

