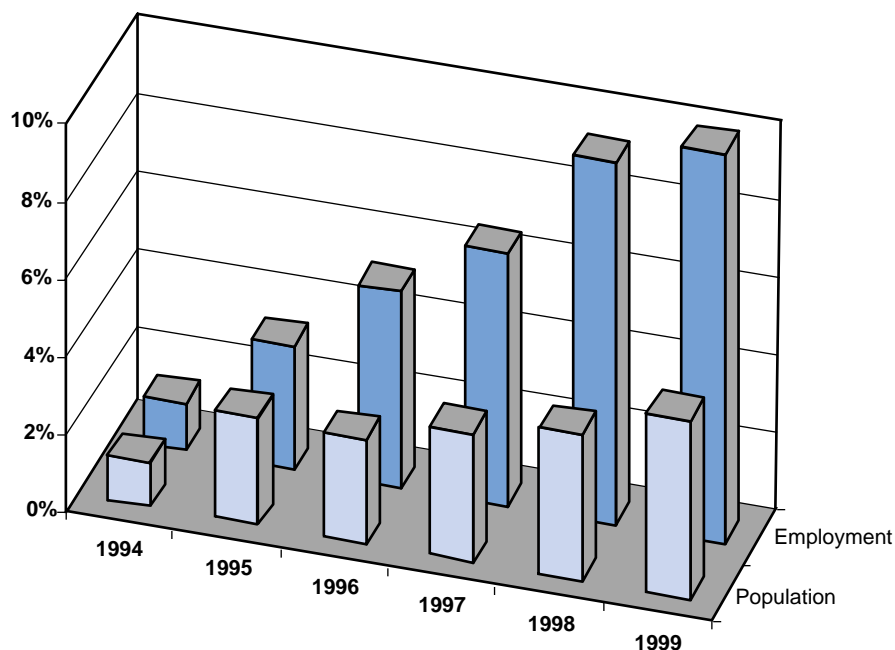
Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. Accordingly, the various colleges and universities, the Maryland Stadium Authority, the Maryland Food Center Authority, Maryland Environmental Service and the Maryland Industrial Development Financing Authority are reported as discretely presented component units.

ECONOMIC CONDITION AND OUTLOOK

Maryland's economy experienced continued robust growth in calendar year 1998. Almost 55,000 new jobs were created, bringing the total number of jobs created in the State since the end of the recession in the early 1990's to over 244,000. The strongest areas of growth in 1998 were services, construction, and government. The service sector added the most jobs, nearly 30,600, and the government sector added almost 9,800 jobs, primarily in local governments. No primary sector of the economy lost jobs in 1998, although the wholesale trade sector and transportation, communication and utilities sector grew by only 480 and 725 jobs, respectively. Total non-agricultural employment in the State increased by 2.5%. Growth would have been greater, but for an ever-tightening labor market.

The service sector, by far the largest in terms of employees, outpaced all other sectors with growth of 3.8%. Growth has slowed, however, from an average annual rate of 4.2% over the prior four years. Business services grew at an 8.5% annual rate and are expected to continue to grow strongly through 1999. Computer-related services are expected to slow or decline slightly in 2000, as Year 2000 remediation projects are completed. Legal and health services, representing almost 30% of this sector, grew by only 2.2% and 1.6%, respectively. Tightening costs, consolidations and declining admissions at some hospitals are expected to result in a slowdown in job growth in the health services sector, which will lead to an overall reduction in the rate of growth of the service industry. Growth in the service sector is expected to be 3.8% for 1999, slowing to 2.9% in 2000 and accelerating to 3.7% in 2001.

Cumulative Growth in Population and Employment



Source: U.S. Department of Commerce, Bureau of Census and Bureau of Economic Analysis.

The construction industry had another banner year, growing by 3.7%. This sector has lagged only the service sector since 1994. Record low interest rates in 1998 led to a housing boom, with an increase of single-family housing permits of 13%, the first increase in six years. The construction of multi-family units slowed in 1998, although the replacement of high-rise public housing units in Baltimore City with low-rise units is expected to reinvigorate this segment of the industry. Commercial and office construction has been strong and shows no signs of weakening, although industrial construction has slowed. Labor market constraints have affected the construction sector more than most, which may help maintain growth at above-average rates in the near future.

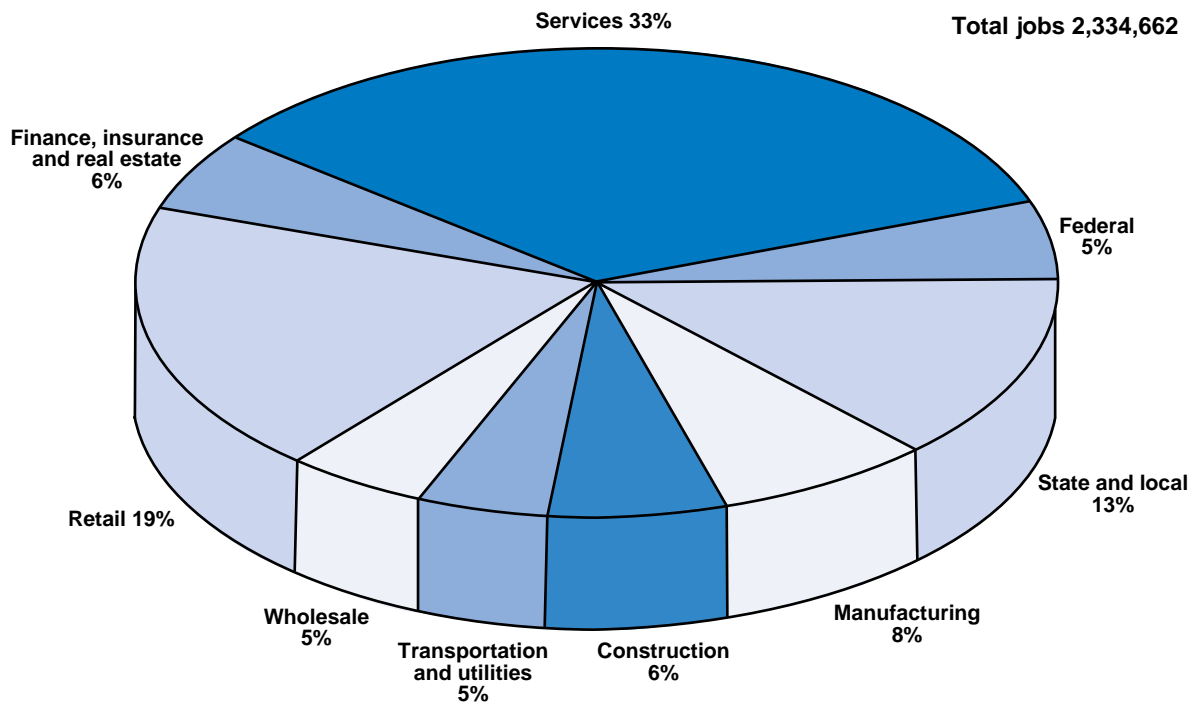
Growth at Baltimore Washington International Airport (BWI) has helped to maintain strong construction activity. Office vacancy rates are very low in the area; several speculative office buildings will be completed over the next two years. Construction on the 1.4 million square foot Arundel Mills Mall has begun and will be completed in 2000. It is likely that other retail and restaurant establishments will follow. The airport itself will continue to expand, with 10 additional gates for Southwest Airlines and 60,000 square feet of new cargo space. Despite the lack of labor, growth in the construction industry will accelerate to 3.7% in 1999, before increasing to 2.25% in 2000 and 3.0% in 2001.

Maryland's central location, access to reasonably-priced land and well-maintained transportation network have contributed to the growth of the trucking, warehousing and wholesale trade industries. Employment in these sectors has been generally upward and is expected to continue. The closure of Preston Trucking, one of the largest employers on the Eastern Shore, resulted in the loss of about 300 jobs. The 1998 addition of 400 jobs from a Southwest Airlines pilot base and 800 jobs from a Southwest crew base at BWI have more than offset that loss. While the Port of Baltimore did not become the East Coast base for Maersk/Sea-Land, the outlook is brighter for the Port than it has been in recent years due to the exposure it received as a finalist in that search. Growth in the transportation sector will be a strong 6.1% in 1999, before slowing to 1.25% in 2000. The wholesale trade sector will continue modest growth of about 1%.

Ever-increasing demand for cellular telephones, pagers, facsimile machines, and Internet access, along with the proximity to the largest telecommunications customer in the nation, make Maryland extremely attractive to telecommunications service providers. Maryland was the first state in the nation with an "overlay" area code system, due to the rapid expansion of telephone numbers. Employment in this sector increased by 2.4% in 1998, and steady growth of approximately 2% annually is expected to continue.

Deregulation of the electric industry in Maryland brings uncertainty to one of the most stable sectors of the economy. Employment has declined by over 7% from 1996, as costs have been reduced to prepare for competition. Cost-cutting and consolidation are expected to continue, resulting in employment reductions of 2.6% in 1999 and 3.0% in 2000, moderating to a 1.5% decline in 2001.

Employment by Sector 1999 Forecast



Source: Bureau of Revenue Estimates of Maryland State Comptroller's Office, June 30, 1999.

The retail sector has continued its steady growth, adding almost 4,000 jobs in 1998. While this sector's growth of 1.2% lagged that of the economy as a whole, retail remains the second-largest sector in Maryland's economy. Although growth was slow in this sector, it still added the fourth-largest number of jobs in the State. A slowdown to a growth rate of 0.3% is expected in 1999, followed by modest expansion of about 1.0% annually, which is expected to continue as several national restaurant chains continue their expansion in the State. A boost will be received when Arundel Mills Mall opens in the fall of 2000 with over 200 tenants. Ultimately, the Mall is expected to create more than 3,500 positions.

Growth in the various components of the finance sector continued to diverge, ranging from a 3% decline to a 10.2% increase, for overall growth in 1999 of 1.5%. Employment in deposit banks declined by 3%, while the real estate component grew by 1.2%. Deposit banks have been affected by ongoing consolidation, both of large multi-state banks and regional banks. Both the deposit banks and real estate segments of the industry have been affected by the increasing influence of the Internet, which will have increasing impact in the future. The deposit bank sector is expected to continue shedding jobs, with declines of 0.1% in 1999 and 2.0% in 2000, and the real estate sector is also expected to contract by 0.4% in 1999 and 1.5% in 2000. The insurance sector has also been affected by Internet activity and is expected to grow by 2.9% in 1999, before slowing to 0.5% in 2000. Record low interest rates and concurrently high mortgage refinancings propelled nondeposit banks such as mortgage lenders, to 10.2% growth in 1998. After even stronger growth of 12.9% in 1999, growth is expected to moderate to 5% in 2000, as rising though still historically modest interest rates curtail lending activity. Overall, this sector of the economy should expand by 2.5% in 1999, before rising interest rates and slowing economic activity reduce growth to 0.1% in 2000.

The government sector grew by 2.4% in 1998, mirroring the growth rate of the overall economy. Growth in all three levels of government, federal, state, and local, slowed in 1999. Federal employment in the State will grow by about 1.0% in 2000, due largely to the decennial census. Local government growth, driven by the employment of increasing numbers of teachers, will slow to about 1.75% in 2000 and increase to 2.25% in 2001, above average but down from a strong 3.2% growth rate in 1998. State government employment should remain relatively stable throughout this period.

Overall, non-agricultural employment in the State is expected to grow by 2.1% in 1999, slowing to 1.6% in 2000, before accelerating again to 2.1% in 2001. Supported by a continuing tight labor market and strong wage growth, personal income is estimated to grow by 5.7% in 1999, decelerating only slightly to 5.6% in 2000, before accelerating again in 2001.

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.

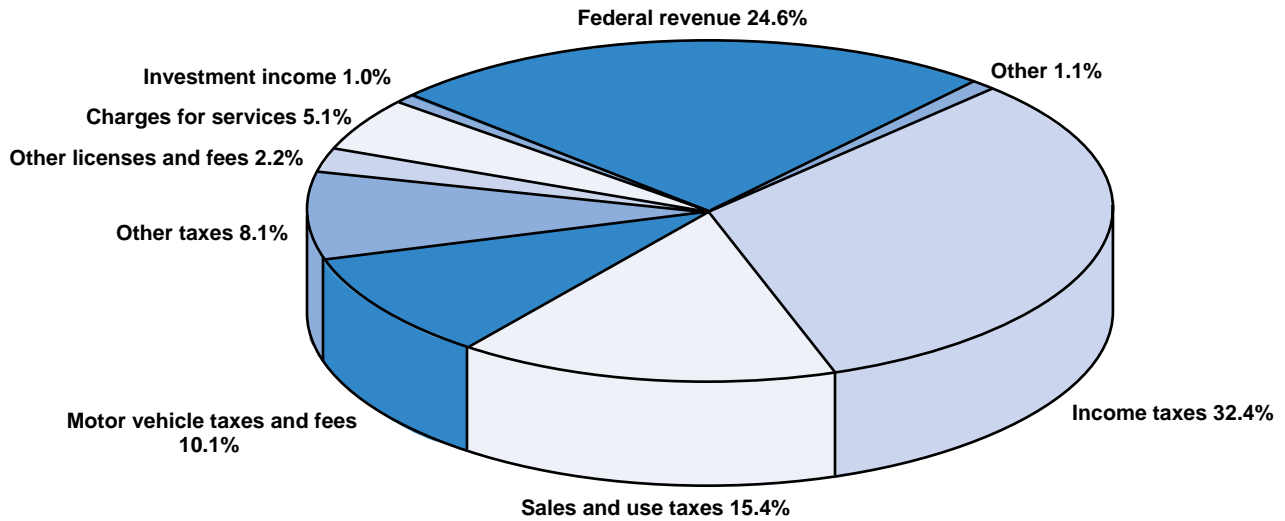
GENERAL GOVERNMENTAL FUNCTIONS

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</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.

General Government Revenues by Source



Source: Revenue Reports by General Accounting Division of Maryland State Comptroller's Office, June 30, 1999.

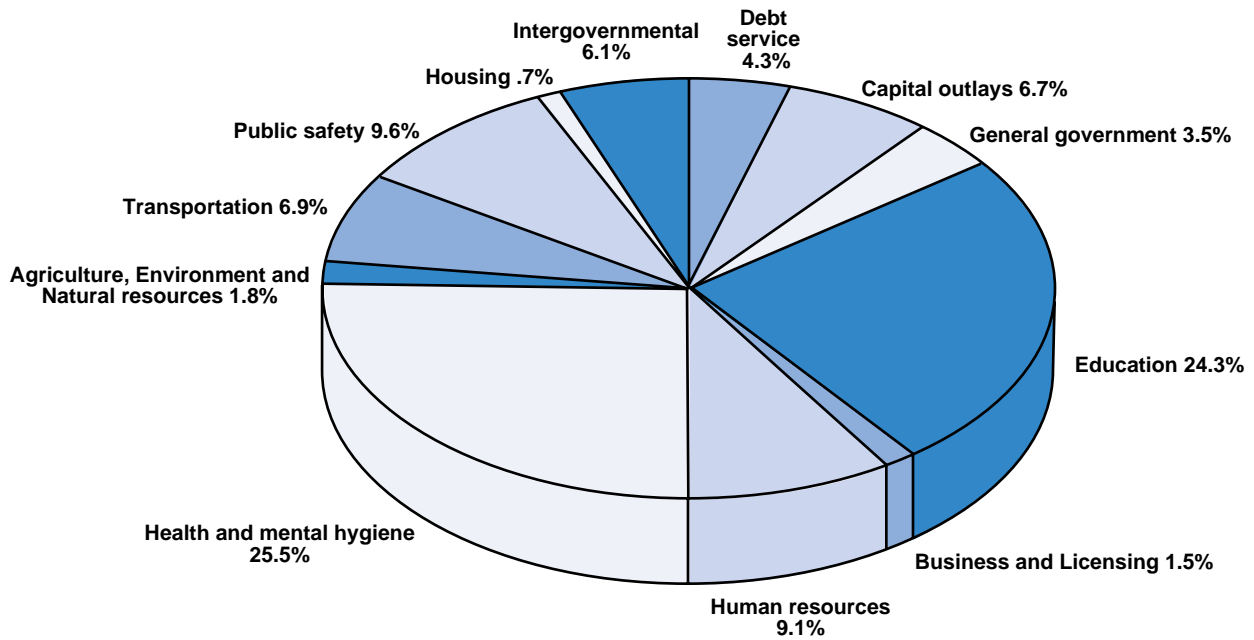
Other licenses and fees increased by \$39,028,000 or 13.5% over the previous year primarily due to increases in revenues from business licenses collected by the Clerks of Courts, increased assessments on insurance companies to fund the new Division of Consumers' Complaints, and increased fees from court civil cases to fund the new Maryland Legal Services Corporation Fund for providing civil legal services to indigent clients.

Other revenues increased \$30,391,000 or 22.6% over the previous year primarily due to an increase in recoveries of prior years' Medicaid payments.

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	Increase (Decrease) Over 1998 Actual	
		Amount	Percent
Current:			
General government	\$ 495,028	\$ 67,546	15.8%
Education	3,440,054	200,821	6.2
Business and economic development	50,344	5,261	11.7
Labor, licensing and regulation.....	158,192	9,212	6.2
Human resources	1,285,650	(31,715)	(2.4)
Health and mental hygiene.....	3,599,677	343,716	10.6
Environment.....	68,119	7,146	11.7
Transportation	979,560	120,100	14.0
Public safety and judicial	1,349,764	147,132	12.2
Housing and community development	106,604	8,943	9.2
Natural resources and recreation	131,541	9,428	7.7
Agriculture	53,078	10,876	25.8
Intergovernmental	860,070	74,526	9.5
Debt service	603,630	10,328	1.7
Capital outlays for transportation	950,160	17,105	1.8
Total	<u>\$14,131,471</u>	<u>\$1,000,425</u>	<u>7.6%</u>

Expenditures by Function



Source: Expenditure Reports by General Accounting Division of Maryland State Comptroller's Office, June 30, 1999.

Expenditures for general government increased \$67,546,000 or 15.8% over the previous year primarily due to a planned increase in the Office of Information Technology for computer systems enhancements and Year 2000 conversion projects.

Business and economic development expenditures increased \$5,261,000 or 11.7% over the previous year due to a planned increase in the Division of Regional Development.

Health and mental hygiene expenditures increased \$343,716,000 or 10.6% over the previous year primarily for increased growth in the Medical Care Provider Reimbursements program and new initiatives for the Children's Health Program which provides health benefits to children and pregnant women of low income families and for the Developmental Disabilities Administration to extend services to individuals on the waiting list.

Expenditures for Environment increased \$7,146,000 or 11.7% over the previous year primarily for drinking water initiatives.

Transportation expenditures increased \$120,100,000 or 14.0% over the previous year primarily for highway maintenance and equipment.

Expenditures for public safety and judicial increased \$147,132,000 or 12.2% over the previous year primarily for growth in the prisons and courts systems and the creation of a new Family Law Division for more efficient processing of family related cases.

Housing and community development expenditures increased \$8,943,000 or 9.2% over the previous year primarily for neighborhood business development programs.

Expenditures for agriculture increased \$10,876,000 or 25.8% over the previous year primarily for agricultural land preservation.

Intergovernmental expenditures increased \$74,526,000 or 9.5% over the previous year due to increases in taxes, and licenses and highway user revenues allocated to local governments.

Operating transfers in, to the general fund from capital projects, enterprise funds (State Lottery Agency, Economic Development—Insurance Programs, and Economic Development—Loan Programs) and component units (Maryland Industrial Development Financing Authority and higher education) totaled \$420,501,000. This represents an increase of \$12,262,000 over the previous year, due primarily to increases in capital projects transfers. Operating transfers out, from the general fund to capital projects, enterprise funds, and higher education and proprietary component units totaled \$1,013,135,000. This represents an increase of \$184,628,000 over the previous year, primarily due to increased funding for higher education and pay-as-you-go capital projects.

The fund balance for the general fund at June 30, 1999, was \$1,977,965,000 representing an increase of \$382,773,000 over the previous year's balance. The fund balance for the general fund has shown a pattern of continuous and substantial increase during the last six years.

Management of financial resources is exercised through the legally mandated budgetary system of the State. The budgetary general fund balance at June 30, 1999, reflected a total fund balance and an undesignated balance of \$1,514,461,000 and \$319,973,000 respectively. For information on differences between GAAP and the budgetary system, see footnote 3 to the general purpose financial statements.

The special revenue unreserved fund balance of \$243,757,000 decreased \$71,789,000 from the preceding year. The debt service unreserved fund balance of \$100,130,000 decreased \$14,399,000 from the previous year.

CAPITAL PROJECTS FUND

Proceeds of general obligation bond issues are accounted for in the capital projects fund. Completed projects and uncompleted construction in progress at year end, which are assets of the State, are capitalized in the general fixed assets account group, the appropriate enterprise fund for self-supporting projects or the component units fund types. During fiscal year 1999, State projects costing \$230,906,000 were completed. State grants for capital projects of local governments and other public organizations amounted to \$291,245,000 in the fiscal year, a decrease of \$32,966,000 from 1998.

Authorized but unissued general obligation bonds at June 30, 1999, totaled \$1,020,494,000.

GENERAL FIXED ASSETS

The general fixed assets of the State are those used in the performance of general governmental functions and exclude the fixed assets of the proprietary fund type and the component units. As of June 30, 1999, the general fixed assets of the State amounted to \$10,334,002,000. This amount represents the actual or estimated cost of the assets. Depreciation of general fixed assets is not recognized in the State's accounting system. Infrastructure assets, consisting principally of highways, roads, bridges and tunnels, are not recorded in general fixed assets.

ENTERPRISE, FIDUCIARY AND COMPONENT UNIT FUNDS

The retained earnings for enterprise funds increased during 1999 by \$3,568,000, compared to an increase of \$98,405,000 in fiscal year 1998. The Economic Development—Insurance Programs reported a decrease of \$3,054,000 in retained earnings. The retained earnings for the Economic Development-Loan Programs increased by \$6,018,000. This increase was primarily due to increased earnings on investments. Although the State Lottery Agency reported \$391,581,000 income before transfers, there were operating transfers out of \$393,221,000 accounting for a decrease of \$1,640,000 in its retained earnings.

Fiduciary fund types include the expendable trust fund, investment trust fund, pension trust funds and agency funds. Agency funds are custodial in nature and do not report fund balances. All other fiduciary fund types reported fund balances of \$32,977,703,000 at June 30, 1999, compared to \$30,685,929,000 at June 30, 1998. The increase was due primarily to increased net assets in pension funds.

The State Retirement and Pension System of Maryland was established to provide pension benefits for State employees and employees of 127 participating political subdivisions and 98 participating municipal corporations within the State. The Mass Transit Administration Pension Plan was established to provide pension benefits for all Mass Transit Administration employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. The annual actuarial valuation continues to reflect a positive trend in the government's and employees' funding of the pension plans.

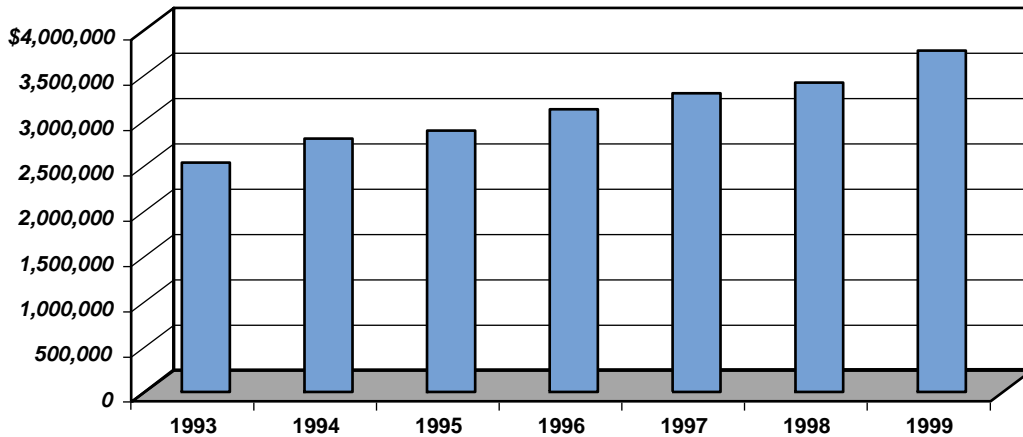
The total fund balance for the higher education component units was \$3,417,581,000 at June 30, 1999, compared to \$3,128,314,000 at June 30, 1998. Retained earnings for the proprietary component units totaled \$243,466,000 for June 30, 1999. This represents an increase in retained earnings of \$8,821,000 for the Maryland Stadium Authority, \$268,000 for the Maryland Food Center Authority, \$759,000 for the Maryland Environmental Service and \$3,962,000 for the Maryland Industrial Development Financing Authority.

DEBT ADMINISTRATION

The ratios of net bonded debt to assessed property value, debt to present market value, and bonded debt per capita are considered to be useful indicators of the State's debt position to State management, citizens and investors. Data for fiscal years 1993 to 1999 are shown as follows:

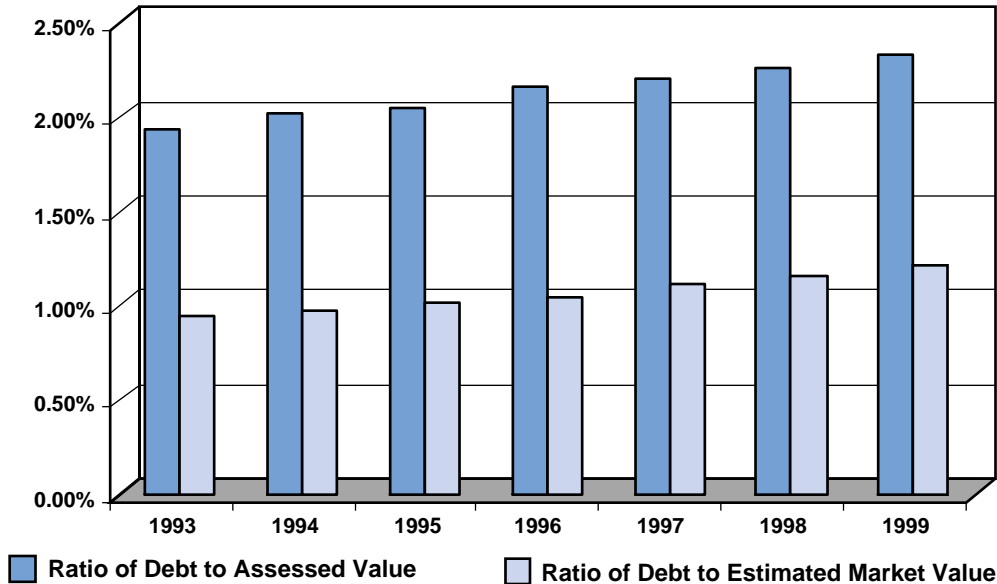
	Amount (expressed in thousands)	Ratio of Net Bonded Debt to Assessed Value (46.6% of Present Market)	Ratio of Debt to Estimated Market Value	Bonded Debt Per Capita
General Obligation Bonds:				
1999	\$3,500,228	2.36%	1.10%	\$681.67
1998	3,270,525	2.26	1.06	642.03
1997	3,025,394	2.18	1.01	596.49
1996	2,859,939	2.10	.97	567.17
1995	2,619,069	1.98	.91	519.04
1994	2,504,004	1.93	.89	504.33
1993	2,279,390	1.83	.85	464.42

General Obligation Bonds Principal Outstanding



Source: Office of Administration and Finance, Maryland State Comptrollers Office, 1999.

Ratio of Bonded Debt to Value of Taxable Property



Source: The Forty-sixth through Fifty-fifth Report of the State Department of Assessments and Taxation.

Additionally, outstanding limited obligation bonds of the Department of Transportation and the Maryland Transportation Authority amounted to \$754,735,000 and \$344,489,000 respectively, at June 30, 1999. The State is also ultimately responsible to pay certain debt of two of its component units via capital leases with these component units. As of June 30, 1999, the outstanding capital lease balance was \$310,313,000. Debt service on the Department of Transportation bonds is provided principally by excise taxes levied by statute. Debt service on the Maryland Transportation Authority is payable from revenues of Authority projects. Self-supporting revenue bonds outstanding at June 30, 1999, amounted to \$3,646,073,000. As of June 30, 1999, long-term obligations for accrued annual leave of \$168,406,000 represent the value of accumulated earned but unused annual leave for general government employees and the accrual for unpaid self-insurance claims was \$134,986,000.

The following tabulation shows the general obligation bonds issued during the past three fiscal years:

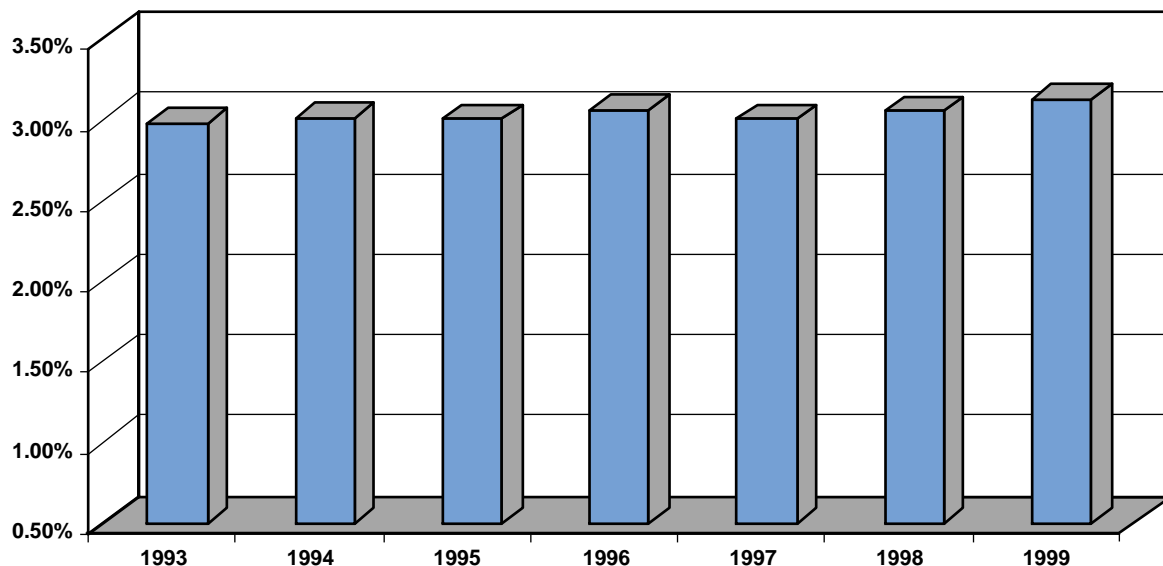
STATE OF MARYLAND—GENERAL OBLIGATION BONDS

<u>Date of Issue</u>	<u>Amount</u>	<u>Average Life in Years</u>	<u>Effective Interest Rate</u>	<u>Interest Cost Per Borrowed Dollar</u>
March 11, 1999	\$225,000,000	9.6	4.2	40.1¢
July 22, 1998	250,000,000	9.7	5.1	49.1¢
March 5, 1998	250,000,000	9.7	4.9	47.0¢
August 14, 1997	250,000,000	9.7	5.0	48.1¢
March 13, 1997	240,000,000	9.7	5.0	48.4¢
October 24, 1996	170,000,000	9.7	5.0	48.5¢

Maryland's general obligation bonds have been rated Aaa by Moody's Investors Service and AAA by Standard and Poor's and Fitch Investors, Inc., for a number of years.

In 1978, the Capital Debt Affordability Committee was created to study the State's debt structure and to recommend maximum limitations on annual debt authorizations. Although the recommendations of the Committee are not binding on the State's General Assembly, the amounts of annual general obligation bond authorizations effective for 1999 were within the limits established by the Committee. Maryland tax supported debt outstanding as a percent of personal income remains below the Capital Debt Affordability Committee Criteria Standard of 3.2% of personal income. For the fiscal year 1999, State tax supported debt outstanding amounted to \$5,089,056,000 which is 3.1% of total Maryland personal income.

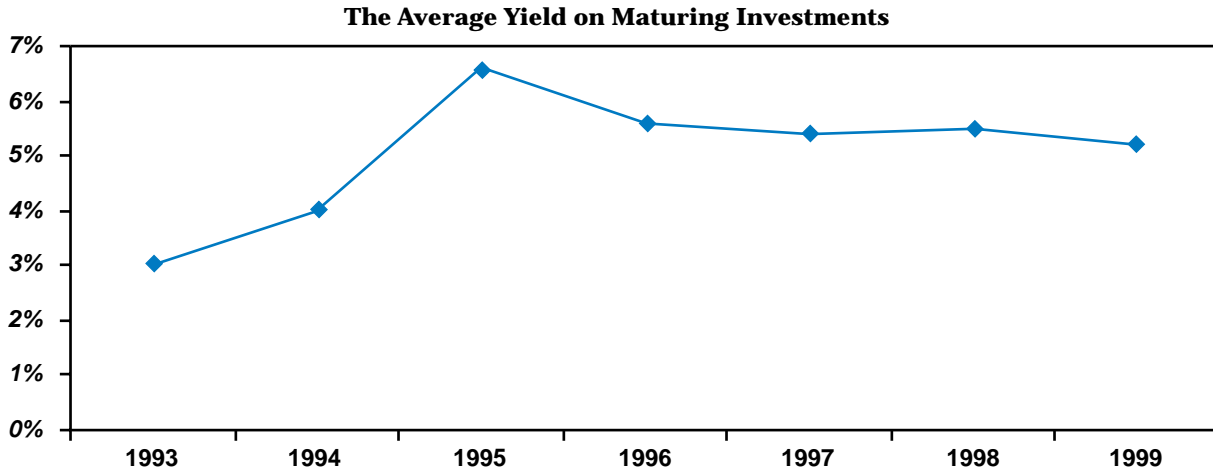
**State Tax Supported Debt Outstanding
as a Percentage of Personal Income**



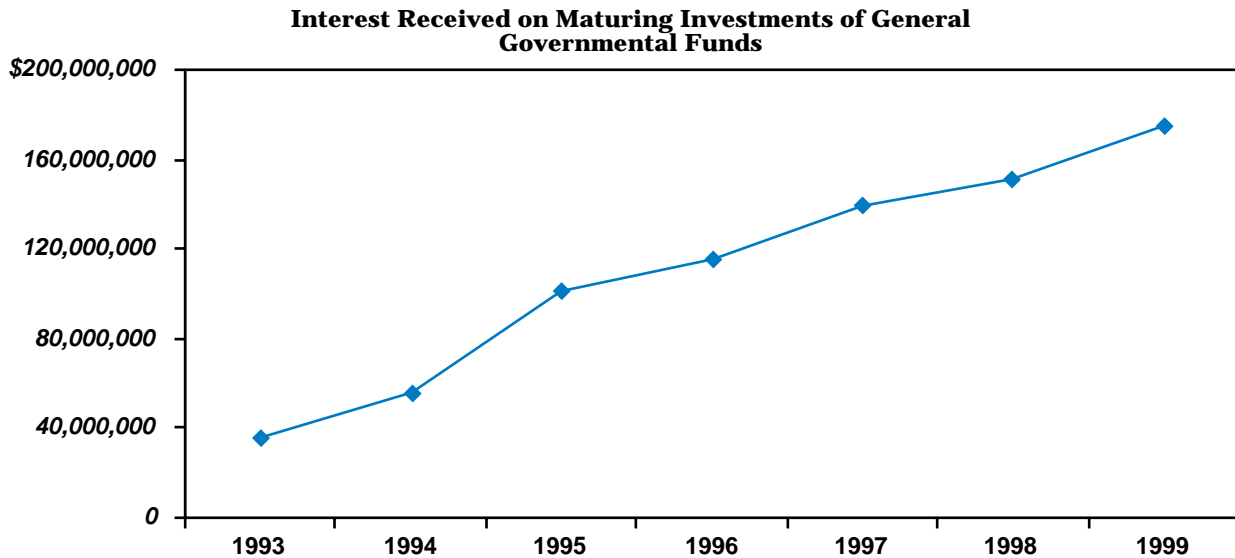
Source: Report of the Maryland Capital Debt Affordability Committee, 2000.

CASH MANAGEMENT

During the year, temporary surpluses of cash in general governmental funds were invested in repurchase agreements, U.S. Treasury and agency obligations, and money market accounts with maturities ranging from 1 to 365 days. As of June 30, 1999, the State's cash resources for general governmental funds were invested as follows: in repurchase agreements, 92.3%; in U.S. Treasury and agency obligations, money market accounts and other, 7.7%. The average yield on maturing investments during the year was 5.2%, as compared to 5.5% in the prior year, and the amount of interest received was \$174,945,000 which was \$23,502,000 more than the previous year.



Source: Investments Report, State Treasurer's Office, 1999.



Source: Investments Report, State Treasurer's Office, 1999.

RISK MANAGEMENT

The State is involved in legal proceedings, which normally occur in government operations. Such proceedings, in the opinion of the Attorney General, are not likely to have a material adverse impact on the financial position of the State's funds.

The State self-insures toward most claims of risk of loss, including general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. All funds, agencies and authorities of the State participate in the self-insurance programs. As of June 30, 1999, the State has recorded \$206,941,000 in liabilities associated with its self-insurance programs.

Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks.

YEAR 2000 COMPLIANCE

Certain computer programs have been written using two digits rather than four to define the applicable year, which could result in the computer recognizing the date using "00" as the year 1900 rather than the year 2000. This, in turn, could result in major system failures or miscalculations and is generally referred to as the "Year 2000" problem. The State has established a process to assure Year 2000 compliance of all hardware, software, and ancillary equipment that is date dependent. In August 1997, the State established the Year 2000 Program Management Office to manage the State's Year 2000 processes and oversee the activities underway at the agencies. The State's Year 2000 process involves four phases: awareness, assessment, remediation and validation/testing. A critical part of the State's Year 2000 plan is the development of contingency plans to assure continued operation in the event of critical automated systems failure or unforeseen supply chain interruptions.

While the State has allocated significant resources to the Year 2000 issue and expects to resolve all of its Year 2000 problems prior to December 31, 1999, there can be no assurance that all systems will be ready or that failure of systems not identified as critical could have significant negative effect on the State's operations. Also, minor problems will undoubtedly remain after December 31, 1999. The State does not expect Year 2000 problems to have a material adverse effect on its financial health or its ability to meet its financial obligations in a timely manner. However, the State has no control over the Year 2000 remediation efforts of external third parties, and, to the extent that the third parties have not resolved their Year 2000 problems, they may negatively impact the State.

The Required Supplementary Information Section of the financial statements contains more detailed information. However, since this information is not auditable, and the effects and success of related remediation efforts will not be fully determinable until the year 2000 and thereafter, the AICPA has issued guidance for accounting firms with respect to this issue, and the opinion letter submitted by Arthur Andersen LLP includes the suggested references.

OTHER INFORMATION

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of the Treasury's records, by the Legislative Auditor at least every three years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. Although certain of those reports include presentations of detailed financial data and contain expressions of opinion thereon, the audits are usually not made for that purpose. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's general purpose financial statements by a firm of independent public accountants selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been complied with, and the opinion of Arthur Andersen LLP has been included in the financial section of this report. In addition, Arthur Andersen LLP performs audits to meet the requirements of the federal Single Audit Act of 1984 and the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations"; such information being contained in other reports.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its comprehensive annual financial report for the fiscal year ended June 30, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 19 consecutive years (fiscal years ended 1980-1998). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,

A handwritten signature in black ink, reading "William Donald Schaefer". The signature is written in a cursive style with a large, prominent initial 'W'.

William Donald Schaefer
Comptroller of the Treasury
of Maryland

FINANCIAL SECTION

ECONOMIC DEVELOPMENT

Shortly after taking office, Comptroller William Donald Schaefer addressed the fact that the growth of Maryland's wine industry has lagged far behind wineries in other states in the region. He quickly formed a partnership with Maryland wineries and grape growers in an effort to remove regulatory barriers hampering the development of the state's wine industry.

Maryland's system of alcoholic beverage regulation is designed to promote efficient distribution and taxation. Comptroller Schaefer and industry partners believe that minor changes in regulatory laws will boost Maryland winery growth and related wine festival tourism without significant effects on the regulatory system.

The Comptroller outlined a legislative proposal that will open up three marketing windows for the state's ten commercial wine producers by allowing them to showcase products at licensed restaurants and hotels, conduct sales at community festivals and special locations, and sell wine by the glass to visitors at licensed wineries.



Seeding growth. Comptroller William Donald Schaefer discusses his legislative proposal to help winemakers during a tour of Boordy Vineyards in Baltimore County, Maryland's oldest vineyard and winery.

With Maryland's agricultural resources for grape growing comparing favorably with France's Bordeaux region, industry experts believe that a growing wine industry in Maryland may encourage farmers—including tobacco planters—to diversify their crops.

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable William D. Schaefer,
Comptroller of the Treasury of Maryland:

We have audited the accompanying general purpose financial statements of the State of Maryland as of June 30, 1999, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the State of Maryland's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of (1) Maryland Water Quality Financing Administration; (2) Maryland State Lottery Agency; (3) State Use Industries; (4) Maryland Local Government Investment Pool; (5) State Retirement and Pension System of Maryland; (6) Maryland Stadium Authority; (7) Maryland Food Center Authority and (8) Maryland Environmental Service, which represent the percentages of the total assets, operating revenues or additions, and expenditures, expenses or deductions of the fund types listed below.

Agency	Percentage of Total Fund Type		
	Total Assets	Operating Revenues or Additions	Expenditures, Expenses or Deductions
Enterprise Fund	22.4%	85.0%	76.1%
—Maryland Water Quality Financing Administration			
—Maryland State Lottery Agency			
—State Use Industries			
Investment and Pension Trust Funds	99.8%	99.5%	99.2%
—Maryland Local Government Investment Pool			
—State Retirement and Pension System of Maryland			
Component Unit Proprietary Fund	94.8%	99.7%	99.8%
—Maryland Stadium Authority			
—Maryland Food Center Authority			
—Maryland Environmental Service			

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned agencies and component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Maryland as of June 30, 1999, and the results of its operations and the cash flows of its Enterprise Funds and Component Unit Proprietary Funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 1, 1999, on our consideration of the State of Maryland's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents, which are also the responsibility of the State of Maryland's management, are presented for purposes of additional analysis and to meet legal reporting requirements and are not a required part of the general purpose financial statements. The information, except for the Schedules of Estimated Revenues – Budgetary Basis and General, Special, Federal, Current Unrestricted and Current Restricted Fund Appropriations – Budgetary Basis for the year ending June 30, 2000 (pages 95 and 96) has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and the reports of other auditors referred to above, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The Year 2000 supplementary information on pages 72–73 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin 98-1, as amended, are not sufficiently specific to permit meaningful results from the prescribed procedures. In addition, we do not provide assurance that the State of Maryland is or will become Year 2000 compliant, that the State of Maryland's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of Maryland does business are or will be Year 2000 compliant.

The other data included in the Comprehensive Annual Financial Report have not been audited by us and, accordingly, we express no opinion on such data.

A handwritten signature in cursive script that reads "Arthur Anderson LLP".

Baltimore, Maryland
November 1, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF MARYLAND

Combined Balance Sheet

All Fund Types, Account Groups
and Discretely Presented Component Units

June 30, 1999

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Types		Account Groups		Total Primary Government (Memorandum Only)		Component Units		Total Reporting Entity (Memorandum Only)		
	Special Revenue		Debt Service		Capital Projects		Proprietary Fund Types		Trust and Agency		General Fixed Assets			Long-Term Debt	
	General	Special Revenue	Debt Service	Capital Projects	Proprietary Fund Types	Enterprise	Trust and Agency	General Fixed Assets	Long-Term Debt	Higher Education	Proprietary Fund Types	Education		Proprietary Fund Types	
Assets and Other Debits:															
Assets:															
Cash and cash equivalents	\$1,903,049	\$ 80,527	\$ 85,939	\$502,802	\$ 190,721	\$ 971,446									
Investments	991,494	178,118	11,439	115	1,419,685	31,375,892									
Amount on deposit with U. S. Treasury						805,076									
Taxes receivable, net	613,167	75,852	6,339			274,643									
Intergovernmental receivables	519,717	134,799													
Other accounts receivable	58,244	25,238	542	994	62,062	421,804									
Due from other funds	49,996	185,903			254,589	896,914									
Due from primary government															
Due from component units	9,201														
Collateral for loaned securities						1,891,273									
Inventories															
Loans and notes receivable, net	1,484	15,351	23,185	13,264	2,466,414	5,773									
Investment in direct financing leases															
Loans to component units															
Property, plant and equipment, net															
Restricted assets															
Other assets															
Other Debits:	213,452	34,046			88,174										
Amounts available in debt service fund for retirement of —															
General obligation bonds															
Transportation bonds															
Maryland Transportation Authority bonds															
Amounts to be provided for retirement of —															
General obligation bonds															
Transportation bonds															
Maryland Transportation Authority bonds															
Accrued self-insurance costs															
Accrued annual leave															
Obligations under capital leases															
Obligations under capital leases with component units															
Total assets and other debits	\$4,359,804	\$729,834	\$133,816	\$517,175	\$4,494,410	\$36,637,048	\$10,334,002	\$5,464,416	\$62,670,505	\$4,494,164	\$674,218	\$67,838,887			

STATE OF MARYLAND

**Combined Statement of Revenues, Expenditures, Other Sources
and Uses of Financial Resources and Changes in Fund Balances**

All Governmental Fund Types and Expendable Trust Funds

for the year ended June 30, 1999

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Types Expendable Trust	Total Primary Government (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
Revenues:						
Income taxes	\$ 4,845,406					\$4,845,406
Sales and use taxes	2,299,266					2,299,266
Motor vehicle taxes and fees		\$1,507,898				1,507,898
Other taxes	956,714		\$247,193		\$ 379,145	1,583,052
Other licenses and fees	328,442					328,442
Charges for services	307,441	451,257				758,698
Interest and other investment income	130,644	23,320	3,121	\$ 17,860	166,138	341,083
Federal revenue	3,237,630	444,062			1,630	3,683,322
Employee contributions					81,310	81,310
Other	135,485	29,038	399		5	164,927
Total revenues	12,241,028	2,455,575	250,713	17,860	628,228	15,593,404
Expenditures:						
Current:						
General government	495,028				70,154	565,182
Education	3,440,054					3,440,054
Business and economic development	50,344				318,729	369,073
Labor, licensing and regulation	158,192					158,192
Human resources	1,285,650					1,285,650
Health and mental hygiene	3,599,677					3,599,677
Environment	68,119					68,119
Transportation		979,560				979,560
Public safety and judicial	1,349,764					1,349,764
Housing and community development	106,604					106,604
Natural resources and recreation	131,541					131,541
Agriculture	53,078					53,078
Intergovernmental	358,024	502,046		291,245		1,151,315
Debt service:						
Principal retirement			374,882			374,882
Interest			228,748			228,748
Capital outlays		950,160		156,715		1,106,875
Total expenditures	11,096,075	2,431,766	603,630	447,960	388,883	14,968,314
Excess (deficiency) of revenues over expenditures	1,144,953	23,809	(352,917)	(430,100)	239,345	625,090
Other sources (uses) of financial resources:						
Capital leases	28,089	53,503		18,409		100,001
Proceeds from bonds				483,805		483,805
Operating transfers in	484,079	110,419	335,980	249,198		1,179,676
Operating transfers in from component units	1,013					1,013
Operating transfers out	(534,498)	(242,452)		(29,901)		(806,851)
Operating transfers out to component units	(740,863)			(83,307)		(824,170)
Net other sources (uses) of financial resources	(762,180)	(78,530)	335,980	638,204		133,474
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	382,773	(54,721)	(16,937)	208,104	239,345	758,564
Fund balances, July 1, 1998	1,595,192	445,468	146,624	242,147	1,977,504	4,406,935
Fund balances, June 30, 1999	\$ 1,977,965	\$ 390,747	\$129,687	\$450,251	\$2,216,849	\$5,165,499

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

**Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
Enterprise Funds and Component Unit Proprietary Funds
for the year ended June 30, 1999
(Expressed in Thousands)**

	Primary Government Enterprise Funds	Component Unit Proprietary Funds	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Lottery ticket sales	\$1,080,029		\$1,080,029
Charges for services and sales	47,866	\$ 88,104	135,970
Interest and other investment income.....	208,995		208,995
Other	1,981	320	2,301
Total operating revenues	1,338,871	88,424	1,427,295
Operating expenses:			
Prizes and claims	582,192		582,192
Commissions	61,762		61,762
Cost of sales and services	28,140		28,140
Operation and maintenance of facilities	9,871	61,946	71,817
General and administrative	60,535	11,488	72,023
Interest.....	161,392		161,392
Depreciation and amortization.....	2,639	8,328	10,967
Provision for insurance on loan losses, net	27,478	(745)	26,733
Other	29,591	1,008	30,599
Total operating expenses	963,600	82,025	1,045,625
Operating income	375,271	6,399	381,670
Non-operating revenues (expenses):			
Investment income	2,171	6,587	8,758
Interest expense	(65)	(22,768)	(22,833)
Other	(1,238)	5,388	4,150
Operating income (loss) before transfers	376,139	(4,394)	371,745
Operating transfers in	44,281		44,281
Operating transfers in from primary government		18,678	18,678
Operating transfers out	(417,106)		(417,106)
Operating transfers out to primary government		(756)	(756)
Net income	3,314	13,528	16,842
Add: Depreciation of assets acquired from contributed capital	254	282	536
Increase in retained earnings.....	3,568	13,810	17,378
Retained earnings, July 1, 1998.....	489,835	229,656	719,491
Retained earnings, June 30, 1999	\$ 493,403	\$243,466	\$ 736,869

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

**Combined Statement of Changes in Plan Net Assets
Investment and Pension Trust Funds
for the year ended June 30, 1999
(Expressed in Thousands)**

	Investment Trust Fund	Pension Trust Funds	Total
Additions:			
Contributions:			
Employers		\$ 265,440	\$ 265,440
Members	\$1,807,018	162,342	1,969,360
Sponsors		441,016	441,016
Total Contributions	1,807,018	868,798	2,675,816
Investment income:			
Net appreciation in fair value of investment		1,499,103	1,499,103
Interest	32,132	609,652	641,784
Dividends.....		264,351	264,351
Real estate operating net income		14,355	14,355
Total investment income	32,132	2,387,461	2,419,593
Less: investment expense.....		157,658	157,658
Net investment income	32,132	2,229,803	2,261,935
Total additions	1,839,150	3,098,601	4,937,751
Deductions:			
Benefit payments		1,124,460	1,124,460
Distribution to participants	34,651		34,651
Redemptions (Unit transactions at \$1.00 per unit)	1,684,135		1,684,135
Refunds	332	16,898	17,230
Administrative expenses		24,846	24,846
Total deductions	1,719,118	1,166,204	2,885,322
Net increase in plan assets	120,032	1,932,397	2,052,429
Net assets held in trust for plan participants and pension benefits:			
July 1, 1998		28,118,073	28,118,073
Cumulative effect of reporting change, July 1, 1998, (Note 1)	590,352		590,352
June 30, 1999	\$ 710,384	\$30,050,470	\$30,760,854

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combined Statement of Cash Flows

Enterprise Funds and Component Unit Proprietary Funds

for the year ended June 30, 1999

(Expressed in Thousands)

	Primary Government Enterprise Funds	Component Unit Proprietary Funds	Total Reporting Entity (Memorandum Only)
Cash flows from operating activities:			
Operating income.....	\$ 375,271	\$ 6,399	\$ 381,670
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	2,639	8,328	10,967
Loss on disposal of property, plant and equipment	379		379
Effect of changes in assets and liabilities:			
Other accounts receivable	2,323	3,316	5,639
Due from other funds/primary government	(11,799)	(32,022)	(43,821)
Inventories.....	(775)		(775)
Loans and notes receivable	21,090		21,090
Other assets	(21,312)	905	(20,407)
Accounts payable and accrued liabilities.....	(3,550)	(11,330)	(14,880)
Due to other funds	(2,250)	2,384	134
Accrued insurance on loan losses.....	1,830	(1,702)	128
Other liabilities	544	4,406	4,950
Deferred revenue	529	(461)	68
Accrued self insurance costs.....	7	32	39
Accrued annual leave	587	35	622
Lottery installment payments.....	(60,463)		(60,463)
Future lottery prize installments	49,991		49,991
Net cash provided (used) by operating activities	355,041	(19,710)	335,331
Cash flows from non-capital financing activities:			
Third party contributions		5,445	5,445
Proceeds from sale of revenue bonds	473,978		473,978
Payment on revenue bonds	(414,539)		(414,539)
Operating transfers in.....	44,281		44,281
Operating transfers in from primary government.....		18,678	18,678
Operating transfers out	(417,106)		(417,106)
Operating transfers out to primary government		(756)	(756)
Contributed capital	80,802		80,802
Grant recoveries.....	735		735
Net cash provided (used) by non-capital financing activities	(231,849)	23,367	(208,482)
Cash flows from capital and related financing activities:			
Investments in direct financing leases.....		3,670	3,670
Increase in interest in direct financing lease.....		(15,644)	(15,644)
Proceeds from notes payable and revenue bonds	908	24,608	25,516
Principal paid on notes payable and revenue bonds	(647)	(25,180)	(25,827)
Interest payments	(65)	(22,768)	(22,833)
Acquisition and construction of property, plant and equipment	(1,848)	(2,330)	(4,178)
Decrease in revenue bond debt service account.....		(201)	(201)
Proceeds from property, plant and equipment sales		34	34
Net cash used by capital and related financing activities	(1,652)	(37,811)	(39,463)
Cash flows from investing activities:			
Proceeds from maturity and sale of investments	662,518	17,422	679,940
Purchase of investments	(785,269)	(20,153)	(805,422)
Interest and gains on investments	200	6,617	6,817
Increase in loans and notes receivable.....		(261)	(261)
Lease principal interest payments received.....		840	840
Net cash provided (used) by investing activities	(122,551)	4,465	(118,086)
Net decrease in cash and cash equivalents.....	(1,011)	(29,689)	(30,700)
Cash and cash equivalents balance, July 1, 1998	191,732	33,940	225,672
Cash and cash equivalents balance, June 30, 1999.....	\$190,721	\$4,251	\$194,972

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combined Statement of Revenues, Expenditures and Encumbrances,
Other Sources and Uses of Financial Resources,
and Changes in Fund Balances — Budget and Actual —
Budgetary General, Special and Federal Funds (Note 3)

for the year ended June 30, 1999

(Expressed in Thousands)

	General Fund			Special Fund			Federal Fund			Totals (Memorandum Only)		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:												
Income taxes.....	\$4,404,644	\$4,602,298	\$197,654	\$ 89,135	\$ 96,037	\$ 6,902				\$ 4,493,779	\$ 4,698,335	\$204,556
Sales and use taxes	2,260,384	2,299,265	38,881							2,260,384	2,299,265	38,881
Other taxes	634,757	636,294	1,537	1,510,722	1,538,699	27,977				2,145,479	2,174,993	29,514
Licenses and fees	92,789	134,396	41,607	279,698	310,880	31,182				372,487	445,276	72,789
Charges for services.....	298,918	310,842	11,924	700,747	517,340	(183,407)				999,665	828,182	(171,483)
Interest and other investment income.....	82,082	144,448	62,366	13,229	24,713	11,484				95,311	169,161	73,850
Other	605,580	638,220	32,640	577,332	419,275	(158,057)				1,182,912	1,057,495	(125,417)
Federal revenue	2,730	593	(2,137)		50,553	50,553	\$3,922,544	\$3,449,093	\$(473,451)	3,925,274	3,500,239	(425,035)
Total revenues	8,381,884	8,766,356	384,472	3,170,863	2,957,497	(213,366)	3,922,544	3,449,093	(473,451)	15,475,291	15,172,946	(302,345)
Expenditures and encumbrances by major function:												
Payments of revenue to civil divisions of the State.....	66,566	66,566		1,330	1,330					67,896	67,896	
Public debt	72,579	72,550	29	266,649	265,839	810				339,228	338,389	839
Legislative	44,821	44,821								44,821	44,821	
Judicial review and legal.....	269,816	269,579	237	14,439	14,345	94	3,302	2,782	520	287,557	286,706	851
Executive and administrative control	255,338	254,480	858	59,846	56,638	3,208	81,725	67,864	13,861	396,909	378,982	17,927
Financial and revenue administration.....	152,055	149,363	2,692	58,242	55,924	2,318	30	30	30	210,327	205,287	5,040
Budget and management	81,500	81,493	7	14,260	12,526	1,734				95,760	94,019	1,741
Retirement and pension	39,007	38,951	56	2,698	2,174	524				27,237	26,910	327
General services				1,990,287	1,947,145	43,142	515,221	419,544	95,677	2,505,508	2,366,689	138,819
Transportation and highways				129,108	127,817	1,291	28,687	26,133	2,554	226,372	222,527	3,845
Natural resources and recreation.....	68,577	68,577		31,125	29,034	2,091	3,356	2,414	942	63,399	60,366	3,033
Agriculture	28,918	28,918		146,847	104,374	42,473	1,511,686	1,476,377	35,309	3,671,919	3,594,128	77,791
Health, hospitals and mental hygiene	2,013,386	2,013,377	9	56,380	52,426	3,954	966,214	802,454	163,760	1,460,637	1,292,922	167,715
Human resources	438,043	438,042	1	12,622	12,158	464	164,591	147,787	16,804	202,883	185,615	17,268
Labor, licensing and regulation.....	25,670	25,670	16	90,421	86,944	3,477	9,188	6,972	2,216	723,301	717,592	5,709
Public safety and correctional services.....	623,692	623,676	16	37,083	39,282	2,495	538,599	497,219	41,380	4,316,034	4,265,315	50,719
Public education	3,740,352	3,736,456	3,896	41,777	39,282	2,495	56,845	48,806	8,039	126,560	115,862	10,698
Housing and community development	27,938	27,774	164	70,166	57,885	12,281	2,658	2,566	92	128,882	116,509	12,373
Business and economic development	56,058	56,058		58,470	55,866	2,604	23,388	16,900	6,488	117,614	108,447	9,167
Environment.....	35,756	35,681	75	305	305		14,393	12,504	1,889	138,431	136,363	2,068
Juvenile services	123,733	123,731	2	46,571	45,470	1,101	2,661	2,437	224	244,527	242,913	1,614
State police	195,295	195,006	289	15,000	15,000					208,157	208,157	
State reserve fund	193,157	193,157										

STATE OF MARYLAND
Combining Balance Sheet
Component Unit Proprietary Funds
June 30, 1999
(Expressed in Thousands)

	Maryland Stadium Authority	Maryland Food Center Authority	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Total
Assets:					
Cash and cash equivalents			\$ 4,251		\$ 4,251
Investments	\$ 268		18,602		18,870
Other accounts receivable	6,722	\$ 30	10,240	\$ 17	17,009
Due from primary government	1,130	5,709		34,916	41,755
Loans and notes receivable, net	6,827				6,827
Property, plant and equipment, net	285	16,874	9,811		26,970
Investments in direct financing leases.....	300,389		9,924		310,313
Restricted assets		789			789
Other assets	240,464		6,970		247,434
Total assets.....	\$556,085	\$23,402	\$59,798	\$34,933	\$674,218
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,572	\$ 42	\$12,781	\$ 78	\$ 20,473
Accrued insurance on loan losses				4,965	4,965
Other liabilities	4,208	216	3,831		8,255
Deferred revenue	18,262	57		76	18,395
Due to primary government	9,201				9,201
Loans from primary government		6,372			6,372
Revenue bonds and notes payable	300,533	495	33,425		334,453
Accrued self-insurance costs	29	47	683		759
Accrued annual leave	353	101	854		1,308
Total liabilities	340,158	7,330	51,574	5,119	404,181
Capital:					
Contributed capital		388	2,433	23,750	26,571
Retained earnings:					
Reserved		517	4,076		4,593
Unreserved.....	215,927	15,167	1,715	6,064	238,873
Total capital	215,927	16,072	8,224	29,814	270,037
Total liabilities and capital	\$556,085	\$23,402	\$59,798	\$34,933	\$674,218

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

**Combining Statement of Revenues, Expenses
and Changes in Retained Earnings
Component Unit Proprietary Funds
for the year ended June 30, 1999**

(Expressed in Thousands)

	Maryland Stadium Authority	Maryland Food Center Authority	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Total
Operating revenues:					
Charges for services and sales	\$ 34,860	\$ 2,748	\$50,228	\$ 268	\$ 88,104
Other.....	311	9			320
Total operating revenues.....	<u>35,171</u>	<u>2,757</u>	<u>50,228</u>	<u>268</u>	<u>88,424</u>
Operating expenses:					
Operation and maintenance of facilities	21,781		40,165		61,946
General and administrative	3,035	2,082	5,653	718	11,488
Depreciation and amortization	5,583	513	2,232		8,328
Provision for insurance on loan losses				(745)	(745)
Other.....		185	600	223	1,008
Total operating expenses.....	<u>30,399</u>	<u>2,780</u>	<u>48,650</u>	<u>196</u>	<u>82,025</u>
Operating income (loss).....	4,772	(23)	1,578	72	6,399
Non-operating revenues (expenses):					
Investment income	3,684	290	717	1,896	6,587
Interest expense.....	(21,008)	(41)	(1,719)		(22,768)
Other.....	5,445	30	(87)		5,388
Income (loss) before transfers.....	(7,107)	256	489	1,968	(4,394)
Operating transfers in from primary government	15,928			2,750	18,678
Operating transfers out to primary government.....				(756)	(756)
Net income	<u>8,821</u>	<u>256</u>	<u>489</u>	<u>3,962</u>	<u>13,528</u>
Add: Depreciation of assets acquired from contributed capital		12	270		282
Increase in retained earnings.....	8,821	268	759	3,962	13,810
Retained earnings, July 1, 1998.....	207,106	15,416	5,032	2,102	229,656
Retained earnings, June 30, 1999	<u>\$215,927</u>	<u>\$15,684</u>	<u>\$ 5,791</u>	<u>\$6,064</u>	<u>\$243,466</u>

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combining Statement of Cash Flows

Component Unit Proprietary Funds

for the year ended June 30, 1999

(Expressed in Thousands)

	Maryland Stadium Authority	Maryland Food Center Authority	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Total
Cash flows from operating activities:					
Operating income (loss).....	\$ 4,772	\$ (23)	\$ 1,578	\$ 72	\$ 6,399
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	5,583	513	2,232		8,328
Effect of changes in assets and liabilities:					
Other accounts receivable	3,003	21	309	(17)	3,316
Due from primary government	3,048	(154)		(34,916)	(32,022)
Other assets			905		905
Accounts payable and accrued liabilities	(12,320)	(59)	1,050	(1)	(11,330)
Due to primary government	2,384				2,384
Other liabilities	4,208	1	197		4,406
Deferred revenue	(464)	3			(461)
Accrued insurance on loan losses				(1,702)	(1,702)
Accrued self-insurance costs	7	3	22		32
Accrued annual leave	24	6	5		35
Net cash provided (used) by operating activities	10,245	311	6,298	(36,564)	(19,710)
Cash flows from non-capital financing activities:					
Third party contributions	5,445				5,445
Operating transfers in from primary government	15,928			2,750	18,678
Operating transfers out to primary government				(756)	(756)
Net cash provided by non-capital financing activities	21,373			1,994	23,367
Cash flows from capital and related financing activities:					
Investment in direct financing leases	3,670				3,670
Increase in interest in direct financing lease	(13,715)		(1,929)		(15,644)
Proceeds from notes payable and revenue bonds	17,065		7,543		24,608
Principal paid on notes payable and revenue bonds	(21,857)	(104)	(3,219)		(25,180)
Interest payments	(21,008)	(41)	(1,719)		(22,768)
Acquisition and construction of property, plant and equipment	(122)	(285)	(1,923)		(2,330)
Decrease in revenue bond debt service account		(201)			(201)
Proceeds from property, plant and equipment sales			34		34
Net cash used by capital and related financing activities	(35,967)	(631)	(1,213)		(37,811)
Cash flows from investing activities:					
Proceeds from maturity and sale of investments	926		15,300	1,196	17,422
Purchase of investments			(20,153)		(20,153)
Interest and gains on investments	3,684	320	717	1,896	6,617
Increase in loans and notes receivable	(261)				(261)
Lease principal interest payments received			840		840
Net cash provided (used) by investing activities	4,349	320	(3,296)	3,092	4,465
Net increase (decrease) in cash and cash equivalents			1,789	(31,478)	(29,689)
Cash and cash equivalents balance, July 1, 1998			2,462	31,478	33,940
Cash and cash equivalents balance, June 30, 1999	\$ —	\$ —	\$ 4,251	\$ —	\$ 4,251

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Current Fund Revenues,
Expenditures, and Other Changes
Component Unit Higher Education Funds
for the year ended June 30, 1999
(Expressed in Thousands)

	Current Funds		Current Funds Total
	Unrestricted	Restricted	
Revenues:			
Student tuition and fees.....	\$ 563,118		\$ 563,118
Grants and contracts	82,500	\$506,676	589,176
Sales and services.....	391,924	11	391,935
Investment income —			
Endowment income	585	25	610
Other interest and dividend income	19,171	6,122	25,293
Other	8,747	1,412	10,159
Total revenues.....	1,066,045	514,246	1,580,291
Expenditures and mandatory transfers:			
Instruction.....	616,193	33,576	649,769
Research	110,202	301,814	412,016
Public service	30,320	73,676	103,996
Academic support	144,781	3,690	148,471
Student services	82,438	1,910	84,348
Institutional support	179,716	2,777	182,493
Operation and maintenance of plant	78,732	68,711	147,443
Scholarships and fellowships.....	140,532	11	140,543
Hospital.....	3,480	27,625	31,105
Auxiliary enterprises	235,726	1,575	237,301
Total expenditures	1,622,120	515,365	2,137,485
Mandatory transfers out	55,821	(2)	55,819
Total expenditures and mandatory transfers	1,677,941	515,363	2,193,304
Other transfers and additions (deductions):			
Non-mandatory transfers.....	(80,570)	1,984	(78,586)
Operating transfer from primary government, net	721,928		721,928
Excess of transfers to revenue over restricted receipts		2,566	2,566
Total transfers and other additions.....	641,358	4,550	645,908
Net increase in fund balances	\$ 29,462	\$ 3,433	\$ 32,895

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

**Statement of Changes in Fund Balances
Component Unit Higher Education Funds
for the year ended June 30, 1999
(Expressed in Thousands)**

	Current Funds		Loan Funds	Endowment		Total
	Unrestricted	Restricted		Funds	Plant Funds	
Revenue and other additions:						
Educational and general revenues	\$ 761,183				\$ 878	\$ 762,061
Auxiliary enterprise revenues	304,862					304,862
Government grants and contracts - restricted		\$476,344	\$ 12		25	476,381
Private gifts, grants and contracts.....		105,576	6	\$ 1,541	6,251	113,374
Endowment income					100	100
Investment income		4,618	22	60,016	6,573	71,229
Gain on disposal of plant assets.....					2,098	2,098
Interest on loans receivable			1,543			1,543
Retirement of indebtedness					16,364	16,364
Expended for plant facilities (including \$47,167 charged to current funds expenditures)					227,590	227,590
Other		2,062	1,661	66	30,602	34,391
Total revenues and other additions	1,066,045	588,600	3,244	61,623	290,481	2,009,993
Expenditures and other deductions:						
Educational and general expenditures	1,386,394	513,790		6		1,900,190
Auxiliary enterprise expenditures	235,726	1,575				237,301
Indirect costs recovered.....		71,788				71,788
Loan cancellations, write-offs and refunds, net of recoveries			373			373
Retirement of indebtedness					16,365	16,365
Interest on indebtedness.....					31,511	31,511
Payment to refunding bond trustee					27,955	27,955
Expended for plant facilities (including non-capitalized expenditures of \$23,890)					204,313	204,313
Disposal of property, plant and equipment					33,715	33,715
Other			465	1,711	274	2,450
Total expenditures and other deductions.....	1,622,120	587,153	838	1,717	314,133	2,525,961
Net (decrease) increase in fund balance before transfers	(556,075)	1,447	2,406	59,906	(23,652)	(515,968)
Transfers among funds - (deductions) additions:						
Mandatory:						
Debt service	(55,293)	(60)			55,353	
Loan fund matching grant	(528)	62	466			
Non-mandatory :						
Remodeling, renewals and replacements.....	(52,065)	(503)			52,568	
Other	(28,505)	2,487	28	945	25,045	
Total transfers among funds.....	(136,391)	1,986	494	945	132,966	
Operating transfers from primary government.....	722,185				83,307	805,492
Operating transfers to primary government.....	(257)					(257)
Net increase in fund balances	29,462	3,433	2,900	60,851	192,621	289,267
Fund balances, July 1, 1998.....	107,132	34,323	61,254	190,790	2,734,815	3,128,314
Fund balances, June 30, 1999	\$ 136,594	\$ 37,756	\$64,154	\$251,641	\$2,927,436	\$3,417,581

The accompanying notes to the general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Notes to General Purpose Financial Statements
for the year ended June 30, 1999

1. Financial Reporting Entity And Description of Funds and Account Groups:

A. Reporting Entity:

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by generally accepted accounting principles, these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the governing body to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

DISCRETE COMPONENT UNITS

These component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The two Component Units columns of the combined financial statements include the financial data of these entities.

Colleges and Universities (Higher Education Fund)—Colleges and universities consist of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The colleges and universities are funded through State appropriations, tuition, federal grants, and private donations and grants. Because the colleges and universities are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Amounts for foundations affiliated with the colleges and universities have been included with the financial information of the colleges and universities in accordance with the requirements of GASB Statement No. 14.

Maryland Stadium Authority (Proprietary Fund Type)—The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and the Treasurer) have approved all of the projects and bond issuances of the Authority.

Maryland Food Center Authority (Proprietary Fund Type)—The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight are appointed by the Governor. The Authority was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Environmental Service (Proprietary Fund Type)—The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority (Proprietary Fund Type)—The Maryland Industrial Development Financing Authority (Authority) was established as a body corporate and politic and a public instrumentality of the State. The Authority consists of nine members, the Secretary of the Department

of Business and Economic Development, or his designee, the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The Authority provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

Complete financial statements of the individual component units and the Local Government Investment Pool may be requested from the Comptroller of the Treasury of the State of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

B. Fund Accounting:

The State uses funds, account groups and component units to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. Funds are separate accounting entities, each with a self-balancing set of accounts which represent the fund's assets, liabilities, equity (deficit), revenues and expenditures or expenses. There are three categories of "fund types": governmental, proprietary and fiduciary.

GOVERNMENTAL FUND TYPES

Transactions related to the acquisition and use of the government's expendable financial resources received and used for those services traditionally provided by governments are accounted for in governmental funds. The governmental fund measurement focus is the flow of current financial resources and financial position (sources, uses and balances). Governmental funds include the following:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, public safety and judicial, health and mental hygiene, human resources and education (other than higher education institutions). Resources obtained from federal grants and used for activities accounted for in the general fund, consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Funds:

Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the special revenue funds. The special revenue funds account for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation and the Maryland Transportation Authority, including construction or improvement of transportation facilities and mass transit operations.

Debt Service Funds:

Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations, transportation debt and Maryland Transportation Authority debt are accounted for in the debt service funds.

Capital Projects Fund:

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations, are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

PROPRIETARY FUND TYPE

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The proprietary fund types differ from governmental fund types in that the focus is on the flow of economic resources which, together with the maintenance of equity, is an important financial indicator. The enterprise funds include:

1. Economic Development, which consists of direct loan and loan insurance programs of the Maryland Departments of Housing and Community Development and Business and Economic Development.
2. Maryland State Lottery Agency, which operates the State Lottery.
3. State Use Industries, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

FIDUCIARY FUND TYPES

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in fiduciary fund types. Fiduciary fund types include the following:

1. The expendable trust fund, which reflects the transactions, assets, liabilities and fund equity of the Unemployment Insurance Program and the Deferred Compensation Plan and is accounted for on a flow of current financial resources measurement focus. The Unemployment Insurance Program is used to account for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed. The Deferred Compensation Plan accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), and 401(k). Amounts deferred are invested through an independent agent and are not subject to federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.
2. The investment trust fund which reflects the transactions, assets, liabilities and fund equities of the Maryland Local Government Investment Pool (Pool) and is accounted for using the flow of economic resources measurement focus. In prior years, the financial activities of the Pool were recorded in an agency fund. Effective July 1, 1998, the financial activities were recorded as an investment trust fund. As a result of this change, net assets in the amount of \$590,352,000 were recorded. The change in classification was made to more properly reflect the financial activities of the Pool.
3. The State Retirement and Pension System of Maryland and the Mass Transit Administration Pension Plan, which reflect the transactions, assets, liabilities and fund equities of the retirement and pension plans administered by the State and the Mass Transit Administration and are accounted for using the flow of economic resources measurement focus.
4. The agency funds, which are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, the amounts the State invests for political subdivisions on a pooled basis, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employees' payroll.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the State's general fixed assets and the unmatured principal of its general long-term debt and other long-term obligations of governmental fund types. General fixed assets do not represent financial resources available for appropriation and expenditure, nor does the unmatured principal of general long-term obligations require current appropriation and expenditure of governmental fund financial resources.

General Fixed Assets Account Group:

General fixed assets acquired, leased under capital lease agreements or constructed for use by the State in the conduct of its activities, other than activities accounted for in enterprise funds and the discretely presented component units (proprietary funds and higher education), are reflected in the general fixed assets account group when acquired. These fixed assets are stated at cost or estimated historical cost. Donated fixed assets are recorded at their fair value

at the time donated. Depreciation is not provided for general fixed assets, and interest incurred during construction is not capitalized. Infrastructure assets, consisting principally of highways, roads and bridges, are not recorded in the general fixed assets account group.

General Long-Term Debt Account Group:

General obligation, transportation and Maryland Transportation Authority bonds payable, capital lease obligations, accrued self-insurance costs and accrued annual leave related to general governmental activities are reflected in the general long-term debt account group.

2. Summary of Significant Accounting Policies:

A. All Funds:

Investments:

Investments are recorded at fair value in the combined balance sheet and changes in fair value are recognized as revenue in the combined statement of revenues, expenditures, other sources and uses of financial resources and changes in fund balances.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems. (See Note 15.) The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement expenditures for governmental fund types represent amounts contributed by the State for the fiscal year. Retirement costs have been provided on the accrual basis, based upon actuarial valuations.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary and discretely presented component unit fund types on an accrual basis and the modified accrual basis for the governmental fund types. The long-term accrued self-insurance costs of the governmental fund types which are not expected to be funded with current resources are reported in the general long-term debt account group.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 50 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the general long-term debt account group. Liabilities for accumulated earned but unused annual leave applicable to enterprise funds and the proprietary and higher education component units are reported in the respective funds.

"Total Memorandum Only" Columns:

The "Total Memorandum Only" columns represent an aggregation of the individual combined financial statements for the primary government and the reporting entity, and do not represent consolidated financial information.

Use of Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenditures and expenses in the financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

New pronouncements:

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Statement establishes financial reporting standards for state and local governments. It establishes that the basic financial statements and required supplementary information for general purpose governments should consist of management's discussion and analysis, basic financial statements,

including government—wide financial statements, fund financial statements and notes to the financial statements, and required supplementary information. The State is in the process of assessing the impact of this Statement and will implement it as of the effective date for fiscal periods beginning after June 15, 2001.

B. Governmental Fund Types, Expendable Trust and Agency Funds:

Basis of Accounting:

The accounts of the general, special revenue, debt service, capital projects, expendable trust and agency funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues susceptible to accrual are recognized in the financial statements when they are both measurable and available to finance operations during the fiscal year or liquidate liabilities existing at the end of the fiscal year. Material revenues susceptible to accrual include: federal grants, personal income taxes, sales and use taxes, and motor vehicle fuel and excise taxes. Expenditures are recognized when obligations are incurred as a result of receipt of goods and services. Encumbrances represented by executed and unperformed purchase orders and contracts, which are approved by the Department of Budget and Management, are recorded as reservations of fund balance as of the end of the fiscal year. Modifications to the accrual basis of accounting to reflect the modified accrual basis include the following:

- Interest on long-term obligations reflected in the general long-term debt account group is recognized in the debt service fund when it becomes payable.
- Inventories of materials and supplies are recorded as expenditures when purchased. Such inventories are not material.
- Expenditures for retirement costs, and employees' vested annual leave and sick leave are recorded as expenditures when paid.

Grants:

Revenues from federal reimbursement type grants are recognized when the related expenditures are incurred. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records a deferred revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are unremitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real and personal property subject to taxation, due and payable each July 1 (lien date), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at various rates of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate since 1982 has been maintained at 21¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Current collections are 98.7% of the total tax levy for the fiscal year. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions and other public organizations, are recorded as intergovernmental expenditures. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Outlays:

Principally all capital expenditures for the acquisition or construction of State general fixed assets are reported as capital outlays in the capital projects fund.

C. Enterprise Funds, Pension Trust Funds, Investment Trust Fund and Component Units—Proprietary Funds:

Basis of Accounting:

The accounts of the enterprise funds, investment trust fund, pension trust funds, and component units—proprietary funds are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. For the enterprise funds and component unit proprietary funds, the State has selected the option to apply all applicable GASB pronouncements and only FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989.

Grants:

Revenues from federal reimbursement type grants are recorded when the related expenses are incurred.

Property, Plant and Equipment:

Significant property, plant and equipment of enterprise funds are stated at cost. Depreciation of the cost of property, plant and equipment of the enterprise funds is provided on the straight-line basis over estimated useful lives of 25 to 50 years for depreciable real property, 5 to 10 years for building improvements, and 3 to 10 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

Debt Refinancing:

The gain or loss associated with enterprise fund debt refinanced is deferred and amortized to interest expense over the life of the debt.

Lottery Revenues, Prizes and Operating Transfers:

Revenues and prizes of the Maryland State Lottery Agency (Lottery) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Inventories:

Inventories of the enterprise funds are stated at the lower of cost or market, using the first-in, first-out method.

D. Component Units—Higher Education Fund:

Basis of Accounting:

The financial statements of the Higher Education Component Unit have been prepared in accordance with Governmental Accounting Standards which allow colleges and universities to follow the American Institute of Certified Public Accountants' reporting model.

The accounts of the higher education institutions are maintained and reported on the accrual basis of accounting except for tuition and fees revenue and depreciation expense as explained in the following paragraphs.

Fund Accounting:

The financial activities of the higher education institutions are recorded in funds which classify the various transactions by specified activities or objectives. Fund balances of current restricted, loan and endowment funds are reported as reserved for higher education programs and higher education general endowment funds.

Unrestricted revenue is accounted for in the current unrestricted fund. Restricted gifts, grants, endowment income and other restricted resources are accounted for in the current restricted fund, loan funds, endowment and plant funds. Revenue and expenditures are reported in the current restricted fund when financial resources are used for the current operating purposes for which they have been provided. Transactions related to the various student loan programs are accounted for in loan funds. Resources dedicated to the acquisition of and investment in property, plant and equipment are accounted for in the plant funds. To the extent current funds are used to finance plant assets, these amounts provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt repayment and interest, and equipment renewals and replacements; and (3) transfers of a nonmandatory nature in all other cases. General endowment resources are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized.

Grant Revenues:

Revenues from federal reimbursement type grants are recorded when the related expenditures are incurred in the restricted and unrestricted current funds. A portion of the fund balance of the restricted current fund represents cash received in excess of grant expenditures and is subject to refund to the Federal government if not expended for its intended purpose.

Student Revenues:

Student tuition and fees are fully recognized as revenues in the fiscal year in which the related courses or activities are principally conducted. Student tuition and fees applicable to future courses and activities, collected as of the end of the fiscal year, are recorded as deferred revenue.

Accounts and Notes Receivable:

An allowance for doubtful receivables is provided for estimated losses expected to be incurred in collection. The estimated losses are based on historical collection experience and a review of the status of year-end receivables.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

Property, Plant and Equipment:

Property, plant and equipment are stated principally at cost as of the date of acquisition or fair value as of the date of donation in the case of gifts. Consistent with generally accepted accounting principles for governmental colleges and universities, depreciation expense related to property, plant and equipment is not recorded.

Operating Transfers from the State:

A substantial portion of the higher education fund's current unrestricted and plant fund expenditures are funded through appropriations from the State's general fund and capital projects fund, respectively.

3. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the following five budgetary funds.

General Fund:

The General Fund includes all transactions of the State, unless otherwise directed to be included in another fund.

Special Fund:

The Special Fund includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue funds include only the operations (other than debt service and pension activities) of the Maryland Department of Transportation and Maryland Transportation Authority.

Federal Fund:

The Federal Fund accounts for substantially all grants from the Federal government.

Higher Education Fund:

The Higher Education Fund includes the Current Unrestricted Fund which accounts for unrestricted revenue used or available for use in carrying out the current operations and the Current Restricted Fund of the State's colleges and universities which accounts for restricted gifts, grants and other restricted resources.

Budgetary Fund Equities and Other Accounts:

In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund. Because capital projects fund authorizations are not part of the annual budget, capital projects fund activities are not presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources, and Changes in Fund Balances—Budget and Actual—for the year ended June 30, 1999.

All State budgetary expenditures for the general, special, federal, current unrestricted and current restricted funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by major function within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in the total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 1999, the General Assembly approved a net increase in General Fund appropriations of \$67,956,000. Appropriations for programs funded in whole or in part from the special, federal, current unrestricted or current restricted funds may permit expenditures in excess of original special, federal, current unrestricted or current restricted funds appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor or, in the case of the University System of Maryland, the Board of Public Works. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent encumbrances are approved by the Department of Budget and Management, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special, federal, current unrestricted and current restricted funds may be carried over to the extent of (a) available resources, and (b) encumbrances approved by the Department of Budget and Management.

The amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources, and Changes in Fund Balances—Budget and Actual—for the year ended June 30, 1999. The State's budgetary fund structure and the basis of accounting used for budgetary purposes, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures.

A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 1999, follows (amounts expressed in thousands).

	Total Budgetary Fund Equities and Other Accounts June 30, 1999	Financial Statement Funds							Component Units	
		General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	Higher Education	Proprietary Funds	
Classification of budgetary fund equities and other accounts into GAAP fund structure:										
General	\$ 1,514,461	\$1,514,461								
Special	748,253	284,125	\$150,566	\$ 50,647	\$ 13,263	\$ 249,652				
Current unrestricted	271,568							\$ 271,568		
Current restricted	(1,835)							(1,835)		
Other accounts (a):										
Non-budgeted	98,252	87,531	10,227		44	450				
Transportation Authority	319,473		245,337	74,136						
Debt service										
transportation bonds	4,904			4,904						
Capital projects	518,641				436,944	81,697				
Enterprise	901,780	990				901,874			\$ (1,084)	
Expendable trust	2,216,849						\$ 2,216,849			
Pension trust	30,760,854						30,760,854			
Component units:										
Higher education	3,147,848							3,147,848		
Proprietary funds	271,121									271,121
Budgetary fund equities and other accounts classified into GAAP fund structure:										
	<u>\$40,772,169</u>	<u>1,887,107</u>	<u>406,130</u>	<u>129,687</u>	<u>450,251</u>	<u>1,233,673</u>	<u>32,977,703</u>	<u>3,417,581</u>	<u>270,037</u>	
Accounting principle differences:										
Assets recognized in the GAAP financial statements not recognized for budgetary purposes:										
Cash		12,277								
Investments		622								
Taxes receivable		78,045	(5,515)							
Other accounts receivable		19,712	1,000							
Other assets		59,838								
Liabilities recognized in GAAP financial statements not recognized for budgetary purposes:										
Accounts payable and accrued liabilities		(75,284)	(10,868)							
Accrued self-insurance costs		(4,352)								
GAAP financial statement fund equities, June 30, 1999										
		<u>\$1,977,965</u>	<u>\$390,747</u>	<u>\$129,687</u>	<u>\$450,251</u>	<u>\$1,233,673</u>	<u>\$32,977,703</u>	<u>\$3,417,581</u>	<u>\$270,037</u>	

(a) The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. In addition to the accounting system maintained by the Comptroller, certain individual agencies, which are not subject to the State's budget, maintain accounting systems which are required to be included to properly present the State's financial reporting in accordance with generally accepted accounting principles.

4. Cash and Cash Equivalents and Investments:

Substantially all cash and cash equivalents of the governmental fund types and certain enterprise fiduciary funds and component units are maintained by the State Treasurer on a pooled basis. The State Treasurer's Office invests short-term cash balances on a daily basis primarily in repurchase agreements, U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Banker's acceptances.

- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.

A significant portion of the investments maintained by the State Treasurer consists of repurchase agreements. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments maturing within 90 days of purchase are reported at amortized cost in the financial statements as cash and cash equivalents.

Investments are classified as to credit risk by the three categories described below.

Category 1 Insured or registered, with securities held by the State or its agent in the State's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the State's name.

All of the State's investments held at year-end are subject to classification of credit risk except for those investments where the State owns units of a whole rather than specific securities, which by their nature are not subject to risk categorization. The State's pooled investments that are not subject to risk categorization include the Maryland Local Government Investment Pool, annuity and guaranteed investment contracts, mutual funds, real estate, venture capital and investments held by borrowers under securities loans with cash collateral.

A. Cash and Cash Equivalents

The bank deposits of the governmental fund types, expendable trust, Mass Transit Authority Pension Plan and agency funds of the Primary Government as of June 30, 1999, were insured or collateralized with securities held by the State or its agent in the State's name.

As of June 30, 1999, cash in the amount of \$4,129,000 was maintained with fiscal agents and represents resources transmitted to bond paying agents for which coupons have not been presented. This cash was invested in mutual funds that invest only in U.S. Treasury and agency obligations.

Reported as cash and cash equivalents in the governmental fund types are repurchase agreements aggregating \$2,374,829,000 (fair value of collateral of \$2,416,753,000); a U.S. Treasury bill of \$61,000 (fair value of \$61,000) and FHLM notes totaling \$6,917,000 (fair value of \$6,999,000). The collateral for the repurchase agreements is held by the State or its agent in the State's name. Also, reported as cash and cash equivalents are money market mutual funds totaling \$186,381,000.

The bank deposits of the Enterprise funds of the Primary Government as of June 30, 1999, were entirely insured or collateralized with securities held by the funds or its agents in the funds' names. Cash and cash equivalents of the Enterprise Funds as of June 30, 1999, was \$190,721,000 which represented \$11,526,000 in cash deposits insured by Federal depository insurance or collateralized by securities held in trustee bank accounts in the enterprise funds' name and \$179,195,000 in money market mutual funds.

As of June 30, 1999, cash and cash equivalents of the Maryland Local Government Investment Pool, Pension Trust Funds, the agency funds, and the Deferred Compensation Plan totaled \$971,446,000, which represented cash deposits of \$63,611,000 and cash equivalents of \$907,835,000. These cash equivalents, which are investments with original maturities of less than 90 days, consisted of \$285,410,000 of commercial paper, \$10,354,000 of repurchase agreements, \$601,306,000 in global pooled short-term funds carried at market and \$10,765,000 in money market mutual funds. All cash equivalents are categorized as category 1 for investment purposes except for the money market mutual funds and the global pooled short-term investments which are not categorized because they are not evidenced by securities that exist in physical or book entry form. Of the \$63,611,000 carrying value of deposits as of June 30, 1999, the amount of \$17,574,000 was pooled by the State and the bank balance of \$46,037,000 was uninsured and uncollateralized.

Cash and cash equivalents of the Component Units as of June 30, 1999, was \$182,688,000 most of which is pooled by the State except for \$8,740,000. The bank balance of cash deposited with financial institutions was \$9,983,000 of which \$9,114,000 was insured by Federal, private if foreign national government depository insurance, or was collateralized by a pledge of U.S. Treasury obligations held by Federal Reserve banks in the name of the banking institutions, and \$869,000 was uninsured and uncollateralized.

B. Investments—Governmental Fund Types:

Investments are stated at fair value which is based on quoted market prices. The investments as of June 30, 1999, for the governmental fund types of the Primary Government are categorized as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U. S. Treasury and agency obligations	\$1,093,314			\$1,093,314
Bonds.....	835			835
Other	115			115
	<u>\$1,094,264</u>			<u>1,094,264</u>
Maryland local government investment pool				86,902
				<u>\$1,181,166</u>

C. Investments—Enterprise:

Investments of the enterprise funds are stated at fair value which is based on quoted market prices, adjusted for amortization of premiums and accretion of discounts. The investment policies for all enterprise funds, with the exception of the Community Development Administration, are the same as those of the State Treasurer. The Community Development Administration, an agency of the Department of Housing and Community Development, is authorized to invest in obligations of the U.S. Treasury, U.S. Government agencies and corporation, political subdivisions of the U.S., banker's acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. The U.S. Treasury and agency obligations and collateral for the repurchase agreements are held by the enterprise fund's agent in the enterprise fund's name.

The investments as of June 30, 1999, for the enterprise fund of the Primary Government are as follows (amounts expressed in thousands).

	1	2	3	Fair Value
U. S. Treasury and agency obligations	\$943,993			\$943,993
Repurchase agreements	425,563			425,563
Corporate equity securities	24,804			24,804
	<u>\$1,394,360</u>			<u>1,394,360</u>
Items not subject to classification:				
Annuities and guaranteed investment contract.....				25,325
Total.....				<u>\$1,419,685</u>

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities held by the Lottery to broker-dealers and other entities (borrowers). The State's custodial banks manage the securities lending program and receive U.S. Government and agency securities as collateral. The collateral will be returned for the same securities in the future. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. Collateral securities are initially pledged at greater than the market value of the securities lent and additional collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent.

The bank is obligated to indemnify the State against liability for any suits, actions, or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 1999. As of year end, there were no securities on loan.

D. Investments—Fiduciary Funds:

The Maryland Local Government Investment Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2. Investments of the plan are stated at fair value.

The Pension Trust Funds (Funds), in accordance with State Personnel and Pensions Article Section 21-123 of the Annotated Code of Maryland, are permitted to make investments subject to the terms, conditions, limitations, and restrictions imposed by the Board of Trustees of the State Retirement and Pension Systems of Maryland. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in

non-dividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the net plan assets available for pension benefits. Investments of the Funds are stated at fair value.

State employees are offered participation in a deferred compensation plan (Plan) created in accordance with the Internal Revenue Code, Sections 401(k), 403(b) and 457. The Plan is managed by a third party administrator. Assets of the Plan are held in trust, custodial account or annuity contract for the exclusive benefit of participating employees and their beneficiaries. Investments of the Plan are stated at fair value.

The investments as of June 30, 1999, for the fiduciary funds of the Primary Government are as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U.S. Treasury and agency obligations.....	\$ 2,319,528			\$ 2,319,528
Repurchase agreements	195,171			195,171
Bonds.....	2,942,796			2,942,796
Corporate equity securities	14,399,655			14,399,655
Commercial paper.....	33,931			33,931
Bankers acceptances	99,629			99,629
Mortgage related securities	2,295,599			2,295,599
	<u>\$22,286,309</u>			<u>22,286,309</u>
Annuities and guaranteed investment contracts				436,922
Mutual funds				6,200,252
Real estate				611,986
Venture capital				5,866
Investments held by borrowers under securities loans with cash collateral:				
U.S. Treasury and agency obligations.....				820,294
Bonds.....				54,463
Corporate equity securities				959,800
				<u>\$31,375,892</u>

The Funds participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Funds' custodian lends specified securities to independent brokers in return for collateral of greater value. All loaned securities are reported as assets on the combined balance sheet and are included in the categorization of credit risk.

Borrowing brokers must transfer in the form of cash, other securities or letters of credits valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the loaned securities. The Funds have not experienced any loss due to credit or market risk on securities lending activity since inception of the program. Further, as of year end the Funds held collateral in excess of the fair value of the loaned securities. As of June 30, 1999, the fair value of loaned securities and the related collateral were as follows (amounts expressed in thousands).

Securities	Fair Value		
	Loaned Securities	Collateral Received	Percent Collateralized
International equity securities.....	\$ 669,604	\$ 704,708	105%
Domestic & international fixed securities.....	1,278,313	1,302,049	102%
Totals	<u>\$1,947,917</u>	<u>\$2,006,757</u>	

The Funds may invest in derivatives as permitted by guidelines established by the Board of Trustees of the State Retirement Pension System of Maryland. Compliance with these guidelines is monitored by the Fund's staff. At times, the Funds invest in foreign currency forward contracts, options, futures, collateralized mortgage obligations, mortgage-backed securities, interest-only securities and principal-only securities. No derivatives were purchased with borrowed funds.

Derivatives are used to hedge against foreign currency risk, improve yield, adjust the duration of the fixed income portfolio, or hedge against changes in interest rates. These securities are subject to changes in value due to changes in interest rates or currency valuations. The mortgage-backed securities are subject to prepayment risk when interest rates are falling. Credit risk for derivatives held by the Funds result from the same considerations as other counterparty risk assumed by the Funds, which is the risk that the counterparty will be unable to meet its obligations.

The Funds invest in foreign currency forward contracts to hedge the currency risk in its international and global portfolios. The following summary shows the foreign currency forward contracts outstanding as of June 30, 1999 (amounts expressed in thousands).

Purchases		
Currency	Purchase Amount (In Local Currency)	Fair Value as of June 30, 1999
Australian dollar	140,486	\$ 93,049
Canadian dollar	28,473	19,248
Danish krone	19,602	2,734
Euro currency	195,660	202,601
Japanese yen	17,635,006	146,577
New Zealand dollar	6,647	3,525
Norwegian krone	23,076	2,927
Pound sterling	39,970	63,023
Swedish krona	449,803	53,118
Swiss franc	96,670	62,505
U.S. dollar.....	1,258,902	1,258,902
Total purchases		\$1,908,209

Sales		
Currency	Sale Amount (In Local Currency)	Fair Value as of June 30, 1999
Australian dollar	65,030	\$ 43,068
Canadian dollar	50,764	34,317
Danish krone	161,594	22,536
Euro currency.....	213,874	221,311
Japanese yen	60,810,838	506,252
New Zealand dollar	26,593	14,101
Norwegian krone	90,748	11,522
Pound sterling	202,153	318,756
Swedish krona	120,100	14,167
Swiss franc	119,046	76,914
U.S. dollar.....	643,614	643,614
Total sales.....		\$1,906,558

E. Investments—Component Units:

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, repurchase agreements, and mutual funds that invest in government securities.

The Maryland Stadium Authority's marketable securities are held by the Bond Trustee. Proceeds to purchase these marketable securities were derived from various bond issues and any proceeds from the sale of these marketable securities are restricted to the purpose of the original bond issue.

The investments of the Maryland Environment Service (Service) primarily relate to bond indentures. The Service or its trustee banks are authorized to invest assets related to bond indentures in obligations of the United States of America, any federal agency, high quality commercial paper or mutual funds that invest in U.S. Government securities. Additionally, the Service may otherwise invest in securities allowed by the State.

Investments of the Maryland Stadium Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority, and the higher education institutions are stated at fair value which is based on quoted market prices.

The investments as of June 30, 1999, for the discretely presented Component Units are as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U.S. Treasury and agency obligations.....	\$ 22,648	\$9,744		\$ 32,392
Corporate debt securities	15,404			15,404
Corporate equity securities	213,640			213,640
Repurchase agreements	80,861			80,861
Other	272			272
	<u>\$332,825</u>	<u>\$9,744</u>		<u>342,569</u>
Items not subject to classification:				
Mutual funds.....				8,858
Total.....				\$351,427

5. Taxes Receivable:

Taxes receivable, as of June 30, 1999, consist of the following (amounts expressed in thousands).

	Funds			
	General	Special Revenue	Debt Service	Trust and Agency
Income taxes	\$377,035			\$181,594
Sales and use taxes.....	222,428			
Transportation taxes, principally motor vehicle fuel and excise		\$75,852		
Unemployment compensation taxes				93,049
Other taxes, principally alcohol & property	13,704		\$6,339	
Taxes receivable, net.....	\$613,167	\$75,852	\$6,339	\$274,643

6. Due From/To Other Funds:

Interfund receivables and payables, as of June 30, 1999, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund—Maryland Department of Transportation	\$ 4,139
	Pension Trust Fund—State Retirement System	11,271
	Enterprise Fund—Loan Programs	1,647
	Enterprise Fund—Maryland State Lottery Agency	32,939
	Component Units—Maryland Stadium Authority	9,201
Special Revenue Fund—Maryland Department of Transportation	General Fund	168,035
	Enterprise Fund—Loan Programs	1,000
Special Revenue Fund—Maryland Transportation Authority	Special Revenue Fund—Maryland Department of Transportation	16,868
Enterprise Funds—		
Economic Development—		
—Insurance Programs	General Fund	100,293
—Loan Programs	General Fund	103,201
Maryland State Lottery Agency	General Fund	41,700
State Use Industries	General Fund	9,395
Pension Trust Fund—		
State Retirement System	Mass Transit Administration Pension Plan	12,300
Agency Funds—		
Local Income Taxes	General Fund	842,114
Payroll Taxes & Fringe Benefits	General Fund	1,948
Insurance Premium Taxes	General Fund	27,388
Local Transportation Funds and Other Taxes	General Fund	13,164
Components Units—		
Higher Education Fund	General Fund	260,625
Maryland Stadium Authority	General Fund	1,130
Maryland Food Center Authority	General Fund	5,709
Maryland Industrial Development Financing Authority	General Fund	34,916

7. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 1999, consist of the following (amounts expressed in thousands).

	Primary Government					Component Units	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Higher Education	Proprietary Fund Types
Notes receivable:							
Political subdivisions—							
Water quality projects			\$ 9,512		\$ 280,529		
Construction		\$15,351	5				
Other			884				\$6,827
Hospitals and nursing homes			12,790				
Permanent mortgage loans					2,302,326		
Student and health profession loans						\$66,360	
Shore erosion loans				\$13,264			
Other	\$1,484					3,320	
	1,484	15,351	23,191	13,264	2,582,855	69,680	6,827
Less: Allowance for possible loan losses			6		116,441	8,286	
Loans and notes receivable, net	\$1,484	\$15,351	\$23,185	\$13,264	\$2,466,414	\$61,394	\$6,827

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.3% to 9.2% and mature over approximately 29 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds federal assistance program.

The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes.

Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

B. Investment in Direct Financing Leases:

As of June 30, 1999, the Maryland Environmental Service (Service) has direct financing leases with the State of Maryland. The present value of the direct financing leases as of June 30, 1999, is \$9,924,000. As of June 30, 1999, the Service held \$4,150,000 to be spent to complete assets under these direct financing leases. Lease payments receivable (including unearned interest) for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

2000.....	\$1,935
2001.....	1,941
2002.....	1,804
2003.....	1,649
2004.....	1,550
2005 and thereafter	10,950
Total	19,829
Less: Unearned interest income	5,755
	14,074
Restricted investments related to unexpended bond proceeds	4,150
Net investments in direct financing leases	\$9,924

As of June 30, 1999, the Maryland Stadium Authority (Authority) has direct financing leases with the State of Maryland. The present value of the direct financing leases as of June 30, 1999, is \$300,389,000. As of June 30, 1999, the Authority held \$271,000, to be spent to complete assets under these direct financing leases. Lease payments receivable (including unearned interest) for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

2000.....	\$ 21,560
2001.....	26,206
2002.....	26,191
2003.....	26,168
2004.....	27,010
2005 and thereafter	433,139
Total	560,274
Less: Unearned interest income	259,614
	300,660
Restricted investments related to unexpended bond proceeds	271
Net investments in direct financing leases	\$300,389

8. Property, Plant And Equipment:

A. Enterprise Funds:

Property, plant and equipment of the Enterprise funds, as of June 30, 1999, consists of the following (amounts expressed in thousands).

Structure and improvements	\$ 914
Equipment	27,967
	28,881
Less: Accumulated depreciation	21,889
Total	\$ 6,992

B. General Fixed Assets:

General fixed assets activity by asset classification for the year ended June 30, 1999, are as follows (amounts expressed in thousands).

Classification	Balance July 1, 1998	Additions	Deletions	Transfers in (out)	Balance June 30, 1999
Land and improvements	\$ 1,357,733	\$ 59,359	\$ 5,436	\$ 50,090	\$ 1,461,746
Structure and improvements	6,528,279	141,959	196,813	181,166	6,654,591
Equipment	1,689,025	195,419	68,765	(350)	1,815,329
Construction in progress	561,430	71,812		(230,906)	402,336
Total	\$10,136,467	\$468,549	\$271,014	\$ —	\$10,334,002

C. Component Units:

Property, plant and equipment of the discretely presented Component Units, as of June 30, 1999, consists of the following (amounts expressed in thousands).

	Higher Education Fund	Proprietary Funds
Land and improvements (proprietary funds include \$2,569 of land held for development)	\$ 64,900	\$ 5,642
Structure and improvements	2,532,734	48,580
Equipment	649,285	14,319
Construction in progress	200,007	281
	3,446,926	68,822
Less: Accumulated depreciation		41,852
Total	\$3,446,926	\$26,970

9. Long-Term Obligations:

A. General Long-Term Debt:

Changes in general long-term debt, for the year ended June 30, 1999, are as follows (amounts expressed in thousands).

	General Obligation Bonds	Transportation Bonds	Maryland Transportation Authority Bonds	Accrued Self- Insurance Costs	Accrued Annual Leave	Obligations Under Capital Leases	Obligations Under Capital Leases with Component Units	Total Long-Term Obligations
Balance, July 1, 1998	\$3,270,525	\$850,145	\$374,944	\$127,920	\$152,788	\$210,238	\$312,895	\$5,299,455
Bond issuances	475,000							475,000
Bond accretion			3,720					3,720
New obligations under capital leases						81,592	18,409	100,001
Reduction in bond principal	(245,297)	(95,410)	(34,175)					(374,882)
Retirements of obligations under capital leases						(40,571)	(20,991)	(61,562)
Net increase in accrued self- insurance costs				7,066				7,066
Net increase in accrued annual leave					15,618			15,618
Balance, June 30, 1999	\$3,500,228	\$754,735	\$344,489	\$134,986	\$168,406	\$251,259	\$310,313	\$5,464,416

General Obligation Bonds —

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, including facilities for institutions of higher education and the construction of public schools in political subdivisions.

Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller of the Treasury and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts for part or all of the loans authorized by particular enabling acts.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, debt service fund loan repayments and general fund appropriations provide the resources

for repayment of general obligation bonds. During fiscal year 1999, the State issued \$475,000,000 of general obligations at a premium of \$9,031,000 with related issuance costs of \$226,000.

Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

As of June 30, 1999, the State has \$181,750,000 of defeased debt outstanding, none of which was defeased during the year ended June 30, 1999.

General obligation bonds issued and outstanding, as of June 30, 1999, are as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Principal Issued	Principal Outstanding
9/6/84	1988-2000	8.50-9.00	\$ 138,990	\$ 16,645
3/13/86	1989-2001	6.40-6.50	124,585	27,745
7/24/86	1990-2002	6.50-6.70	164,645	50,710
7/9/87	1991-2003	6.30-6.50	144,860	56,715
10/25/88	1991-2003	6.00-7.00	80,000	6,815
3/1/89	1992-2004	6.25-6.80	80,000	6,810
7/18/89	1992-2004	6.40-6.50	80,000	13,160
3/3/90	1993-2005	6.00-6.70	130,000	21,380
5/1/90	1995-2000	6.10-6.60	24,227	7,621
7/17/90	1994-2006	6.40-6.80	95,000	31,350
10/16/90	1994-2006	6.10-7.10	95,000	22,755
3/26/91	1994-2006	5.50-6.50	95,000	40,360
7/1/91	1996-2001	5.60-6.10	11,787	3,792
7/23/91	1995-2007	5.50-6.50	100,000	59,770
10/22/91	1995-2007	5.10-6.10	120,000	84,095
5/27/92	1995-2007	4.40-6.00	120,000	84,015
2/2/93	1996-2008	4.75-5.50	130,000	98,980
6/3/93(a)	1994-2008	4.50-5.50	278,150	236,490
10/21/93(a)	1995-2009	3.00-4.75	283,545	249,295
3/3/94(a)	1995-2009	3.50-4.75	184,210	156,910
6/2/94	1997-2009	4.875-5.50	120,000	99,155
10/20/94	1998-2010	5.00-6.00	160,000	141,810
3/23/95	1998-2010	5.00-5.70	175,000	155,620
10/26/95	1998-2010	4.50-5.125	150,000	141,395
2/29/96	1999-2011	4.00-4.90	170,000	160,250
6/20/96	1999-2011	5.00-5.25	150,000	141,585
10/24/96	2000-2012	5.00	170,000	170,000
3/13/97	2000-2012	5.00	240,000	240,000
8/14/97	2001-2013	4.75-5.00	250,000	250,000
3/5/98	2001-2013	4.50-5.00	250,000	250,000
7/28/98	2002-2014	5.00-5.25	250,000	250,000
3/11/99	2002-2014	4.00-4.50	225,000	225,000
			<u>\$4,789,999</u>	<u>\$3,500,228</u>

(a) Includes refunding debt

General obligation bonds authorized but unissued as of June 30, 1999, total \$1,020,494,000.

As of June 30, 1999, general obligation debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands):

Years Ending June 30,	Total	Years Ending June 30,	Total
2000	\$456,230	2008	\$298,911
2001	459,253	2009	270,740
2002	464,216	2010	231,190
2003	445,846	2011	194,659
2004	411,479	2012	145,280
2005	392,900	2013	101,824
2006	368,711	2014	49,131
2007	336,357		

On July 14, 1999, general obligation bonds aggregating \$125,000,000 were issued. The interest rates on this issue range from 4.25% to 5.25% and the bonds mature serially through 2014.

Transportation Bonds —

Transportation Bonds outstanding as of June 30, 1999, are as follows (amounts expressed in thousands).

	Outstanding
Consolidated Transportation Bonds—3.9% to 6.7%, due serially through 2011	\$284,800
Consolidated Transportation Bonds, Refunding—3.8% to 5.5%, due serially through 2006.....	464,330
County Transportation Bonds—5.4% to 6.2%, due serially through 2006	5,605
	<u>\$754,735</u>

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$1,200,000,000. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 1999, was \$963,000,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 1999, was \$749,130,000. Consolidated Transportation Bonds are paid from the transportation debt service fund. Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute and a portion of the corporate income tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (i) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses, for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (ii) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

County Transportation Bonds are issued by the Department, and the proceeds are used by participating counties and Baltimore City to fund local road construction, reconstruction and other transportation projects and facilities, and to provide local participating funds for federally-aided highway projects. Debt service on these bonds is payable from the counties' and Baltimore City's shares of highway user revenues.

Legislation was enacted during the 1993 session of the General Assembly that established an alternative County transportation bond program. This new legislation provides features similar to the previous program except that the County transportation debt will be the obligation of the participating counties rather than the Department.

As of June 30, 1999, Department bond debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30	Consolidated Transportation Bonds	County Transportation Bonds	Total Transportation Bond Debt Service Requirements
2000	\$133,267	\$869	\$134,136
2001	105,741	873	106,614
2002	109,246	878	110,124
2003	114,444	886	115,330
2004	117,286	885	118,171
2005	118,854	891	119,745
2006	83,856	888	84,744
2007	44,919	892	45,811
2008	29,682		29,682
2009	21,132		21,132
2010	16,768		16,768
2011	6,450		6,450
2012	6,150		6,150

Maryland Transportation Authority Bonds —

Bonds outstanding as of June 30, 1999, are as follows (amounts expressed in thousands).

Series 1991 Revenue bonds, maturing in annual installments from \$5,215 to \$8,200 from July 1, 1999, to July 1, 2005, with interest rates ranging from 6% to 6.5%, payable semiannually	\$ 45,500
Series 1992 Revenue bonds, maturing in annual installments from \$5,360 to \$14,570 from July 1, 1999, to July 1, 2013, with interest rates ranging from 4.6% to 5.8%, payable semiannually	78,100
Capital appreciation bonds maturing in annual installments of original principal and an accreted amount ranging from \$3,000 to \$15,420 from July 1, 2004, to July 1, 2015, with approximate yield to maturity of 6% to 6.35%	62,224
Current interest term bonds with interest payable semiannually at 5.75%, due July 1, 2015	27,020
Serial bonds maturing in annual installments ranging from \$180 to \$9,510 from July 1, 1999 to July 1, 2006 with interest rates ranging from 3.8% to 5.0%, payable semiannually	16,380
Series 1994, Special Revenue bonds maturing in annual installments from \$3,830 to \$12,230 from July 1, 1999 to June 30, 2020, with interest rates ranging from 4.10% to 6.30% payable semiannually	115,265
Total	\$344,489

The Maryland Transportation Authority (Authority) has issued Transportation Facilities Projects Revenue Bonds, Series 1991 and 1992, which are payable solely from the revenues of the transportation facilities projects.

The Series 1991 Revenue Bonds, the bonds maturing after July 1, 2001, are subject to redemption, at the Authority's option on or after July 1, 2001. The redemption prices range from 100% to 102% of the principal amount. The debt service reserve requirement for the 1991 Revenue Bonds, in the amount of \$9,989,700, has been satisfied through a surety bond.

With respect to the 1992 Revenue Bonds, \$13,130,000 of the current interest term bonds stated to mature on July 1, 2015, are subject to mandatory sinking fund redemption on July 1, 2014, at a redemption price equal to the principal amount, plus accrued interest. The debt service reserve requirement for these bonds, in the amount \$21,075,000, has been satisfied through the deposit of cash with the trustee and is included in the debt service fund on the balance sheet. The current interest serial bonds stated to mature on July 1, 2013, and the balance of the current interest term bonds stated to mature on July 1, 2015, are subject to redemption at the option of the authority on or after July 1, 2002, without premium. The capital appreciation bonds are not subject to early redemption. Capital appreciation bonds payable as of June 30, 1999, include an accreted amount of \$21,329,000.

During 1998, the Authority issued \$16,380,000 in revenue refunding bonds to advance refund \$15,240,000 of certain outstanding 1991 series revenue bonds with interest rates ranging from 6.0% to 6.5%. These bonds are considered to be defeased and the liability for these bonds has been removed from the general long-term debt account group.

During the year ended June 30, 1994, the Authority issued \$162,580,000 of Special Obligation Revenue Bonds, to finance a portion of the Airport Facilities Projects located at Baltimore/Washington International Airport.

The Special Obligation Revenue Bonds are payable as to principal and interest solely from Passenger Facility Charges (PFCs) received by the Maryland Aviation Administration (MAA) and deposited with the Trustee (Signet Trust Company) and amounts deposited in the general account maintained by the Authority under the Trust Agreement. The Series 1994 Bonds issued in accordance with the provisions of the 1985 Trust Agreement, as supplemented, and interest thereon, do not constitute a debt or pledge of the faith and credit of the State of Maryland, the Maryland Department of Transportation or the MAA, but are payable solely from PFCs.

Subsequent to year end, in July 1999, the Authority made \$13,905,000 in principal redemption payments.

As of June 30, 1999, Maryland Transportation Authority Bond debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30,	Total	Years Ending June 30,	Total
2000	\$32,352	2012	\$28,480
2001	32,367	2013	28,477
2002	32,389	2014	28,484
2003	32,413	2015	28,477
2004	37,196	2016	18,887
2005	38,388	2017	1,125
2006	38,421	2018	948
2007	38,102	2019	7,501
2008	28,484	2020	13,013
2009	28,475		
2010	28,478		
2011.....	28,479		

Obligations Under Capital Leases —

Obligations under capital leases as of June 30, 1999, bore interest at annual rates ranging from 3.4% to 7.7%. Capital Lease Obligations with third parties in fiscal year 1999 increased by \$81,592,000 of which \$28,089,000 was for master equipment leases entered into by the general fund and \$53,503,000 for a Department of Transportation—Certification of Participation. The capital leases with component units include capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain Lottery games and capital leases with the Maryland Environmental Service. Following is a schedule of annual future minimum payments

under these obligations, along with the present value of the related net minimum payments as of June 30, 1999 (amounts expressed in thousands).

Years Ending June 30,	Capital Lease Obligations with	
	Third Parties	Component Units
2000	\$ 55,230	\$ 23,495
2001	54,657	28,147
2002	29,824	27,995
2003	24,611	27,817
2004	21,590	28,560
2005 and thereafter	202,901	444,089
Total future minimum payments	388,813	580,103
Less: Amount representing interest	137,554	269,790
Present value of net minimum payments	\$251,259	\$310,313

B. Long Term Obligations — Enterprise Funds —

The enterprise fund long-term obligations as of June 30, 1999, consist of the following (amounts expressed in thousands).

Community Development Administration Revenue Bonds	\$2,462,918
Maryland Water Quality Financing Administration Revenue Bonds	134,092
Total Revenue Bonds	2,597,010
Maryland State Lottery Agency Notes Payable	2,890
Accrued Self-Insurance Costs	533
Accrued Annual Leave.....	1,375
Total long-term obligations	\$2,601,808

Maturities of enterprise funds notes payable and revenue bond principal are as follows (amounts expressed in thousands).

Years Ending June 30,	Community Development Administration	Maryland Water Quality Financing Administration	Maryland State Lottery Agency
2000	\$ 152,713	\$ 8,434	\$1,032
2001	54,264	8,864	1,117
2002	57,670	9,054	741
2003	62,566	8,479	
2004	64,588	8,240	
2005 and thereafter	2,071,117	91,021	
	\$2,462,918	\$134,092	\$2,890

Community Development Administration (Administration) — Revenue Bonds:

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. Assets aggregating approximately \$2,759,753,000, and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 3.1% to 10.4%, with the bonds maturing serially through July 2041. The principal amount outstanding as of June 30, 1999, is \$2,462,918,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at rates ranging from 100% to 103% of the outstanding principal amount. During fiscal year 1999, the Administration issued \$355,880,000 of revenue bonds with interest rates ranging from 3.1% to 5.4% and maturing serially through July 2041.

Subsequent to June 30, 1999, the Administration issued and redeemed a total of \$156,585,000 and \$86,406,000 respectively, of revenue bonds.

Maryland Water Quality Financing Administration (Administration) — Revenue Bonds —

The Administration, an agency of the Department of Environment, has issued revenue bonds for making loans. Interest rates range from 4.1% to 6.9% with principal of \$113,542,000 due serially from September 1, 1998 to September 1, 2014, and term bonds aggregating principal of \$20,550,000 due from September 1, 2013 to 2015. These bonds are payable solely from the revenue, money or property of the Administration. The bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at premiums ranging up to 2.5% of the outstanding principal amount.

On June 23, 1999, the Maryland Water Quality Financing Administration liquidated the Washington County 1993 A Series loan receivable of \$7,291,000 and advance refunded \$6,785,000 of Series 1993 A bonds bearing an

interest rate of 5.4%. The net proceeds of \$6,932,000 were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments to the call date on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds have been removed from revenue bonds payable. The accounting loss on defeasance of debt was immaterial, and there was no economic gain or loss.

As of June 30, 1999, the Administration had \$44,295,000 of debt defeased. The loss of \$4,185,000 from the defeasance is being deferred and amortized through interest expense through the year 2011.

Maryland State Lottery Agency (Lottery) — Notes Payable —

As of June 30, 1999, the Lottery had notes payable outstanding related to the financing of certain gaming equipment. The balance outstanding as of June 30, 1999, is \$2,890,000. Payments of principal and interest, at rates ranging from 4.5% to 6.7% are to be made through 2002.

C. Long Term Obligations — Component Units:

Higher Education Fund —

Certain State higher education institutions have issued revenue bonds and mortgage loans payable for the acquisition and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. The mortgage loans payable are collateralized by real estate. Interest rates range from 4.3% to 7.2% on the revenue bonds with the rate being 3.0% on the mortgage loans payable. In June 1992, and during the year ended June 30, 1999, the University System of Maryland (System) issued serial Notes Payable to finance the acquisition of new equipment and to refinance the balance of amounts due under certain installment purchase agreements for equipment then in the possession of the System. Payments of principal and interest, at rates ranging from 2.6% to 6.15%, are to be made semiannually through 2007. The Notes Payable are callable, at the option of the System, at premiums of no more than 2.0% of the outstanding principal, beginning in 2003. Maturities of principal are as follows (amounts expressed in thousands).

Years Ending June 30,	Notes Payable and Other Long-Term Debt	Revenue Bonds	Total
2000	\$ 2,349	\$ 33,565	\$ 35,914
2001	2,326	35,568	37,894
2002	2,395	33,347	35,742
2003	2,344	35,775	38,119
2004	2,480	36,320	38,800
2005 and thereafter	34,246	493,895	528,141
	<u>\$46,140</u>	<u>\$668,470</u>	<u>\$714,610</u>

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

On February 25, 1999, the System issued \$117,835,000 of 1999 Series A Revenue Bonds, and used \$27,955,000 of the proceeds to advance refund \$9,070,000 of 1991 Series B Revenue Bonds, \$3,475,000 of 1992 Series A Revenue Bonds, and \$13,585,000 of 1993 Series A Revenue Bonds. The advance refunding of Revenue Bonds, while resulting in an accounting loss of \$293,000, reduced future debt service requirements by \$2,149,000. The refinancings resulted in an economic gain (the present value of the difference between the debt service requirements on the old, refunded debt and the new debt) of \$1,442,000.

Obligations under capital leases of \$7,833,000 exist as of June 30, 1999, bearing interest at annual rates ranging from 4.6% to 7.2%. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 1999 (amounts expressed in thousands).

Years Ending June 30,	Amount
2000	\$ 1,005
2001	981
2002	1,019
2003	830
2004	831
2005 and thereafter	8,448
Total future minimum payments	\$13,114
Less: Amount representing interest	5,281
Present value of net minimum payments	\$ 7,833

Proprietary Fund Type —

Maturities of component unit — proprietary fund type revenue bond principal and notes payable are as follows (amounts expressed in thousands).

Years Ending June 30,	Maryland Stadium Authority	Maryland Food Center Authority	Maryland Environmental Service	Total
2000	\$ 7,330	\$112	\$ 3,476	\$ 10,918
2001	7,750	120	2,521	10,391
2002	8,200	128	2,565	10,893
2003	8,785	135	2,530	11,450
2004	10,075		2,409	12,484
2005 and thereafter ..	258,393		19,924	278,317
	<u>\$300,533</u>	<u>\$495</u>	<u>\$33,425</u>	<u>\$334,453</u>

Maryland Stadium Authority (Authority) — Revenue Bonds —

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, and convention center expansions in Baltimore City and the Town of Ocean City. The outstanding debt is to be repaid through capital lease payments from the State of Maryland, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 1999, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium	\$140,853	6.5% to 7.6%	December 15, 2019
Football Stadium	91,805	4.7% to 5.8%	March 1, 2026
Baltimore City Convention Center	51,150	5.3% to 5.9%	December 15, 2014
Ocean City Convention Center	16,725	4.8% to 5.4%	December 15, 2015

During 1993, the Authority entered into a interest rate swap agreement, a forward bond purchase agreement and a remarketing agreement for the refunding of \$16,300,000 of 10.5% fixed rate Series 1989C Notes. The Authority agreed to retire the fixed rate debt and issue variable rate debt by December 1998. During April 1996, the Authority received approximately \$2,473,000, related to the interest rate swap and forward bond purchase agreement. The Authority deferred this gain and is amortizing it over the life of the related debt agreements. On December 15, 1998, in accordance with the above agreements, the Authority issued taxable floating rate bonds, Series 1998A, to refinance the Series 1989C Notes. Under terms of the interest swap agreement, there was no change in the Authority's debt service payments. The term of the new bonds is the same as the remaining life of the Series 1989C Notes. The call premium on the 1989C Notes was deferred and the bond issuance cost of the 1998A Series Bonds was capitalized, and these amounts will be amortized over the life of these bonds.

Maryland Food Center Authority (Authority) — Revenue Bonds —

As of June 30, 1999, the Authority had revenue bonds outstanding of \$495,000 which bear interest at 7.0% and mature June 15, 2003.

Maryland Environmental Service (Service) — Revenue Bonds —

The Service has issued revenue bonds and other debt for the construction of certain projects. The balance as of June 30, 1999, is \$33,425,000. The debt bears interest at rates ranging from 3.3% to 7.5%. The bonds are collateralized by the revenues of the related projects. All rights, title and interest in the related property, plant and equipment remains with the Service until expiration or completion of the project and repayment of the revenue bonds. Thereafter, title to the assets passes to the governmental unit served by the projects.

During the year ended June 30, 1999, funds received from the sale of land were used to defease a portion of the Regional Yard Debris Composting Project Revenue Bonds. U.S. Government securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$1,600,000 of the bonds. As a result, such amount is considered to be defeased, and the liability for these bonds has been removed from long-term debt. While there was no economic gain or loss on this transaction, an accounting loss on the defeasance of \$185,000 has been recognized in the year ended June 30, 1999.

On March 1, 1999, the Service issued \$11,555,000 in Regional Landfill Project Revenue Bonds, 1999 Series Bonds, with interest rates of 3.5% and 4.2%. A portion of the proceeds were used to advance refund \$5,430,000 of the outstanding Regional Landfill Project Revenue Bonds, 1990 Series with interest rates of 5.9% and 6.9%. Proceeds of

\$5,686,000 from the Series 1999 Bonds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of the Series 1990 Bonds being advanced refunded. As a result, \$5,430,000 of the Series 1990 Bonds are considered to be defeased, and the liability for those bonds has been removed from revenue bonds and notes payable.

The advance refunding resulted in an excess of the reacquisition price over the net carrying amount of the old debt of \$392,000. This difference, reported as a deduction from bonds payable, is being amortized to interest expense through the year 2010. The Service completed the advance refunding to reduce its total debt service payments over the next 11 years by \$435,000 and to obtain an economic gain of \$495,000.

10. Loans from Primary Government:

Component Units — Maryland Food Center Authority (Authority) —

The State loaned the Authority \$4,000,000, which the Authority is obligated to repay after all principal and interest has been paid on any revenue bonds which may be issued by the Authority. The loan accrued interest until June 30, 1993. The outstanding balance as of June 30, 1999, including deferred interest of \$1,577,000 was \$5,577,000.

The Authority assumed a non-interest bearing obligation in the amount of \$795,000 due to the debt service fund of the primary government pursuant to the transfer of the assets and obligations of the New Marsh Market to the Authority. The Authority is obligated to repay the debt service fund after all principal and interest has been paid on any revenue bonds which may be issued by the Authority. The outstanding principal as of June 30, 1999, is \$795,000.

11. Insurance:

The self-insurance liabilities represent the State’s liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers’ compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (the Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a “premium” to each fund, agency or public authority, based on a percentage of each organization’s estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program’s liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Liabilities for incurred workers’ compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4.0% discount rate. The workers’ compensation and property and casualty costs are based upon separately determined actuarial valuations for the fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during fiscal year 1999 were as follows (amounts expressed in thousands).

	Beginning-of-Fiscal-Year Liability	Claims and Changes in Estimates	Claim Payments	End-of-Fiscal-Year Liability
Property, Casualty and General Liability	\$ 7,779	\$ 8,951	\$ 8,104	\$ 8,626
Workers’ Compensation	151,000	36,306	28,306	159,000
Employee Health Benefits.....	32,123	306,241	299,049	39,315
Total Self-Insurance Costs.....	\$190,902	\$351,498	\$335,459	\$206,941

As of June 30, 1999, the Program held \$146,229,000 in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 1998 were as follows (amounts expressed in thousands).

	Beginning-of Fiscal-Year Liability	Claims and Changes in Estimates	Claim Payments	End-of Fiscal-Year Liability
Property, Casualty and General Liability	\$ 10,256	\$ 4,047	\$ 6,524	\$ 7,779
Workers' Compensation	150,000	27,617	26,617	151,000
Employee Health Benefits.....	26,262	273,785	267,924	32,123
Total Self-Insurance Costs.....	\$186,518	\$305,449	\$301,065	\$190,902

12. Equity:

Fund Balances/Retained Earnings —

Fund balances and retained earnings are reserved as follows (amounts expressed in thousands).

	Governmental Fund Types				Fiduciary Fund Types	Component Units	
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	Higher Education	Proprietary Fund Types
Loans and Notes Receivable		\$ 15,351	\$23,185				
Loans to Component Units			6,372				
State Reserve Fund.....	\$ 740,976						
Encumbrances	211,376	103,511		\$317,477		\$ 18,523	
Agency Activities	223,041	28,128					\$4,593
Shore Erosion Loan Program				13,264			
Pension Benefits					\$30,050,470		
Deferred Compensation Benefits					1,337,476		
Unemployment Compensation Benefits					879,373		
Local Government Investment Pool.....					710,384		
Higher Education Programs.....						98,904	
Endowment Funds						249,901	
Debt and Plant Additions						135,845	
Total reserved fund balance/retained earnings.....	\$1,175,393	\$146,990	\$29,557	\$330,741	\$32,977,703	\$503,173	\$4,593

Loans receivable maturing after June 30, 1999, in the amount of \$15,351,000 and \$29,557,000 are not available for current operations and, accordingly, have been reflected as reservations of the special revenue and debt service fund balance.

Portions of the general fund balance and the special revenue fund balance, in the amounts of \$223,041,000 and \$28,128,000 respectively, as of June 30, 1999, representing special budgetary and non-budgeted agency resources, were reserved for agency activities and programs.

A portion of the general fund balance, in the amount of \$740,976,000 as of June 30, 1999, has been reserved for the State Reserve Fund. The State Reserve Fund is comprised of a Dedicated Purpose Account, an Economic Development Opportunities Program Fund, a Catastrophic Event Fund and a Revenue Stabilization Account with balances as of June 30, 1999, of \$90,710,000, \$12,345,000, \$3,001,000, and \$634,920,000 respectively. The Dedicated Purpose Account is designed to retain appropriations for major multi-year expenditures and to meet contingency requirements. The Economic Development Opportunities Program Fund is to be used for extraordinary economic development opportunities and only as a supplement to existing programs. The Catastrophic Event Fund is to be used to respond without undue delay to a natural disaster or other catastrophic event that cannot be managed without appropriations. The Revenue Stabilization Account is designed to retain State revenues for future needs and reduce the need for future tax increases.

A portion of the general fund unreserved fund balance is designated for fiscal year 2000 appropriations in the amount of \$263,279,000. Furthermore, portions of the debt service unreserved fund balance are designated for payment of the debt service on the general long-term debt, Transportation debt and the Maryland Transportation Authority bond debt in the amounts of \$21,090,000, \$4,904,000, and \$74,136,000 respectively.

Primary Government Contributed Capital —

The changes in contributed capital of the enterprise funds for the year ended June 30, 1999, are as follows (amounts expressed in thousands).

	Economic Development		State Use Industries	Total
	Insurance Programs	Loan Programs		
Balance, July 1, 1998	\$48,295	\$610,200	\$1,227	\$659,722
Contributions.....		80,793	9	80,802
Depreciation on contributed assets			(254)	(254)
Balance, June 30, 1999	\$48,295	\$690,993	\$ 982	\$740,270

Component Units — Proprietary Type Funds —

The changes in contributed capital of the component units, proprietary fund type for the year ended June 30, 1999, are as follows (amounts expressed in thousands).

	Maryland Food Center Authority	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Total
Balance, July 1, 1998,	\$400	\$2,703	\$23,750	\$26,853
Depreciation on contributed assets.....	(12)	(270)		(282)
Balance, June 30, 1999	\$388	\$2,433	\$23,750	\$26,571

13. Interfund Transfers:

Interfund transfers, as of June 30, 1999, consist of the following (amounts expressed in thousands).

Operating Transfers In	Operating Transfers Out	Amount
General Fund	Special Revenue Fund—Maryland Department of Transportation	\$ 64,591
	Capital Projects Fund	19,444
	Enterprise Funds—	
	Maryland State Lottery Agency	393,221
	Economic Development—Insurance Programs	2,439
	Economic Development—Loan Programs	4,384
	Component Units—	
	Higher Education	257
	Maryland Industrial Development Financing Authority	756
Special Revenue Fund—	General Fund	110,419
Maryland Department of Transportation		
Debt Service Funds—	General Fund	151,807
General Obligation Bonds	Capital Projects Fund	6,312
Maryland Department of Transportation	Special Revenue Fund—Maryland Department of Transportation	133,178
Maryland Transportation Authority	Special Revenue Fund—Maryland Department of Transportation	24,454
	Special Revenue Fund—Maryland Transportation Authority	20,229
Capital Projects Fund	General Fund	232,136
	Enterprise Funds— Loan Programs	17,062
Enterprise Funds—Loan Programs	General Fund	40,136
	Capital Projects Fund	4,145
Component Units—	General Fund	722,185
Higher Education	Capital Projects Fund	83,307
Component Units—Proprietary	General Fund	15,928
Maryland Stadium Authority	General Fund	2,750
Maryland Industrial Development Financing Authority		

14. Segment Information:

Activity segments included in enterprise funds are described in Note 1B. Selected financial information with respect to these segments as of and for the year ended June 30, 1999, is as follows (amounts expressed in thousands).

	Segments				Total
	Insurance Programs	Loan Programs	Lottery	Manufacturing (State Use Industries)	
Operating revenues	\$ 13,467	\$ 209,625	\$1,080,029	\$35,750	\$1,338,871
Depreciation and amortization	14	1,070	609	946	2,639
Operating (loss) income	(615)	(17,752)	391,646	1,992	375,271
Operating interfund transfers:					
In		44,281			44,281
Out	(2,439)	(21,446)	(393,221)		(417,106)
Net income (loss)	(3,054)	6,018	(1,640)	1,990	3,314
Current capital contributions		80,793		9	80,802
Property, plant, and equipment:					
Additions.....	3	2	907	936	1,848
Deletions		377		2	379
Total assets	116,040	3,842,659	512,601	23,110	4,494,410
Bonds and other long-term liabilities payable from operating revenues.....		2,597,010	2,890		2,599,900
Total capital	73,308	1,140,564	810	18,991	1,233,673
Net working capital	68,352	1,275,864	469,226	14,879	1,828,321

15. Retirement Benefits:

State Retirement and Pension System of Maryland (System):

The State contributes to the System, an agent multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Mass Transit Administration Pension Plan described below) and employees of 127 participating political subdivisions or other entities within the State. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 301 West Preston Street, Baltimore, Maryland 21201.

Plan Description:

The System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of several plans which are managed by the Board of Trustees for the System. All State employees and employees of participating entities are covered by the plans.

"Retirement System"—retirement programs for substantially all State employees, teachers, State police and judges who are not members of the State Pension System.

"Pension System"—retirement programs for employees and teachers hired after January 1, 1980, and prior employees who have elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after completing 5 years of service. A member terminating employment before attaining retirement age but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member lives to age 60 (age 62 for the Pension System, age 50 for State Police) and does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or after completing 30 years of service credit regardless of age, or at age 62 or older with specified years of service credit. State police members may retire with full benefits after attaining age 50, or after completing 25 years of service credit regardless of age.

The annual benefit for Retirement System members is equal to 1/55 (1.8%) of a member's highest three-year average salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the Pension System shall receive, upon retirement, an annual service retirement allowance equal to 0.8% of the member's highest three-consecutive-year average salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security wage base. A member may retire with reduced benefits after attaining age 55 and completing 15 years of service. The annual retirement allowance for a State Police member is equal to 1/45 (2.2%) of a member's highest three-year average salary multiplied by each year of service up to 25 years, plus 1/90 (1.1%) of the member's highest three-year average salary multiplied by each year of service in excess of 25 years.

Legislation enacted during the 1998 legislative session changed certain provisions of the Pension System. Effective July 1, 1998, members contribute 2.0% of earnable compensation. The annual pension allowance under a service retirement will generally equal 1.2% of the member's highest three-consecutive-year average salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.4% of the highest three-consecutive-year average salary multiplied by the number of years of service credit after July 1, 1998.

Funding Policy:

The State's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates and the actuarial accrued liability. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages (7.0% or 5.0% depending on the retirement plan selected). Members of the Pension System are required to contribute to the System 5.0% of their regular salaries and wages which exceed the Social Security wage base. State Police members are required to contribute 8.0% of their regular salaries and wages to the System. All contributions are deducted from each member's salary, and wage payments are remitted to the System on a regular, periodic basis.

The contribution requirements of the System members and the State are established and may be amended by the Board of Trustees for the System. During 1999, the State's and its participating political subdivisions made their required contributions totaling \$693,353,000 which was 10.85% of covered payroll. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 1999, 1998 and 1997 the State had made all required contributions, and thus as of June 30, 1999, 1998 and 1997 the State did not have a net pension obligation.

Annual Pension Cost and Net Pension Obligation:

Three Year Historical Trend Information for the System is as follows (amounts expressed in thousands).

Plan	Annual Pension Cost Fiscal Year Ended June 30,		
	1999	1998	1997
Teachers' Retirement and Pension System.....	\$460,592	\$496,020	\$502,424
Employees' Retirement and Pension System	199,879	212,306	208,821
State Police Retirement System	8,270	8,841	10,918
Judges' Retirement System	15,215	13,292	12,931
Natural Resources Law Enforcement Officers Pension System	8,360	4,373	4,237
Municipal Corp. Law Enforcement Officers and Fire Fighters Pension System.....	1,037	956	927

Percentage of Annual Pension Cost Contributed

The State contributed 100% of the annual pension cost for each of the fiscal years ending June 30, 1999, 1998 and 1997 for each of the six plans listed above.

Net Pension Obligation

The State's net pension obligation was zero as of June 30, 1999, 1998 and 1997 for each of the six plans listed. In addition, there was no transition liability determined in accordance with GASB Statement No. 27.

The fiscal year 1999 annual pension cost and net pension obligations were determined as a part of an actuarial valuation as of June 30, 1999. The significant actuarial assumptions listed below were used for all plans.

Valuation method	Aggregate Entry Age Normal
Cost method of valuing assets	Smoothing (difference in experienced and assumed return)
Rate of return on investments	8.0%
Rate of salary increase	Varies
Projected inflation rate.....	5.0%
Post retirement benefit increase	Varies
Amortization method	Level Percent of Payroll
Remaining amortization period	21 years as of June 30, 1999
Status of period (Open or Closed)	Closed

Mass Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan which covers all Mass Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. For the year ended June 30, 1999, the Administration's covered payroll was \$104,569,000 and, its total payroll was \$105,118,000. The Plan is administered and funded in compliance with the collective bargaining agreements which established the Plan. Separate statements for the Plan are not issued.

Plan Description:

The Plan provides retirement (normal and early), death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.3% of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service.

As of June 30, 1999, membership in the Plan includes 894 retirees and beneficiaries currently receiving benefits, 304 terminated members entitled to, but not yet receiving benefits and 2,637 current active members.

There were no investments in loans to or leases with parties related to the Plan. In addition, no investment in any one organization constituted 5.0% or more of the net plan assets available for pension benefits.

Summary of Significant Accounting Policies:

As a part of the Pension Trust Fund, the accounts of the Plan, including benefits and refunds, are maintained using the accrual basis of accounting. Fair value of the investments by the Plan is determined by the State Retirement and Pension System of Maryland based on published securities data.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. Effective January 1, 1990, in accordance with the law governing the Plan, all benefits of the Plan are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

Employer contributions to the Plan totaling \$13,103,000 (12.5% of covered payroll) for fiscal year 1999 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 1999. This amount consisted of \$2,393,000 normal cost and \$10,710,000 amortization of the actuarial accrued liability (2.3% and 10.2%, respectively, of covered payroll).

The liquidation period for the actuarial accrued liabilities (as provided by law) is 21 years from June 30, 1999. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations.

The computation of the annual required contribution for fiscal year 1999 was based on the same actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Cost and Net Pension Obligation:

The Administration's annual pension cost for the fiscal years ended June 30, 1999, 1998 and 1997 were \$13,103,000, \$13,902,000, and \$11,502,000, respectively.

The Administration contributed 100% of the annual pension cost for each of the fiscal years ended June 30, 1999, 1998 and 1997 for the Plan.

The Administration's net pension obligation was zero as of June 30, 1999, 1998 and 1997 for the Plan.

The fiscal year 1999 annual pension cost and net pension obligations were determined as a part of an actuarial valuation as of June 30, 1999. The significant actuarial assumptions listed below were used for the Plan.

Valuation method	Entry Age Normal Method
Cost method of valuing assets	Fair Value
Rate of return on investments	8% Compounded per Annum
Projected inflation rate	5.0%
Rate of salary increase	3.0%, Compounded per Annum
Post retirement benefit increase	N/A
Amortization method	Level dollar annual installments
Remaining amortization period	20 years from July 1, 1999
Status of period (Open or Closed)	Closed

During fiscal year 1999, there were no changes in actuarial assumptions or benefit provisions from 1998 which significantly affected the valuation of the annual pension cost and net pension obligation. No significant changes in these assumptions are planned in the near term.

Post Retirement Benefits:

The State also provides, in accordance with State Merit System Laws, post employment health care benefits to retired employees and their dependents (generally employees who retired before July 1, 1984, employees who retired on or after July 1, 1984, with at least 5 years of creditable service and employees who receive disability retirement allowances or special death benefits). The State subsidizes approximately 50% to 90% of covered medical and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for post employment health care benefits which is based on health care insurance charges for current employees. During fiscal year 1999, these benefits paid amounted to \$79,885,000. There are 22,100 participants currently eligible to receive benefits.

16. Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 403(b), and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets of the Plan are held in a trust, custodial account or annuity contract for the exclusive benefit of employees and beneficiaries.

Investments are managed by the Plan's third party administrator under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

17. Commitments:

The State leases office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 1999 were approximately \$49,647,000. Future lease commitments under these agreements as of June 30, 1999, are as follows (amounts expressed in thousands).

Years ending June 30,	Amounts
2000	\$ 38,872
2001	31,337
2002	25,767
2003	21,153
2004	16,151
2005 and thereafter	65,547
	<u>\$198,827</u>

As of June 30, 1999, the State had commitments of approximately \$164,128,000 for the completion of projects under construction.

As of June 30, 1999, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$1,668,626,000 and \$86,000,000 respectively, for construction of highway and mass transit facilities.

Approximately 30% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various operating leases. Minimum future rental revenues are as follows (amounts expressed in thousands).

Years ending June 30,	Non-cancelable Operating Leases Minimum Future Rentals
2000.....	\$ 64,598
2001.....	58,479
2002.....	39,867
2003.....	17,768
2004.....	12,933
2005 and thereafter	55,180
	<u>\$248,825</u>

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately \$99,655,000 for the year ended June 30, 1999, including contingent rentals of approximately \$24,462,000.

As of June 30, 1999, the Maryland State Lottery Agency had commitments of approximately \$77,822,000 for services to be rendered relating principally to the operation of the lottery game.

As of June 30, 1999, several enterprise fund loan programs within the Department of Business and Economic Development had committed to lend a total of \$30,709,000 in additional loans (Maryland Economic Development Opportunity Program Fund \$24,509,000; Maryland Industrial and Commercial Redevelopment Fund \$4,200,000; Maryland Industrial Loan Fund \$2,000,000). Also, the Community Development Administration, an enterprise fund loan program, has \$91,750,000 of revenue bonds outstanding that are not included in the financial statements of the Administration. The revenue bonds are secured solely by the individual multi-family project properties, related revenues and applicable credit enhancements.

Certain State higher education institutions of the higher education fund, a component unit, lease facilities and equipment under agreements that are accounted for as operating leases. Many of the lease agreements provide for optional extensions and periodic increases in lease payments. Lease expenditures for fiscal year 1999 were approximately \$5,910,000. Future lease commitments under agreements as of June 30, 1999, are as follows (amount expressed in thousands).

Years ending June 30,	Amounts
2000.....	\$4,635
2001.....	4,187
2002.....	3,225
2003.....	1,985
2004.....	1,791
2005 and thereafter	2,215
	\$18,038

As of June 30, 1999, the higher education fund had commitments of approximately \$129,779,000 for the completion of projects under construction.

As of June 30, 1999, the Maryland Stadium Authority, a proprietary type component unit, had commitments of approximately \$235,000 for the completion of construction of property to be leased under a capital lease.

18. Contingencies:

The State is party to legal proceedings which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 1999, mortgage loan insurance programs included in the enterprise funds and component unit proprietary funds were contingently liable as insurer of mortgage loans payable or portions of mortgage loans payable, in an aggregate amount of approximately \$723,936,000 (including \$625,903,000 for the economic development loan programs). In addition, there are commitments to insure mortgage loans which would represent additional contingent liabilities of approximately \$7,565,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 1999, the State estimates that no material liabilities will result from such audits.

19. Landfill Closure and Postclosure Care Costs:

State and Federal laws require the Maryland Environmental Service (the Service) to place a final cover on the Midshore Regional Landfill (Midshore), which is expected to close in 2010, and the Easton Landfill (Easton), which is filled to capacity and in the process of being closed, and to perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. Although closure and post-closure care costs at Midshore will be paid near or after the date the landfill stops accepting waste, the Service accrues a portion of these closure and post-closure care costs as a liability based on the estimated capacity of the landfill that has been used to date, which was 46% as of June 30, 1999. The Service recognized a liability for Easton equal to the estimated total current cost of closure and post-closure care that has not been paid. A \$3,831,000 liability is included in other liabilities in the accompanying balance sheet of the Service. Total closure and post-closure care costs are currently estimated to be approximately \$8,185,000 as determined through engineering studies. Actual costs may be higher due to inflation.

Under recently promulgated federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 1998. The Service expects to satisfy these requirements as of June 30, 1999, using the same criteria.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF MARYLAND

Supplemental Year 2000 Disclosure (Unaudited)

Certain computer programs have been written using two digits rather than four to define the applicable year, which could result in the computer recognizing the date using “00” as the year 1900 rather than the year 2000. This, in turn, could result in major system failures or miscalculations, and is generally referred to as the “Year 2000” problem. The State has established a process to assure Year 2000 compliance of all hardware, software, and ancillary equipment that is date dependent.

In August 1997, the State established the Year 2000 Program Management Office (PMO) to manage the State’s year 2000 processes and oversee the activities underway at the agencies. While individual State agencies are responsible for their Year 2000 remediation, the PMO provides assistance to the agencies in the form of supplemental funds, methodologies, templates, definitions, access to approved vendors and other technical assistance. The PMO is also responsible for monitoring agencies’ progress and assisting them in meeting the deadlines established. Since August 1997, the Maryland General Assembly has appropriated in excess of \$97,000,000 to support the management and correction of the Year 2000 problem. As of September 30, 1999, approximately \$88,700,000 has been awarded to various vendors. Because each agency within the State is different, each agency will tailor its Year 2000 program in response to its unique needs and business practices.

The State’s Year 2000 process involves four phases:

Phase I—Awareness Stage. This phase encompasses establishing a budget and project plan for dealing with the Year 2000 issue.

Phase II—Assessment Stage. This phase begins with identifying all of the State’s systems and individual components of those systems. The State has identified its mission-critical systems and equipment, which are systems and equipment that are critical to conducting operations and checking for compliance.

Phase III—Remediation Stage. This phase is comprised of making technical changes to existing systems and equipment or switching to new compliant systems. During this stage, decisions are made on how to make the systems Year 2000 compliant, and the required system changes are made.

Phase IV—Validation/Testing Stage. This phase validates and tests the changes made during the remediation stage. This stage includes the development of test data and test scripts, the running of test scripts, and the review of test results.

The State’s Year 2000 program is built on an information technology approach whereby each State agency, as the business entity, is responsible for ensuring its systems are Year 2000 compliant. A critical part of the State’s Year 2000 plan is the development of contingency plans to assure continued operation in the event of critical automated systems failure or unforeseen supply chain interruptions. Contingency plans describe the steps to be taken, including the activation of manual or outsourced processes, to ensure the continuity of operations in the event of a Year 2000 induced system failure.

State agencies have identified and prioritized systems and have provided other technical and programmatic support to address all issues. The following chart details the mission critical systems by priority and their respective stage of conversion as determined by the PMO and the individual agencies. Agencies have identified 436 priority systems— 34 are most critical because of their statewide implications; 159 systems are high priority because they are critical to an agency’s prime mission; 243 are considered priority because they are required to support a major business process or support function within an agency.

(as of 11/01/1999)	Number of Priority Systems			
	Awareness	Assessment	Remediation	Validation /Testing
Complete:				
Most Critical Systems	34	34	34	34
High Priority	159	159	158	158
Priority	243	243	238	238
Incomplete:				
Most Critical Systems				
High Priority			1	1
Priority			5	5
Total	436	436	436	436

While the State has allocated significant resources to the Year 2000 issue and expects to resolve all of its Year 2000 problems prior to December 31, 1999, there can be no assurance that all systems will be ready or that failure of systems not identified as critical could have significant negative effect on the State's operation. Also, minor problems will undoubtedly remain after December 31, 1999. The State does not expect Year 2000 problems to have a material adverse effect on its financial health or its ability to meet its financial obligations in a timely manner. However, the State has no control over the Year 2000 remediation efforts of external third parties, and, to the extent that the third parties have not resolved their Year 2000 problems, they may negatively impact the State.

STATE OF MARYLAND

**Required Supplemental Schedule of Funding Progress for
Pension and Retirement System**

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll(1)	(Unfunded AAL) /Excess as a Percentage of Covered Payroll(2)
TEACHERS RETIREMENT AND PENSION SYSTEM						
1999	\$16,634,932	\$18,036,251	\$(1,401,319)	92.23%	\$3,576,867	39.18%
1998	14,934,503	17,452,181	(2,517,678)	85.57	3,454,377	72.88
1997	13,142,495	16,292,451	(3,149,956)	80.67	3,151,218	99.96
1996	11,630,258	15,616,273	(3,986,015)	74.48	3,065,203	130.04
1995	10,508,766	14,844,365	(4,335,599)	70.79	2,986,391	145.18
1994	9,634,321	14,070,829	(4,436,508)	68.47	2,821,756	157.23
EMPLOYEES RETIREMENT AND PENSION SYSTEM						
1999	\$ 9,557,556	\$ 9,203,218	\$ 354,338	103.85%	\$2,659,022	13.33%
1998	8,621,081	8,877,652	(256,571)	97.11	2,552,880	10.05
1997	7,668,655	8,060,733	(392,078)	95.14	2,399,504	16.34
1996	6,870,504	7,689,736	(819,232)	89.35	2,474,815	33.12
1995	6,294,727	7,361,026	(1,066,299)	85.51	2,446,296	43.59
1994	5,843,445	6,969,182	(1,125,737)	83.85	2,328,321	48.35
STATE POLICE RETIREMENT SYSTEM						
1999	\$ 1,150,559	\$ 850,041	\$ 300,518	135.35%	\$ 78,781	381.46%
1998	1,033,274	739,074	294,200	139.81	75,574	389.29
1997	909,549	744,496	165,053	122.17	62,936	262.26
1996	802,943	675,097	127,846	118.94	60,823	210.19
1995	728,440	641,610	86,830	113.53	60,677	143.10
1994	675,456	606,019	69,437	111.46	59,098	117.49
JUDGES RETIREMENT SYSTEM						
1999	\$ 192,909	\$ 231,394	\$ (38,485)	83.37%	\$ 30,307	126.98%
1998	170,953	220,136	(49,183)	77.66	26,830	183.31
1997	149,283	213,259	(63,976)	70.00	25,007	255.83
1996	131,631	196,319	(64,688)	67.05	23,917	270.47
1995	118,573	188,445	(69,872)	62.92	23,064	302.95
1994	106,758	177,720	(70,962)	60.07	22,831	310.81
NATURAL RESOURCES LAW ENFORCEMENT OFFICERS PENSION SYSTEM						
1999	\$ 102,040	\$ 140,677	\$ (38,637)	72.53%	\$ 37,305	103.57%
1998	83,430	115,534	(32,104)	72.21	32,037	100.21
1997	44,947	60,824	(15,877)	73.90	12,905	123.02
1996	15,333	54,583	(39,250)	28.09	11,646	337.03
1995	12,208	49,051	(36,843)	24.89	11,369	324.07
1994	9,458	44,487	(35,029)	21.26	10,177	344.20
MUNICIPAL CORP. LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS PENSION SYSTEM						
1999	\$ 8,583	\$ 13,799	\$ (5,216)	62.20%	\$ 6,691	77.96%
1998	7,114	12,358	(5,244)	57.57	6,602	79.43
1997	5,767	11,446	(5,679)	50.38	5,815	97.66
1996	4,611	8,875	(4,264)	51.95	4,430	96.25
1995	3,868	8,040	(4,172)	48.11	4,353	95.84
1994	3,139	7,226	(4,087)	43.44	4,066	100.52
TOTAL OF ALL PLANS						
1999	\$27,646,579	\$28,475,380	\$ (828,801)	97.09%	\$6,388,973	12.97%
1998	24,850,355	27,416,935	(2,566,580)	90.64	6,148,300	41.74
1997	21,920,696	25,383,209	(3,462,513)	86.36	5,657,385	61.20
1996	19,455,280	24,240,883	(4,785,603)	80.26	5,640,834	84.84
1995	17,666,582	23,092,537	(5,425,955)	76.50	5,532,150	98.08
1994	16,272,577	21,875,463	(5,602,886)	74.39	5,246,249	106.80

(1) Covered payroll includes the payroll cost of those participants which the State pays the retirement contribution but does not pay the participants payroll cost.

(2) Percentage of excess assets over AAL as a percentage of covered payroll.

STATE OF MARYLAND

**Required Supplemental Schedule of Funding Progress for
Mass Transit Administration Pension Plan
(Expressed in Thousands)**

Actuarial Valuation Date June 30(1)	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll(1)	Unfunded AAL /Excess as a Percentage of Covered Payroll
1999	\$60,829	\$170,879	\$110,050	35.6%	\$104,569	105.2%
1998	51,208	167,330	116,122	30.6	98,814	117.5
1997	42,739	172,076	129,337	24.8	95,333	135.7
1996	34,568	141,381	106,813	24.5	95,550	111.8
1995	24,470	137,826	113,356	17.8	92,445	122.6
1994	17,572	126,351	108,779	13.9	88,491	122.9
1993	13,447	95,032	81,585	14.1	87,134	93.6
1992	8,891	92,718	83,827	9.6	80,700	103.9
1991	5,792	87,586	81,794	6.6	77,451	105.6

**Required Supplemental Schedule of Employer Contributions for
Mass Transit Administration Pension Plan
(Expressed in Thousands)**

Year Ended June, 30 (1)	Annual Required Contribution	Percentage Contributed
1999	\$13,103	100%
1998	13,902	100
1997	11,502	100
1996	11,918	100
1995	11,323	100
1994	8,452	100
1993	8,467	100
1992	7,327	100
1991	7,677	100

(1) Supplemental information prior to 1991 is not available.

TECHNOLOGY

Comptroller William Donald Schaefer used technology to enhance services to Maryland businesses and individuals in fiscal year 1999. Record breaking responses to the features on the Comptroller's website at www.marylandtaxes.com validated Comptroller Schaefer's commitment to greater use of web communications.

More than 21,000 taxpayers took advantage of the first-time opportunity to file their Maryland income tax returns online from their personal computers. The total number of electronic returns filed by taxpayers and tax professionals exceeded the previous record setting year by 35 percent. The convenience of direct deposit was expanded to all taxpayers expecting refunds, whether they filed electronically or by paper, increasing the number of requests more than 750%. Most e-filers received their Maryland refunds in their bank accounts within 48 hours—one of the fastest tax refund records in the nation.

The agency also witnessed an 86 percent increase in downloaded forms and a seven-fold gain in the number of online visitors checking the status of their income tax refunds. Another popular website feature included a compilation of undeliverable state and federal income tax refunds—the only joint list of its kind available online in the nation.



Offering convenience. "Electronic filing is a fast, easy and convenient way to get your taxes done," advised Comptroller William Donald Schaefer at a press conference held at the Life Resources Center in Baltimore. The high-tech paperless filing option drew 35 percent more customers in 1999 than in the previous filing season.

The Comptroller offered additional digital communications tools to Maryland businesses to make it easier for companies to operate in Maryland. More than 3,000 new businesses registered tax accounts online while visiting the Comptroller's website at www.marylandtaxes.com. Retail merchants in Maryland became the first in the nation able to go online to verify tax-exempt sales. Employers were able to download tax withholding tables. Other important information on the website for businesses included financial reports and state regulations administered by the Comptroller's Office.

Tax professionals also welcomed the Comptroller's new electronic filing page, with its handy bulletin board and approved software provider links.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

STATE OF MARYLAND
Combining Balance Sheet
Special Revenue Funds
June 30, 1999
(Expressed in Thousands)

	Maryland Department of Transportation	Maryland Transportation Authority	Total
Assets:			
Cash and cash equivalents	\$ 11,518	\$ 69,009	\$ 80,527
Investments		178,118	178,118
Taxes receivable, net	75,852		75,852
Intergovernmental receivables	134,799		134,799
Other accounts receivable	20,974	4,264	25,238
Due from other funds.....	169,035	16,868	185,903
Loans and notes receivable, net	15,351		15,351
Other assets	34,046		34,046
Total assets	\$461,575	\$268,259	\$729,834
Liabilities:			
Accounts payable and accrued liabilities	\$231,751	\$ 20,704	\$252,455
Due to other funds	21,007		21,007
Accounts payable to political subdivisions	60,886		60,886
Deferred revenue	2,521	2,218	4,739
Total liabilities	316,165	22,922	339,087
Fund balances:			
Reserved for:			
Encumbrances	30,609	72,902	103,511
Agency activities	11,227	16,901	28,128
Loans and notes receivable	15,351		15,351
Unreserved:			
Undesignated	88,223	155,534	243,757
Total fund balances	145,410	245,337	390,747
Total liabilities and fund balances	\$461,575	\$268,259	\$729,834

STATE OF MARYLAND

**Combining Statement of Revenues,
Expenditures, Other Sources and Uses of
Financial Resources and Changes in Fund Balances
Special Revenue Funds
for the year ended June 30, 1999**

(Expressed in Thousands)

	Maryland Department of Transportation	Maryland Transportation Authority	Total
Revenues:			
Motor vehicle taxes and fees	\$1,507,898		\$1,507,898
Charges for services	285,498	\$165,759	451,257
Interest and other investment income	10,337	12,983	23,320
Federal revenue	444,062		444,062
Other	20,429	8,609	29,038
Total revenues	2,268,224	187,351	2,455,575
Expenditures:			
Current:			
Transportation	866,078	113,482	979,560
Intergovernmental	502,046		502,046
Capital outlays	916,508	33,652	950,160
Total expenditures	2,284,632	147,134	2,431,766
Excess (deficiency) of revenues over expenditures	(16,408)	40,217	23,809
Other sources (uses) of financial resources:			
Capital leases	53,503		53,503
Operating transfers in	110,419		110,419
Operating transfers out	(222,223)	(20,229)	(242,452)
Net other uses of financial resources	(58,301)	(20,229)	(78,530)
Excess (deficiency) of revenues over expenditures and net other uses of financial resources	(74,709)	19,988	(54,721)
Fund balances July 1, 1998	220,119	225,349	445,468
Fund balances June 30, 1999	\$ 145,410	\$245,337	\$ 390,747

STATE OF MARYLAND
Combining Balance Sheet
Debt Service Funds
June 30, 1999
(Expressed in Thousands)

	General Obligation Bonds	Transportation Bonds	Maryland Transportation Authority Bonds	Total
Assets:				
Cash and cash equivalents	\$17,955	\$4,903	\$63,081	\$ 85,939
Investments		835	10,604	11,439
Taxes receivable, net.....	6,339			6,339
Other accounts receivable.....	83	8	451	542
Loans and notes receivable, net	23,185			23,185
Loans to component units.....	6,372			6,372
Total assets	\$53,934	\$5,746	\$74,136	\$133,816
Liabilities:				
Matured bonds and interest coupons payable.....	\$ 3,287	\$ 842		\$ 4,129
Total liabilities.....	3,287	842		4,129
Fund Balance:				
Reserved for:				
Loans and notes receivable.....	23,185			23,185
Loans to component units.....	6,372			6,372
Unreserved:				
Designated for:				
General long-term obligation bond debt service	21,090			21,090
Transportation bond debt service.....		4,904		4,904
Maryland Transportation Authority bond debt service			\$74,136	74,136
Total fund balances	50,647	4,904	74,136	129,687
Total liabilities and fund balances	\$53,934	\$5,746	\$74,136	\$133,816

STATE OF MARYLAND

**Combining Statement of Revenues,
Expenditures, Other Sources and Uses of
Financial Resources and Changes in Fund Balances**

Debt Service Funds

for the year ended June 30, 1999

(Expressed in Thousands)

	General Obligation Bonds	Transportation Bonds	Maryland Transportation Authority Bonds	Total
Revenues:				
Other taxes	\$247,193			\$247,193
Interest and other investment income.....	1,722	\$ 566	\$ 833	3,121
Other	399			399
Total revenues	249,314	566	833	250,713
Expenditures:				
Debt service:				
Principal retirement	245,297	95,410	34,175	374,882
Interest.....	172,349	39,295	17,104	228,748
Total expenditures.....	417,646	134,705	51,279	603,630
Deficiency of revenues over expenditures	(168,332)	(134,139)	(50,446)	(352,917)
Other sources of financial resources :				
Operating transfers in	158,119	133,178	44,683	335,980
Net other sources and uses of financial resources	158,119	133,178	44,683	335,980
Deficiency of revenues over expenditures and other sources of financial resources	(10,213)	(961)	(5,763)	(16,937)
Fund balances, July 1, 1998.....	60,860	5,865	79,899	146,624
Fund balances, June 30, 1999	\$ 50,647	\$ 4,904	\$74,136	\$129,687

STATE OF MARYLAND
Combining Balance Sheet
Enterprise Funds
June 30, 1999
(Expressed in Thousands)

	Economic Development		Maryland State Lottery Agency	State Use Industries	Total
	Insurance Programs	Loan Programs			
Assets:					
Cash and cash equivalents.....		\$ 189,511	\$ 1,200	\$ 10	\$ 190,721
Investments.....	\$ 1,909	964,957	452,819		1,419,685
Other accounts receivable	1	44,766	14,213	3,082	62,062
Due from other funds	100,293	103,201	41,700	9,395	254,589
Inventories.....				5,773	5,773
Loans and notes receivable, net.....	4,936	2,461,478			2,466,414
Property, plant and equipment, net.....	20	232	2,628	4,112	6,992
Other assets	8,881	78,514	41	738	88,174
Total assets	\$116,040	\$3,842,659	\$512,601	\$23,110	\$4,494,410
Liabilities:					
Accounts payable and accrued liabilities	\$ 656	\$ 42,408	\$ 4,734	\$ 1,991	\$ 49,789
Due to other funds		2,647	32,939		35,586
Lottery prizes			468,154		468,154
Accrued insurance and loan losses	37,767	675			38,442
Other liabilities.....	787	58,876			59,663
Deferred revenue	3,489		2,416	1,390	7,295
Notes payable			2,890		2,890
Revenue bonds payable		2,597,010			2,597,010
Accrued self-insurance costs	33	54	141	305	533
Accrued annual leave		425	517	433	1,375
Total liabilities	42,732	2,702,095	511,791	4,119	3,260,737
Capital:					
Contributed capital.....	48,295	690,993		982	740,270
Retained earnings — unreserved	25,013	449,571	810	18,009	493,403
Total capital.....	73,308	1,140,564	810	18,991	1,233,673
Total liabilities and capital.....	\$116,040	\$3,842,659	\$512,601	\$23,110	\$4,494,410

STATE OF MARYLAND
Combining Statement of Revenues, Expenses
and Changes in Retained Earnings
Enterprise Funds
for the year ended June 30, 1999
(Expressed in Thousands)

	Economic Development		Maryland State Lottery Agency	State Use Industries	Total
	Insurance Programs	Loan Programs			
Operating revenues:					
Lottery ticket sales			\$1,080,029		\$1,080,029
Charges for services and sales	\$ 7,690	\$ 4,426		\$35,750	47,866
Interest and other investment income	5,758	203,237			208,995
Other	19	1,962			1,981
Total operating revenues	13,467	209,625	1,080,029	35,750	1,338,871
Operating expenses:					
Prizes and claims			582,192		582,192
Commissions and bonuses			61,762		61,762
Cost of sales and services				28,140	28,140
Operation and maintenance of facilities		9,871			9,871
General and administrative	883	11,160	43,820	4,672	60,535
Interest		161,392			161,392
Depreciation and amortization	14	1,070	609	946	2,639
Provision for insurance and loan losses	13,185	14,293			27,478
Other		29,591			29,591
Total operating expenses	14,082	227,377	688,383	33,758	963,600
Operating income (loss)	(615)	(17,752)	391,646	1,992	375,271
Non-operating revenues (expenses):					
Investment income		2,171			2,171
Interest expense			(65)		(65)
Other		(1,236)		(2)	(1,238)
Income (loss) before transfers	(615)	(16,817)	391,581	1,990	376,139
Operating transfers in		44,281			44,281
Operating transfers out	(2,439)	(21,446)	(393,221)		(417,106)
Net income	(3,054)	6,018	(1,640)	1,990	3,314
Add: Depreciation of assets acquired from contributed capital				254	254
Increase (decrease) in retained earnings	(3,054)	6,018	(1,640)	2,244	3,568
Retained earnings, July 1, 1998	28,067	443,553	2,450	15,765	489,835
Retained earnings, June 30, 1999	\$25,013	\$449,571	\$ 810	\$18,009	\$ 493,403

STATE OF MARYLAND
Combining Statement of Cash Flows
Enterprise Funds
for the year ended June 30, 1999
(Expressed in Thousands)

	Economic Development		Maryland State Lottery Agency	State Use Industries	Total
	Insurance Programs	Loan Programs			
Cash flows from operating activities:					
Operating (loss) income	\$ (615)	\$ (17,752)	\$ 391,646	\$ 1,992	\$ 375,271
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	14	1,070	609	946	2,639
Loss on disposal of property, plant and equipment		377		2	379
Effect of changes in assets and liabilities:					
Other accounts receivable		4,383	(2,042)	(18)	2,323
Due from other funds	(113)	(20,629)	10,340	(1,397)	(11,799)
Inventories				(775)	(775)
Loans and notes receivable	(252)	21,342			21,090
Other assets	1,828	(22,547)	26	(619)	(21,312)
Accounts payable and accrued liabilities	59	(2,758)	(690)	(161)	(3,550)
Due to other funds		593	(2,843)		(2,250)
Accrued insurance on loan losses	1,979	(149)			1,830
Other liabilities	(24)	568			544
Deferred revenue	(341)	(138)	70	938	529
Accrued self-insurance costs	4	1	5	(3)	7
Accrued annual leave		48	517	22	587
Lottery installment payments			(60,463)		(60,463)
Future lottery prize installments			49,991		49,991
Net cash provided (used) by operating activities	2,539	(35,591)	387,166	927	355,041
Cash flows from non-capital financing activities:					
Proceeds from the sale of revenue bonds		473,978			473,978
Payment on revenue bonds		(414,539)			(414,539)
Operating transfers in		44,281			44,281
Operating transfers out	(2,439)	(21,446)	(393,221)		(417,106)
Contributed capital		80,793		9	80,802
Grant recoveries		735			735
Net cash (used) provided by non-capital financing activities	(2,439)	163,802	(393,221)	9	(231,849)
Cash flows from capital and related financing activities:					
Proceeds from notes payable and revenue bonds			908		908
Principal paid on notes payable and revenue bonds			(647)		(647)
Interest payments			(65)		(65)
Acquisition and construction of property, plant and equipment	(3)	(2)	(907)	(936)	(1,848)
Net cash used in capital and related financing activities	(3)	(2)	(711)	(936)	(1,652)
Cash flows from investing activities:					
Purchase of investments	(150)	(731,422)	(53,697)		(785,269)
Proceeds from maturity and sale of investments	53	602,002	60,463		662,518
Interest and gains on investments		200			200
Net cash (used) provided by investing activities	(97)	(129,220)	6,766		(122,551)
Net decrease in cash and cash equivalents		(1,011)			(1,011)
Cash and cash equivalents balance, July 1, 1998		190,522	1,200	10	191,732
Cash and cash equivalents balance, June 30, 1999	\$ —	\$ 189,511	\$ 1,200	\$ 10	\$ 190,721

STATE OF MARYLAND

Combining Balance Sheet
Fiduciary Fund Types

June 30, 1999

(Expressed in Thousands)

	Expendable Trust Fund		Investment Trust Fund		Pension Trust Funds			Agency Funds				Total
	Unemployment Insurance Fund	Deferred Compensation Plan	Local Government Investment Pool	Retirement and Pension System of Maryland	Mass Transit Administration Pension Plan	Patient and Prisoner Accounts	Insurance Premium Taxes	Local Income Taxes	Local Transportation Funds and Other Taxes	Payroll Taxes and Fringe Benefits		
Assets:												
Cash and cash equivalents		\$ 1,087		\$ 943,107	\$13,374	\$5,051	\$ 10	\$10,765	\$ (1,948)	\$ 971,446		
Investments		1,326,973	\$712,222	29,272,047	64,650					31,375,892		
Amount on deposit with U.S. Treasury										805,076		
Taxes receivable, net								\$ 181,594		274,643		
Other accounts receivable		9,530	1,241	410,991			27,388	42		421,804		
Due from other funds				12,300				13,164	1,948	896,914		
Collateral for loaned securities				1,891,273						1,891,273		
Total assets	\$898,125	\$1,337,590	\$713,463	\$32,529,718	\$78,024	\$5,051	\$27,398	\$23,971	\$ —	\$36,637,048		
Liabilities:												
Accounts payable and accrued liabilities	\$ 18,752	\$ 114	\$ 3,079	\$ 641,625	\$ 803	\$5,051	\$27,398	\$10,807		\$ 707,629		
Due to other funds				11,271	12,300					23,571		
Accounts payable to political subdivisions				1,891,273				\$1,023,708	13,164	1,036,872		
Collateral obligation for loaned securities										1,891,273		
Total liabilities	18,752	114	3,079	2,544,169	13,103	5,051	27,398	1,023,708	23,971	3,659,345		
Fund balances:												
Reserved for :												
Pension benefits				29,985,549	64,921					30,050,470		
Deferred compensation benefits		1,337,476								1,337,476		
Unemployment compensation benefits	879,373									879,373		
Local Government Investment Pool benefits			710,384							710,384		
Total fund balances	879,373	1,337,476	710,384	29,985,549	64,921					32,977,703		
Total liabilities and fund balances	\$898,125	\$1,337,590	\$713,463	\$32,529,718	\$78,024	\$5,051	\$27,398	\$1,023,708	\$23,971	\$ —		

STATE OF MARYLAND
Combining Balance Sheet
Retirement and Pension System of Maryland
June 30, 1999
(Expressed in Thousands)

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Local Fire and Police System	Natural Resources Pension System	Total
Assets:							
Cash and cash equivalents	\$ 609,161	\$ 276,616	\$ 15,847	\$ 30,196	\$ 2,070	\$ 9,217	\$ 943,107
Investments	17,533,457	10,190,340	192,433	1,251,078	6,902	97,837	29,272,047
Other accounts receivable	240,287	148,064	2,893	17,881	115	1,751	410,991
Due from other funds	7,235	4,322	90	602	4	47	12,300
Collateral for loaned securities.....	1,115,746	650,747	24,189	88,713	1,604	10,274	1,891,273
Total assets.....	\$19,505,886	\$11,270,089	\$235,452	\$1,388,470	\$10,695	\$119,126	\$32,529,718
Liabilities:							
Accounts payable and accrued liabilities	\$ 382,106	\$ 221,682	\$ 5,959	\$ 28,813	\$ 323	\$ 2,742	\$ 641,625
Due to other funds.....	6,712	3,894	105	506	6	48	11,271
Collateral obligation for loaned securities	1,115,746	650,747	24,189	88,713	1,604	10,274	1,891,273
Total liabilities	1,504,564	876,323	30,253	118,032	1,933	13,064	2,544,169
Fund balances:							
Reserved for :							
Pension benefits.....	18,001,322	10,393,766	205,199	1,270,438	8,762	106,062	29,985,549
Total liabilities and fund balances	\$19,505,886	\$11,270,089	\$235,452	\$1,388,470	\$10,695	\$119,126	\$32,529,718

STATE OF MARYLAND
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Expendable Trust Funds
for the year ended June 30, 1999
(Expressed in Thousands)

	Unemployment Insurance Fund	Deferred Compensation Plan	Total
Revenues:			
Other taxes	\$379,145		\$ 379,145
Interest and other investment income.....		\$ 166,138	166,138
Federal revenue	1,630		1,630
Employee contributions		81,310	81,310
Other		5	5
Total revenues	380,775	247,453	628,228
Expenditures:			
Current:			
Benefit payments		70,154	70,154
Business and economic development	318,729		318,729
Total expenditures.....	318,729	70,154	388,883
Excess of revenues over expenditures	62,046	177,299	239,345
Fund balances, July 1, 1998.....	817,327	1,160,177	1,977,504
Fund balances, June 30, 1999	\$879,373	\$1,337,476	\$2,216,849

STATE OF MARYLAND

Combining Statement of Changes in Plan Net Assets

Pension Trust Funds

for the year ended June 30, 1999

(Expressed in Thousands)

	Retirement and Pension System of Maryland							Subtotal	Mass Transit Administration Pension Plan	Total
	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Local Fire and Police System	Natural Resources Pension System				
Additions:										
Contributions:										
Employers	\$ 19,808	\$ 199,879	\$ 14,983	\$ 8,270	\$ 1,037	\$ 8,360	\$ 252,337	\$ 13,103	\$ 265,440	
Members	98,517	56,551	1,363	5,645	7	259	162,342		162,342	
Sponsors	440,784		232				441,016		441,016	
Total contributions	559,109	256,430	16,578	13,915	1,044	8,619	855,695	13,103	868,798	
Investment income:										
Net appreciation (depreciation) in fair value of investment	868,285	538,822	8,334	79,331	114	5,361	1,500,247	(1,144)	1,499,103	
Interest	370,149	205,673	6,098	19,496	444	2,243	604,103	5,549	609,652	
Dividends	157,183	91,478	1,871	12,681	102	1,036	264,351		264,351	
Real estate operating net income	9,384	4,122	203	522	28	96	14,355		14,355	
Total investment income	1,405,001	840,095	16,506	112,030	688	8,736	2,383,056	4,405	2,387,461	
Less investment expense	93,426	54,423	1,725	7,251	105	728	157,658		157,658	
Net investment income	1,311,575	785,672	14,781	104,779	583	8,008	2,225,398	4,405	2,229,803	
Total additions	1,870,684	1,042,102	31,359	118,694	1,627	16,627	3,081,093	17,508	3,098,601	
Deductions:										
Benefit payments	679,659	382,718	14,034	35,002	247	3,426	1,115,086	9,374	1,124,460	
Refunds	7,557	9,035	3	275		28	16,898		16,898	
Administrative expenses	14,852	8,601	164	1,043	6	76	24,742	104	24,846	
Net transfers	3,197	31,579	3	(50)		(34,729)				
Total deductions	705,265	431,933	14,204	36,270	253	(31,199)	1,156,726	9,478	1,166,204	
Net increase in plan assets	1,165,419	610,169	17,155	82,424	1,374	47,826	1,924,367	8,030	1,932,397	
Net assets held in trust for pension benefits:										
July 1, 1998	16,835,903	9,783,597	188,044	1,188,014	7,388	58,236	28,061,182	56,891	28,118,073	
June 30, 1999	\$18,001,322	\$10,393,766	\$205,199	\$1,270,438	\$8,762	\$106,062	\$29,985,549	\$64,921	\$30,050,470	

STATE OF MARYLAND

Combining Statement of Changes in Assets
and Liabilities — All Agency Funds
for the year ended June 30, 1999
(Expressed in Thousands)

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
<u>Patient and Prisoner Accounts</u>				
Assets:				
Cash and cash equivalents	\$ 3,042	\$ 16,412	\$ 14,403	\$ 5,051
Investments	1,160		1,160	
Total assets	\$ 4,202	\$ 16,412	\$ 15,563	\$ 5,051
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,202	\$ 16,412	\$ 15,563	\$ 5,051
<u>Insurance Premium Taxes</u>				
Assets:				
Cash and cash equivalents	\$ 10			\$ 10
Due from other funds	23,098	\$ 17,670	\$ 13,380	27,388
Total assets	\$ 23,108	\$ 17,670	\$ 13,380	\$ 27,398
Liabilities:				
Accounts payable and accrued liabilities	\$ 23,108	\$ 17,670	\$ 13,380	\$ 27,398
<u>Local Income Taxes</u>				
Assets:				
Due from other funds	\$786,531	\$2,518,501	\$2,462,918	\$ 842,114
Taxes receivable	154,781	26,813		181,594
Total assets	\$941,312	\$2,545,314	\$2,462,918	\$1,023,708
Liabilities:				
Accounts payable to political subdivisions	\$941,312	\$2,545,314	\$2,462,918	\$1,023,708
<u>Local Transportation Funds and Other Taxes</u>				
Assets:				
Cash and cash equivalents	\$ 13,129	\$ 25,216	\$ 27,580	\$ 10,765
Due from other funds	11,983	46,951	45,770	13,164
Other accounts receivable	270	28	256	42
Total assets	\$ 25,382	\$ 72,195	\$ 73,606	\$ 23,971
Liabilities:				
Accounts payable and accrued liabilities	\$ 13,427	\$ 25,305	\$ 27,925	\$ 10,807
Accounts payable to political subdivisions	11,955	46,890	45,681	13,164
Total liabilities	\$ 25,382	\$ 72,195	\$ 73,606	\$ 23,971
<u>Payroll Taxes and Fringe Benefits</u>				
Assets:				
Cash and cash equivalents	\$ (1,033)	\$ 629,515	\$ 630,430	\$ (1,948)
Due from other funds	1,033	1,948	1,033	1,948
Total assets	\$ —	\$ 631,463	\$ 631,463	\$ —
Liabilities:				
Accounts payable and accrued liabilities	\$ —	\$ 631,463	\$ 631,463	\$ —
<u>Totals—All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 15,148	\$ 671,143	\$ 672,413	\$ 13,878
Investments	1,160		1,160	
Taxes receivable	154,781	26,813		181,594
Other accounts receivable	270	28	256	42
Due from other funds	822,645	2,585,070	2,523,101	884,614
Total assets	\$994,004	\$3,283,054	\$3,196,930	\$1,080,128
Liabilities:				
Accounts payable and accrued liabilities	\$ 40,737	\$ 690,850	\$ 688,331	\$ 43,256
Accounts payable to political subdivisions	953,267	2,592,204	2,508,599	1,036,872
Total liabilities	\$994,004	\$3,283,054	\$3,196,930	\$1,080,128

STATE OF MARYLAND
Combining Balance Sheet
Higher Education Component Unit Funds
June 30, 1999
(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment Funds	Plant Funds	Total
	Unrestricted	Restricted				
Assets:						
Cash and cash equivalents	\$ 5,795	\$ 4,593	\$ 5,759	\$ 13,783	\$ 148,507	\$ 178,437
Investments	8,088			237,408	87,061	332,557
Intergovernmental receivables		95				95
Other accounts receivable, net of allowance of \$12,271	37,566	102,112	670	677	502	141,527
Due from primary government	260,625					260,625
Inventories	12,605					12,605
Loans and notes receivable, net of allowance of \$8,286	12	3,308	58,074			61,394
Property, plant and equipment, net					3,446,926	3,446,926
Other assets	59,184	77			737	59,998
Total assets	\$383,875	\$110,185	\$64,503	\$251,868	\$3,683,733	\$4,494,164
Liabilities:						
Accounts payable and accrued liabilities	\$109,816	\$ 69,447	\$ 349	\$ 227	\$ 33,854	\$ 213,693
Deferred revenue	42,815	2,403				45,218
Revenue bonds and other debt					714,610	714,610
Accrued workers' compensation costs	18,370					18,370
Accrued annual leave	76,280	579				76,859
Obligations under capital leases					7,833	7,833
Total liabilities	247,281	72,429	349	227	756,297	1,076,583
Fund balances:						
Investments in fixed assets					2,791,591	2,791,591
Reserved for:						
Encumbrances	18,523					18,523
Sponsored research		37,756				37,756
Loans to students			61,148			61,148
Endowment				249,901		249,901
Debt and plant additions					135,845	135,845
Unreserved, undesignated	118,071		3,006	1,740		122,817
Total fund balances	136,594	37,756	64,154	251,641	2,927,436	3,417,581
Total liabilities and fund balances	\$383,875	\$110,185	\$64,503	\$251,868	\$3,683,733	\$4,494,164

STATE OF MARYLAND

Schedule of Fixed Assets and Accumulated Depreciation

June 30, 1999

(Expressed in Thousands)

	Land and Improvements	Structure and Improvements	Equipment	Construction in Progress	Total Cost	Accumulated Depreciation	Total Cost Less Accumulated Depreciation
<i>Proprietary Fund Type (By Fund):</i>							
Economic Development—Insurance Programs.....			\$ 216		\$ 216	\$ 196	\$ 20
Economic Development—Loan Programs.....			238		238	6	232
Maryland State Lottery			15,717		15,717	13,089	2,628
State Use Industries		\$ 914	11,796		12,710	8,598	4,112
Total.....	\$ —	\$ 914	\$ 27,967	\$ —	\$ 28,881	\$21,889	\$ 6,992
<i>General Fixed Assets (By Function):</i>							
General government.....	\$ 190,705	\$ 752,371	\$ 151,603	\$ 26,257	\$ 1,120,936		\$ 1,120,936
Education	2,511	64,408	52,230		119,149		119,149
Business and economic development			3,328		3,328		3,328
Labor, licensing and regulation.....	2,693	7,433	36,150	1,579	47,855		47,855
Human resources			54,757		54,757		54,757
Health and mental hygiene	19,749	296,169	60,264	12,682	388,864		388,864
Environment			23,083		23,083		23,083
Transportation	822,971	4,558,069	1,099,462	225,929	6,706,431		6,706,431
Public safety and judicial.....	78,512	871,827	264,127	95,640	1,310,106		1,310,106
Housing and community development	2,475	9,879	6,623	10,856	29,833		29,833
Natural resources and recreation	342,064	66,329	51,856	29,372	489,621		489,621
Agriculture	66	28,106	11,846	21	40,039		40,039
Total.....	\$1,461,746	\$6,654,591	\$1,815,329	\$402,336	\$10,334,002	\$ —	\$10,334,002
<i>Component Units Fixed Assets:</i>							
Higher Education Fund	\$ 64,900	\$2,532,734	\$ 649,285	\$200,007	\$ 3,446,926		\$ 3,446,926
Proprietary Fund	5,642	48,580	14,319	281	68,822	\$41,852	26,970
Total.....	\$ 70,542	\$2,581,314	\$ 663,604	\$200,288	\$ 3,515,748	\$41,852	\$ 3,473,896

STATE OF MARYLAND

Schedule of Changes in General Fixed Assets by Function

for the year ended June 30, 1999

(Expressed in Thousands)

Function:	Balance July 1, 1998	Additions	Deletions	Transfer In (Out)	Balance June 30, 1999
General government.....	\$ 1,081,861	\$ 47,024	\$ 5,119	\$(2,830)	\$ 1,120,936
Education	117,882	3,436	2,169		119,149
Business and economic development	2,532	796			3,328
Labor, licensing and regulation.....	44,660	4,458	1,263		47,855
Human resources	43,995	12,654	1,892		54,757
Health and mental hygiene	395,751	9,514	16,401		388,864
Environment	23,082	1,905	1,904		23,083
Transportation	6,546,471	322,970	163,010		6,706,431
Public safety and judicial.....	1,328,954	52,593	74,271	2,830	1,310,106
Housing and community development	28,575	2,040	782		29,833
Natural resources and recreation	484,001	9,644	4,024		489,621
Agriculture	38,703	1,515	179		40,039
Total.....	\$10,136,467	\$468,549	\$271,014	\$ —	\$10,334,002

STATE OF MARYLAND
Schedule of Estimated and Actual Revenues By Source
Budgetary Basis
for the year ended June 30, 1999
(Expressed in Thousands)

	Annual Budgeted Funds																
	General Fund		Special Fund		Federal Fund		Current Restricted Fund		Higher Education Funds		Capital Projects Fund		Other Funds		Total		
	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	
Taxes:																	
Property tax		\$ 451	\$ 335,932	\$ 271,130											\$ 74,651	\$ 736	\$ 346,968
Franchise and corporation tax	\$ 157,840	163,547															163,547
Death taxes	125,092	129,679															129,679
Recordation tax		200		94												460	754
Admission and amusement tax				1,126												6,454	7,580
Alcoholic beverages tax	24,331	23,908															23,908
Motor vehicle fuel taxes	11,081	11,886	628,019	667,957													679,843
Income taxes	4,404,644	4,602,298	89,135	96,037													4,698,335
Sales and use taxes	2,260,384	2,299,265															2,299,265
Tobacco taxes	121,864	128,773	28	12													128,785
Motor vehicle titling taxes			507,000	535,145													535,145
Insurance company taxes	194,549	177,788															177,788
Horse racing taxes			3,059	717													717
Shellfish taxes				515													515
Boxing, wrestling or sparring taxes				20													20
Boat titling tax			1,836	21,014													21,014
Energy generation tax			5,469	9,444													9,444
Emergency telephone system tax			29,379	31,525													31,525
Unemployment insurance taxes																	
Total taxes	7,299,785	7,537,795	1,599,857	1,634,736											74,651	379,145	9,633,977
Other:																	
Licenses and permits	26,375	37,562	257,428	283,041													320,603
Fees for services	106,400	96,359	273,504	306,595													634,232
Fines and costs	66,414	96,834	22,270	27,839													126,551
Sales to the public	4,186	4,066	55,943	66,352													1,157,367
Commissions and royalties	23	590	56,697	64,302													64,892
Rentals	826	612	88,987	56,154													69,340
Interest on investments	82,082	144,448	13,229	24,713													2,986,343
Interest on loan repayments			7,583	14,205													15,367
Miscellaneous	67,106	65,863	43,882	58,058													123,921
Colleges and universities																	2,095,412
Federal reimbursements and grants	2,730	593			\$3,922,544	\$3,449,093			\$1,107,591	\$1,093,188	\$521,281	\$502,610					3,512,768
Other reimbursements	188,332	210,417	371,300	144,393													25,398
Bond issues:																	
State-general purpose																	475,000
Consolidated transportation bonds			74,900	183,114													
State reimbursements	537,625	563,406	259,357												159,980	(263,438)	643,062
Appropriated from general fund									726,545	726,545							726,545
Trust funds			18,811	12,794													12,794
Revolving accounts		7,811	27,115	30,648													67,357
Contributions																	28,898
Total revenues	\$8,381,884	\$8,766,356	\$3,170,863	\$2,957,497	\$3,922,544	\$3,449,093	\$1,834,136	\$1,819,733	\$1,107,591	\$1,093,188	\$521,281	\$502,610	2	475,000	\$7,592,583	\$7,592,583	\$25,802,865

STATE OF MARYLAND
Schedule of Budget and Actual Expenditures and Encumbrances by Major Function
Budgetary Basis
for the year ended June 30, 1999
(Expressed in Thousands)

Expenditures and Encumbrances by Major Function	Annual Budgeted Funds														
	General Fund			Special Fund			Federal Fund			Higher Education Funds			Capital Projects Fund	Other Funds	Total
	Final Budget	Actual		Final Budget	Actual		Final Budget	Actual		Final Budget	Actual				
Payments of revenue to civil divisions of the State	\$ 66,566	\$ 66,566	\$ 1,330	\$ 1,330	\$ 1,330										\$ 67,896
Public debt	72,579	72,550	266,649	265,839											338,389
Legislative	44,821	44,821	14,439	14,345	\$ 3,302	\$ 2,782								\$ 13,321	44,821
Judicial review and legal	269,816	269,579	59,846	56,638	81,725	67,864									300,027
Executive and administrative control	255,338	254,480	58,242	55,924	30									135,856	514,838
Financial and revenue administration	152,055	149,363	14,260	12,526										640,873	846,160
Budget and management	81,500	81,493	27,237	26,910										3,042,980	94,019
Retirement and pension	39,007	38,951	2,698	2,174											3,069,890
General services			1,990,287	1,947,145	515,221	419,544								345,799	41,125
Transportation and highways			129,108	127,817	28,687	26,133								305	2,712,488
Natural resources and recreation	68,577	68,577	31,125	29,034	3,356	2,414								1,653	222,832
Agriculture	28,918	28,918	146,847	104,374	1,511,686	1,476,377									62,019
Health, hospitals and mental hygiene	2,013,386	2,013,377	56,380	52,426	966,214	802,454								168,776	3,762,904
Human resources	438,043	438,042	12,622	12,158	164,591	147,787								(7,027)	1,285,895
Labor, licensing and regulation	25,670	25,670	90,421	86,944	9,188	6,972									185,615
Public safety and correctional services	623,692	623,676	37,083	31,640	538,599	497,219	\$1,834,136	\$1,774,612	\$521,281	\$507,637				(1,337)	716,255
Public education	3,740,352	3,736,456	41,777	39,282	56,845	48,806								244,808	6,792,372
Housing and community development	27,938	27,774	70,166	57,885										19,973	135,835
Business and economic development	56,058	56,058	58,470	55,866	2,658	2,566								356,333	472,842
Environment	35,756	35,681	305	128	23,388	16,900								704	108,447
Juvenile services	123,733	123,731	46,571	45,470	14,393	12,504								515	137,067
State police	195,295	195,006	15,000	15,000	2,661	2,437									243,428
State reserve fund	193,157	193,157													208,157
Loan accounts															518,419
Reversions															
Current year reversions	(25,000)	(9,440)	(37,238)	(37,238)	(75,045)	(75,045)									(123,328)
Prior year reversions															
Total expenditures and encumbrances	\$8,527,257	\$8,534,486	\$3,170,863	\$3,003,617	\$3,922,544	\$3,457,714	\$1,834,136	\$1,773,209	\$521,281	\$507,435	\$518,419	\$4,963,532	\$22,758,412		

STATE OF MARYLAND

Schedule of Changes in Fund Equities — Budgetary Basis
for the year ended June 30, 1999
(Expressed in Thousands)

	General Fund	Special Fund		Federal Fund	Higher Education		Capital Projects Fund	Other Funds	Total
		Other Special	Debt Service		Current Unrestricted Fund	Current Restricted Fund			
Fund equities, July 1, 1998	\$1,264,430	\$ 655,643	\$ 60,860	\$ —	\$ 230,225	\$ 3,182	\$327,231	\$34,488,873	\$37,030,444
Cumulative effect of reporting change ..								590,352	590,352
Increase:									
Revenues	8,766,356	2,702,142	255,355	3,449,093	1,819,733	502,610	714,993	7,592,583	25,802,865
Decrease:									
Appropriations	8,552,257	2,904,214	266,649	3,922,544	1,834,136	521,281			
Less: Current year reversions	(8,331)	(129,198)	(810)	(389,785)	(59,524)	(13,644)			
Prior year reversions	(9,440)	(37,238)		(75,045)	(1,403)	(202)			
Expenditures and encumbrances	8,534,486	2,737,778	265,839	3,457,714	1,773,209	507,435	518,419	4,963,532	22,758,412
Changes to encumbrances during fiscal year 1999	(44,791)	14,555		(1,331)	4,946	(33)			(26,654)
Expenditures	8,489,695	2,752,333	265,839	3,456,383	1,778,155	507,402	518,419	4,963,532	22,731,758
Transfers (out) in	(26,630)	92,154	271	7,290	(235)	(225)	(5,164)	(67,461)	
Changes in contributed capital								80,266	80,266
Fund equities, June 30, 1999	\$1,514,461	\$ 697,606	\$ 50,647	\$ —	\$ 271,568	\$ (1,835)	\$518,641	\$37,721,081	\$40,772,169
Invested in fixed assets								\$ 2,791,591	\$ 2,791,591
Contributed capital								766,841	766,841
Retained earnings:									
Reserved								4,593	4,593
Unreserved								732,276	732,276
Fund Balance:									
Reserved:									
Encumbrances	\$ 190,233	\$ 217,929		\$ 214,840	\$ 3,080	\$ 180	\$324,789	72,902	1,023,953
Agency activities								152,795	152,795
State reserve fund	740,976								740,976
Loans and notes receivable		15,351	\$ 29,557						44,908
Shore erosion loan programs		13,263							13,263
Loans to students								61,148	61,148
Endowment funds								249,901	249,901
Debt and plant additions								135,845	135,845
Pension benefits								30,050,470	30,050,470
Deferred compensation benefits								1,337,476	1,337,476
Unemployment compensation benefits								879,373	879,373
Local government investment pool benefits								710,384	710,384
Unreserved:									
Designated for:									
General long-term debt service ..			21,090						21,090
Transportation debt service								4,904	4,904
Maryland Transportation Authority bond debt service ..								74,136	74,136
2000 Operations	263,279								263,279
Undesignated surplus (deficit)	319,973	451,063		(214,840)	268,488	(2,015)	193,852	(303,554)	712,967
Total	\$1,514,461	\$ 697,606	\$ 50,647	\$ —	\$ 271,568	\$ (1,835)	\$518,641	\$37,721,081	\$40,772,169

STATE OF MARYLAND

**Schedule of Funds Transferred to Political Subdivisions
for the year ended June 30, 1999 (1)
(Expressed in Thousands)**

Subdivision (2)	State Sources				Other Sources			Assessed Value of Real and Personal Property (2)	Amount Per \$100 of Assessed Value
	Shared Revenues	Direct Grants and Appropriations	Debt Service	Total	Federal Funds	State Administered Local Revenue	Total		
Allegany.....	\$ 3,952	\$ 61,023	\$ 3,857	\$ 68,832	\$ 18,771	\$ 18,680	\$ 106,283	\$ 1,317,578	\$ 8.07
Anne Arundel	22,213	233,910	3,621	259,744	43,309	253,672	556,725	14,084,930	3.95
Baltimore County	33,475	365,060	10,557	409,092	63,405	414,963	887,460	17,846,482	4.97
Calvert.....	4,029	45,209	4,417	53,655	8,158	32,559	94,372	2,907,206	3.25
Caroline	3,196	28,254	895	32,345	5,659	8,305	46,309	503,072	9.21
Carroll	8,600	95,209	5,267	109,076	12,023	66,915	188,014	3,582,952	5.25
Cecil	4,740	62,083	3,960	70,783	11,571	28,179	110,533	1,859,993	5.94
Charles	6,481	84,161	6,417	97,059	13,402	50,088	160,549	3,198,902	5.02
Dorchester	3,373	25,665	1,099	30,137	8,976	7,660	46,773	671,625	6.96
Frederick	10,151	121,602	4,871	136,624	14,580	84,871	236,075	4,722,494	5.00
Garrett.....	4,133	28,411	1,580	34,124	6,084	7,719	47,927	783,730	6.12
Harford	10,490	139,247	2,855	152,592	20,399	92,630	265,621	4,983,908	5.33
Howard	11,894	115,745	9,110	136,749	12,328	153,888	302,965	7,743,450	3.91
Kent	1,749	11,911	680	14,340	12,450	7,185	33,975	537,021	6.33
Montgomery	29,214	324,904	12,531	366,649	66,255	726,221	1,159,125	31,895,522	3.63
Prince George's	22,401	533,649	22,530	578,580	74,345	309,117	962,042	17,424,240	5.52
Queen Anne's.....	3,901	24,709	2,478	31,088	5,025	21,037	57,150	1,166,245	4.90
St. Mary's	5,355	54,585	4,378	64,318	11,813	35,853	111,984	1,937,514	5.78
Somerset	2,320	21,400	1,144	24,864	5,868	4,538	35,270	312,919	11.27
Talbot	2,602	11,257	843	14,702	5,828	14,162	34,692	1,316,597	2.63
Washington	6,746	85,087	3,945	95,778	16,242	40,642	152,662	2,602,837	5.87
Wicomico	5,525	62,736	6,983	75,244	14,357	28,732	118,333	1,649,983	7.17
Worcester	3,779	16,285	821	20,885	7,886	10,852	39,623	2,486,115	1.59
Baltimore City.....	173,171	820,048	5,184	998,403	261,875	163,563	1,423,841	8,463,912	16.82
Total.....	\$383,490	\$3,372,150	\$120,023	\$3,875,663	\$720,609	\$2,582,031	\$7,178,303	\$133,999,227	

(1) In addition to the amounts shown for counties and Baltimore City, \$125,708,144 was distributed to municipalities within the counties.
(2) Source: Fifty-fifth Report of the Department of Assessments and Taxation, dated January 1999. Amounts shown are the local subdivision's assessable base only.

STATE OF MARYLAND

**Schedule of Taxes Receivable from
Collectors of State Property Taxes
June 30, 1999
(Expressed in Thousands)**

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany	\$177	\$28	\$205
Anne Arundel.....	607	478	1,085
Baltimore County	100	53	153
Calvert	134	6	140
Caroline	10	1	11
Carroll	60	4	64
Cecil	65	182	247
Charles.....	24	20	44
Dorchester	123	19	142
Frederick	28	7	35
Garrett	120	7	127
Harford.....	63	11	74
Howard.....	67	689	756
Kent	67	2	69
Montgomery.....	539	112	651
Prince George's	186	102	288
Queen Anne's.....	6	3	9
St. Mary's.....	163	11	174
Somerset	69	1	70
Talbot	13	17	30
Washington	(7)	2	(5)
Wicomico	27	(1)	26
Worcester	216	13	229
Baltimore City.....	534	1,181	1,715
Total	\$3,391	\$2,948	\$6,339

STATE OF MARYLAND

Schedule of Estimated Revenues — Budgetary Basis

for the year ending June 30, 2000

(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income taxes	\$4,609,740	\$ 85,178				\$ 4,694,918
Retail sales and use tax and licenses.....	2,350,963					2,350,963
Motor vehicle fuel taxes and licenses.....	11,167	643,900				655,067
Motor vehicle tax and licenses	8,595	658,700				667,295
Property taxes		346,204 (1)				346,204
Insurance company taxes, licenses and fees	186,725					186,725
Franchise and corporation taxes	169,823					169,823
State tobacco tax and licenses	207,055					207,055
Alcoholic beverages taxes and licenses	24,969					24,969
Death taxes	133,619					133,619
Miscellaneous taxes, fees and other revenues.....	81,369	20,728 (2)				102,097
Horse racing taxes and licenses		1,332				1,332
District courts fines and costs.....	67,149					67,149
Interest on investments	67,000	7,000				74,000
Hospital patient recoveries	101,260					101,260
Legislative	331					331
Judicial review and legal.....	73,653	12,909	\$ 3,058			89,620
Executive and administrative control	558	57,650	76,560			134,768
Financial and revenue administration.....		10,991				10,991
Budget and management	957	14,797				15,754
State lottery agency.....	364,637	44,810				409,447
Retirement and pension		25,340				25,340
General services.....	40	2,659				2,699
Transportation and highways.....		541,497	579,560			1,121,057
Natural resources and recreation.....		60,235	23,629			83,864
Agriculture	246	15,536	1,617			17,399
Health, hospitals and mental hygiene	7,162	90,496	1,535,328			1,632,986
Human resources.....	3,830	33,417	885,543			922,790
Labor, licensing and regulation	14,447	3,951	149,736			168,134
Public safety and correctional services	7,247	98,501	15,546			121,294
Public education.....	21,454	34,849	503,349	\$1,906,091	\$533,515	2,999,258
Housing and community development.....		36,225	45,901			82,126
Business and economic development		33,407	469			33,876
Environment	197	193,010	19,483			212,690
Juvenile services	574	172	12,096			12,842
State police.....	2,280	49,606	742			52,628
Total estimated revenues	\$8,517,047	\$3,123,100	\$3,852,617	\$1,906,091	\$533,515	\$17,932,370 (3)

(1) Includes \$251,217,875 recorded in the Debt Service Fund for accounting purposes.

(2) Includes \$20,727,560 recorded in the Debt Service Fund for accounting purposes.

(3) Amounts are reported at July 1, 1999, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND

**Schedule of General, Special, Federal, Current Unrestricted
and Current Restricted Fund Appropriations — Budgetary Basis
for the year ending June 30, 2000**

(Expressed in Thousands)

Functions	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State.....	\$ 73,608	\$ 1,332				\$ 74,940
Public debt	95,223	271,945 (1)				367,168
Legislative	50,276					50,276
Judicial review and legal.....	288,356	12,909	\$ 3,058			304,323
Executive and administrative control	321,199	57,650	76,560			455,409
Financial and revenue administration.....	167,562	55,801				223,363
Budget and management	98,722	14,797				113,519
Retirement and pension		25,340				25,340
General services.....	39,275	2,659				41,934
Transportation and highways.....		1,936,275	579,560			2,515,835
Natural resources and recreation.....	52,137	138,599	23,629			214,365
Agriculture	29,531	31,159	1,617			62,307
Health, hospitals and mental hygiene	2,090,147	90,496	1,535,328			3,715,971
Human resources.....	459,669	33,417	885,543			1,378,629
Labor, licensing and regulation	22,438	3,951	149,736			176,125
Public safety and correctional services	656,489	98,501	15,546			770,536
Public education.....	3,944,097	34,849	503,349	\$1,906,091	\$533,515	6,921,901
Housing and community development	31,095	37,225	45,901			114,221
Business and economic development	72,694	33,407	469			106,570
Environment	41,278	193,010	19,483			253,771
Juvenile services	122,584	172	12,096			134,852
State police.....	198,949	49,606	742			249,297
State reserve fund	109,997					109,997
Total appropriations	\$8,965,326	\$3,123,100	\$3,852,617	\$1,906,091	\$533,515	\$18,380,649 (2)

(1) Recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported at July 1, 1999, and do not reflect revisions, if any, subsequent to that date.

STATISTICAL SECTION

STATE OF MARYLAND

**Schedule of General Government Revenues by Source,
Expenditures by Function and Other Sources (Uses)
of Financial Resources and Changes in Fund Balances
General, Special Revenue, Debt Service and Capital Projects Funds
Last Ten Fiscal Years
(Expressed in Thousands)**

	Year ended June 30,									
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Revenues:										
Income taxes	\$ 4,845,406	\$ 4,491,384	\$ 4,084,147	\$ 3,796,251	\$ 3,669,027	\$ 3,590,562	\$ 3,303,678	\$ 3,043,695	\$ 3,035,505	\$ 3,096,423
Retail sales and use taxes	2,299,266	2,161,158	2,093,876	2,000,298	1,951,031	1,814,948	1,718,152	1,579,785	1,540,887	1,571,867
Motor vehicle taxes and fees	1,507,898	1,426,340	1,373,002	1,321,412	1,298,132	1,225,531	1,119,416	990,540	919,220	955,253
Other taxes	1,203,907	1,149,092	1,057,592	1,065,176	1,031,735	1,053,998	1,039,108	902,757	848,052	894,729
Other licenses and fees	328,442	289,414	208,009	211,817	216,621	193,216	197,255	142,525	125,476	113,189
Charges for services	758,698	737,099	658,583	670,901	803,183	691,597	630,597	608,385	403,942	331,312
Interest and other investment income	174,945	151,443	138,893	114,986	100,626	56,120	35,158	33,399	73,990	125,655
Federal	3,681,692	3,509,817	3,726,882	3,357,959	3,277,297	2,630,278	2,530,226	2,422,678	1,982,214	1,825,753
Other.....	164,922	134,829	134,875	186,902	190,297	215,761	251,737	258,042	250,109	192,183
Total revenues	14,965,176	14,050,576	13,475,859	12,725,702	12,537,949	11,472,011	10,825,327	9,981,806	9,179,395	9,106,364
Expenditures:										
Current:										
General government	495,028	427,482	382,424	520,419	616,518	536,542	494,041	482,752	475,868	453,164
Education	3,440,054	3,239,233	3,025,536	2,818,909	2,637,338	2,497,869	2,389,155	2,292,608	2,218,148	2,052,303
Business and economic development	50,344	45,083	41,026	42,259	163,735	149,647	155,575	148,413	152,121	147,404
Labor, licensing and regulation	158,192	148,980	141,523	155,495						
Human resources	1,285,650	1,317,365	1,304,480	1,344,361	1,382,650	954,822	926,954	916,320	907,736	753,935
Health and mental hygiene	3,599,677	3,255,961	3,323,439	3,132,078	3,240,900	2,965,057	2,781,409	2,767,977	2,350,469	1,990,090
Environment	68,119	60,973	64,722	71,911	64,943	60,567	51,598	61,294	62,608	52,245
Transportation.....	979,560	859,460	860,986	859,208	783,786	752,679	692,454	593,861	575,696	544,037
Public safety and judicial.....	1,349,764	1,202,632	1,238,772	1,061,974	938,507	896,938	862,311	832,312	791,728	728,105
Housing and community development ..	106,604	97,661	80,390	67,093	69,611	75,746	102,725	115,471	56,835	62,179
Natural resources and recreation	131,541	122,113	125,269	123,681	116,530	114,678	111,559	126,875	126,863	123,297
Agriculture.....	53,078	42,202	38,138	43,010	34,872	28,774	27,185	33,167	52,785	43,819
Intergovernmental	1,151,315	1,109,755	1,036,094	933,700	937,236	784,990	700,119	705,008	810,313	815,738
Debt service	603,630	593,302	585,589	601,999	506,031	467,279	488,153	451,600	477,156	467,197
Capital outlays	1,106,875	1,044,187	1,137,356	1,047,936	1,075,888	784,555	759,224	830,178	1,166,021	1,142,035
Total expenditures.....	14,579,431	13,566,389	13,385,744	12,824,033	12,568,545	11,070,143	10,542,462	10,357,836	10,224,347	9,375,548
Excess (deficiency) of revenues over expenditures	385,745	484,187	90,115	(98,331)	(30,596)	401,868	282,865	(376,030)	(1,044,952)	(269,184)
Other sources (uses) of financial resources:										
Capital leases.....	100,001	117,234	62,200	62,930	16,872	41,835	15,577	64,418	26,648	3,008
Proceeds from bond issues	483,805	514,190	460,000	469,504	566,384	416,780	332,419	464,197	617,338	499,688
Proceeds from loans to other funds								40,000	25,000	
Proceeds from refunding bonds		113,340				802,701	303,218			
Payments to escrow agents		(113,661)								
Operating transfers in	1,179,676	1,020,788	920,843	910,063	1,033,400	759,879	313,804	333,976	365,166	353,254
Operating transfers in from component units	1,013	593	870	1,339						
Operating transfers out	(806,851)	(670,151)	(563,969)	(548,955)	(1,342,979)	(1,024,000)	(650,893)	(644,333)	(727,465)	(863,240)
Operating transfers out to component units	(824,170)	(773,628)	(711,032)	(680,339)						
Recognition of fund liability							(65,000)			
Payment to refunded bond escrow agent ..						(802,701)	(298,759)			
Payment to refunded leases escrow agent ..						(8,567)				
Net other sources (uses) of financial resources	133,474	208,705	168,912	214,542	273,677	185,927	(49,634)	258,258	306,687	(7,290)
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	519,219	692,892	259,027	116,211	243,081	587,795	233,231	(117,772)	(738,265)	(276,474)
Fund balance, July 1.....	2,429,431	1,736,539	1,476,480 (4)	1,360,269	1,117,188	529,393	137,467 (3)	246,889	985,154	1,261,628
Adjustments.....			1,032				154,295			
Fund balance, July 1, as restated			1,477,512				291,762 (2)			
Equity transfers.....							4,400	8,350 (1)		
Fund balance, June 30	\$ 2,948,650	\$ 2,429,431	\$ 1,736,539	\$ 1,476,480	\$ 1,360,269	\$ 1,117,188	\$ 529,393	\$ 137,467	\$ 246,889	\$ 985,154

Source: General Accounting Division, State Comptroller's Office

- (1) During 1992 the Economic Development Loan Programs returned \$8,350,000 to the General Fund. This return of contributed capital has been reported as an equity transfer.
- (2) During 1993 the Economic Development Loan Programs returned \$4,400,000 to the General Fund. This return of contributed capital has been reported as an equity transfer.
- (3) Effective July 1, 1992, the Maryland Transportation Authority's activities were recorded in the special revenue and debt service funds and its beginning equity was reclassified from the enterprise fund to the respective governmental funds.
- (4) Effective July 1, 1996, investments of the general governmental funds were valued at fair value which is based on quoted market prices.

STATE OF MARYLAND

Schedule of Property Tax Levies and Collections

Last Ten Fiscal Years

(Expressed in Thousands)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Tax Levy
1999	\$246,489	\$243,098	98.62%	\$2,704	\$245,802	99.72%	\$6,339	2.57%
1998	241,630	238,358	98.65	2,890	241,248	99.84	5,996	2.48
1997	235,634	232,628	98.72	1,919	234,547	99.54	6,234	2.65
1996	229,756	226,618	98.63	1,063	227,681	99.10	6,095	2.65
1995	224,247	221,723	98.87	1,784	223,507	99.67	5,093	2.27
1994	217,194	214,560	98.79	2,193	216,753	99.80	5,111	2.35
1993	206,276	202,594	98.22	2,204	204,798	99.28	5,351	2.59
1992	189,448	186,163	98.27	2,101	188,264	99.38	4,347	2.29
1991	174,702	172,055	98.48	1,907	173,962	99.58	3,558	2.04
1990	161,400	159,310	98.71	2,389	161,699	100.19	3,098	1.92

Source: State Comptroller's Office

STATE OF MARYLAND

Schedule of Assessed and Estimated Actual

Value of Taxable Property

Last Ten Fiscal Years

(Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1999	\$113,014,279	\$282,535,698	\$35,103,315	\$35,103,315	\$148,117,594	\$317,639,013	46.6%
1998	109,893,050	274,732,625	34,570,947	34,570,947	144,463,997	309,303,572	46.7
1997	107,205,699	268,014,248	31,885,281	31,885,281	139,090,980	299,899,529	46.4
1996	104,968,536	262,421,340	31,084,278	31,084,278	136,052,814	293,505,618	46.4
1995	103,018,904	257,547,260	29,512,076	29,512,076	132,530,980	287,059,336	46.2
1994	100,517,470	251,293,675	29,194,598	29,194,598	129,712,068	280,488,273	46.2
1993	96,042,289	240,105,723	28,432,706	28,432,706	124,474,995	268,538,429	46.4
1992	87,485,274	218,713,185	26,971,545	26,971,545	114,456,819	245,684,730	46.6
1991	79,546,272	194,656,715	25,577,795	25,577,795	105,124,067	220,234,510	47.7
1990	73,116,356	172,042,533	23,537,199	23,537,199	96,653,555	195,579,732	49.4

Source: The Forty-sixth through Fifty-fifth Report of the State Department of Assessments and Taxation.

STATE OF MARYLAND

Schedule of Property Tax Rates—

(Per \$100 of Assessed Value)

Direct and Overlapping Governments

Last Ten Fiscal Years

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
State of Maryland	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
Subdivisions:										
Allegany	2.47	2.47	2.47	2.48	2.50	2.50	2.48	2.45	2.41	2.40
Anne Arundel	2.36	2.38	2.38	2.38	2.35	2.38	2.46	2.46	2.46	2.51
Baltimore County.....	2.86	2.86	2.86	2.86	2.86	2.87	2.87	2.87	2.90	2.90
Calvert	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23
Caroline	2.38	2.42	2.48	2.48	2.49	2.49	2.49	2.49	2.49	2.49
Carroll.....	2.62	2.62	2.62	2.35	2.35	2.35	2.35	2.35	2.35	2.35
Cecil	2.45	2.45	2.45	2.45	2.45	2.45	2.50	2.50	2.50	2.55
Charles	2.44	2.44	2.44	2.44	2.44	2.28	2.28	2.28	2.39	2.36
Dorchester	2.20	2.20	2.21	2.24	2.24	2.24	2.24	2.24	2.24	2.24
Frederick	2.26	2.26	2.26	2.26	2.26	2.26	2.27	2.27	2.19	2.19
Garrett	2.59	2.59	2.59	2.24	2.24	2.19	2.24	2.24	2.24	2.28
Harford	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.73
Howard	2.59	2.59	2.59	2.59	2.59	2.59	2.59	2.59	2.45	2.49
Kent	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33
Montgomery	1.92	1.96	1.99	2.00	1.94	1.92	1.92	2.01	1.94	2.07
Prince George's.....	2.41	2.42	2.43	2.43	2.44	2.45	2.47	2.48	2.40	2.40
Queen Anne's	2.19	2.25	2.35	2.17	2.17	2.17	2.17	2.17	2.17	2.17
St. Mary's	2.08	2.08	2.11	2.13	2.18	2.27	2.32	2.32	2.33	2.33
Somerset.....	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.00	2.00
Talbot	1.39	1.39	1.39	0.95	0.65	0.65	0.66	0.69	0.75	0.81
Washington.....	2.31	2.31	2.21	2.21	2.21	2.21	2.21	2.21	2.13	2.13
Wicomico.....	2.25	2.25	2.25	2.25	2.15	2.15	2.15	2.15	2.15	1.95
Worcester	1.72	1.72	1.68	1.68	1.68	1.68	1.62	1.59	1.59	1.59
Baltimore City	5.82	5.85	5.85	5.85	5.85	5.90	5.90	5.90	5.95	5.95

Source: The Forty-sixth through Fifty-fifth Report of the State Department of Assessments and Taxation.

STATE OF MARYLAND

Schedule of Employment by Sector

	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
Government:			
State and local	292,600	\$ 9,619,191	\$ 632
Federal	126,685	6,624,365	1,006
Total government	419,285	16,243,556	745
Manufacturing	178,050	7,424,298	802
Contract construction	142,401	4,900,484	662
Transportation, communications and utilities.....	103,851	4,172,877	773
Wholesale	110,779	4,864,113	844
Retail	430,545	7,731,124	345
Finance, insurance and real estate	134,398	6,109,523	874
Services and other	766,923	24,645,527	618
Total of all sectors	2,286,232	\$76,091,502	\$ 640

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, December 31, 1998.

STATE OF MARYLAND

Schedule of Ratio of General Long-term Debt

To Assessed Value and General Long-Term Debt Per Capita

Last Ten Fiscal Years

Fiscal Year	(Expressed in Thousands)			Ratio of General Long- Term Debt to Assessed Value	General Long- Term Debt per Capita
	Estimated Population	Assessed Value (1)	General Long- Term Debt (2)(3)		
1999	5,135	\$148,127,594	\$4,599,452	3.11%	\$896
1998	5,094	144,463,997	4,495,614	3.11	883
1997	5,072	139,090,980	4,352,687	3.13	858
1996	5,042	136,052,814	4,248,263	3.12	843
1995	5,046	132,530,980	4,145,961	3.13	822
1994	4,965	129,712,068	3,852,680	2.97	776
1993	4,908	124,474,995	3,680,482	2.96	750
1992	4,860	114,456,819	3,275,439	2.86	674
1991	4,781	105,124,067	3,041,817	2.89	636
1990	4,743	96,653,555	2,694,611	2.79	568

(1) Source: The Forty-sixth through Fifty-fifth Report of the State Department of Assessments and Taxation. Amounts shown are the State's assessable base only.

(2) Source: State Comptroller's Office.

(3) Includes all long-term general obligation and transportation bonds and excludes capital lease obligations.

STATE OF MARYLAND

**Schedule of Ratio of Annual Debt Service for General
Long-Term Debt to Total General Expenditures
Last Ten Fiscal Years**

Fiscal Year	(Expressed in Thousands)				Ratio of Debt Service to General Expenditures
	Principal	Interest	Total Debt Service	Total General Expenditures (1)	
1999.....	\$374,882	\$228,748	\$603,630	\$14,579,431	4.14%
1998.....	364,154	229,148	593,302	13,566,389	4.37
1997.....	358,850	226,739	585,589	13,385,744	4.37
1996.....	370,675	231,324	601,999	12,824,033	4.69
1995.....	282,189	223,842	506,031	12,568,545	4.03
1994.....	229,725	237,554 (2)	467,279	11,070,143	4.22
1993.....	251,539	236,614	488,153	10,542,462	4.63
1992.....	235,678	215,922	451,600	10,345,681	4.37
1991.....	276,131	201,025	477,156	10,224,347	4.67
1990.....	284,216	182,981	467,197	9,375,548	4.98

(1) Includes general, special revenue, debt service and capital projects funds.

(2) Includes payments made in advance to refunding escrow account.

Source: General Accounting Division, State Comptroller's Office.

STATE OF MARYLAND

**Schedule of Taxes Pledged to Consolidated Transportation
Bonds and Net Revenues as Defined for Purposes of
Consolidated Transportation Bonds Coverage Tests (1)
Last Ten Fiscal Years
(Expressed in Thousands)**

	Year ended June 30,									
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Revenues:										
Taxes and fees:										
Taxes pledged to bonds	\$ 934,051	\$ 857,816	\$ 839,928	\$ 813,072	\$ 771,765	\$ 727,557	\$ 633,974	\$ 553,185	\$ 535,131	\$ 571,567
Other taxes and fees	214,483	198,101	196,044	187,558	216,995	198,356	234,828	181,459	160,437	187,225
Total taxes and fees	1,148,534	1,055,917	1,035,972	1,000,630	988,760	925,913	868,802	734,644	695,568	758,792
Operating revenues	267,946	241,357	218,874	203,891	212,767	198,618	162,751	160,544	160,014	147,538
Investment income.....	10,142	10,933	9,108	13,646	12,705	10,144	3,412	3,800	10,106	16,112
Other.....	15,486	14,228	9,913	21,670	7,613	11,620	11,229	11,984	8,238	6,888
Total revenues	1,442,108	1,322,435	1,273,867	1,239,837	1,221,845	1,146,295	1,046,194	910,972	873,926	929,330
Administration, operation and maintenance expenditures	868,439	808,439	769,977	784,816	709,180	689,029	623,929	564,351	580,628	544,268
Less: Federal funds	(20,472)	(11,530)	(19,966)	(21,520)	(17,567)	(21,904)	(19,279)	(16,991)	(19,969)	(16,791)
Total	847,967	796,909	750,011	763,296	691,613	667,125	604,650	547,360	560,659	527,477
Net revenues	\$ 594,141	\$ 525,526	\$ 523,856	\$ 476,541	\$ 530,232	\$ 479,170	\$ 441,544	\$ 363,612	\$ 313,267	\$ 401,853
Maximum annual principal and interest requirements	\$ 133,267	\$ 133,267	\$ 142,769	\$ 140,269	\$ 140,269	\$ 136,032	\$ 126,146	\$ 118,198	\$ 104,972	\$ 69,034
Ratio of net revenues to maximum annual principal and interest requirements	4.46	3.94	3.67	3.40	3.78	3.52	3.50	3.08	2.98	5.82
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements	7.01	6.44	5.88	5.80	5.50	5.35	5.03	4.68	5.10	8.28

Source: The Secretary's Office of the Department of Transportation.

(1) Under the terms of the bond authorizing resolutions, additional Consolidation Transportation Bonds may be issued, provided, among other conditions, that (i) total receipts, less administration, operation and maintenance expenditures for the preceding fiscal year equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued and that (ii) total proceeds from pledged taxes equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

STATE OF MARYLAND

Schedule of Demographic Statistics

Last Ten Years

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
1999	5,134,808	N/A	1,009,870	4.0%
1998	5,094,000	\$30,023	998,085	4.8
1997	5,072,000	28,671	985,180	5.0
1996	5,042,438	27,618	977,828	5.1
1995	5,046,050	26,333	964,389	5.0
1994	4,965,000	21,040	949,659	5.6
1993	4,908,000	23,920	933,768	6.4
1992	4,860,000	23,249	919,598	6.5
1991	4,781,000	22,080	901,143	5.7
1990	4,743,000	21,789	880,035	4.3

Sources:

- (1) US Department of Commerce, Bureau of Census.
 - (2) US Department of Commerce, Bureau of Economic Analysis.
 - (3) State Departments of Education and Higher Education.
 - (4) State Department of Business and Economic Development.
- N/A Not available at this date.

STATE OF MARYLAND

Schedule of Property Value

Last Ten Fiscal Years

(Expressed in Thousands)

Fiscal Year	Commercial	Residential	Agricultural	Nontaxable
1999	\$64,219,071	\$212,366,454	\$5,950,173	\$43,541,916
1998	62,377,451	205,239,920	7,115,253	42,687,496
1997	61,626,974	200,557,837	5,829,437	41,642,651
1996	59,843,316	197,628,263	5,541,304	41,317,411
1995	62,013,692	190,112,779	5,420,789	40,235,799
1994	64,464,686	181,420,690	5,408,299	40,235,799
1993	64,006,823	170,912,747	5,186,153	39,302,632
1992	60,460,121	153,526,926	4,726,138	37,817,267
1991	54,800,295	135,548,676	4,307,744	35,309,591
1990	48,755,868	119,369,152	3,917,513	32,623,097

Source: State Department of Assessment and Taxation.

STATE OF MARYLAND

Schedule of Miscellaneous Statistics

June 30, 1999

Date of Ratification	1788
Form of Government	Legislative—Executive—Judicial
Miles of State Highways	5,230
Land Area	9,775 square miles
State Police Protection:	
Number of Stations	26
Number of State Police	1,614
Higher Education (Universities, Colleges and Community Colleges):	
Number of Campuses in State	33
Number of Educators	7,117
Number of Students	219,055
Recreation:	
Number of State Parks and Forests	61
Area of State Parks	91,369 acres
Area of State Forests	136,907 acres
Employees	93,708

Sources: General Accounting Division, State Comptroller's Office, Maryland Manual @ www.mdarchives.state.md.us/msa/mdmanual, Department of Natural Resources.

LEGISLATION



Advising lawmakers. Vowing to “pay close attention to the needs and concerns of taxpayers,” Comptroller William Donald Schaefer announces his legislative proposal to simplify the tax calculation method on Maryland tax forms during his swearing-in ceremony at the Maryland State House in Annapolis on January 25, 1999.

Comptroller William Donald Schaefer introduced two significant legislative proposals in 1999 designed to help income taxpayers and protect Maryland consumers.

Vowing to make tax filing easier for the more than 2.4 million Maryland taxpayers, Comptroller Schaefer devised new legislation to simplify the calculation of the reduced state income tax while maintaining the same level of revenue generated by the local income tax for Maryland’s 23 counties and Baltimore City. The change will once again allow Maryland taxpayers to use the popular short form.

Concerned about the ease with which alcoholic beverages can be ordered over the Internet especially by minors Comptroller Schaefer also successfully urged Maryland legislators to make it a felony to ship alcohol directly to anyone within Maryland who does not hold the proper license.

“Mail order and Internet sales of alcohol create unfair competition for Maryland businesses, bypass the state’s regulatory control of the distribution of alcohol, and deny tax dollars for Maryland residents,” he said. “Besides all that, it’s too easy for kids with credit cards and computers to get alcohol delivered to their homes.” Targeted at out-of-state shippers, the new law carries a \$1,000 fine or imprisonment of two years or both.

Consumers may contact the Comptroller’s Alcohol and Tobacco Tax Division at 410-260-7327 or by e-mail at att@comp.state.md.us to get more information on approved direct marketers and alcoholic beverage gift services.



Comptroller of the Treasury
Louis L. Goldstein Treasury Building
P. O. Box 466
Annapolis, Maryland 21404-0466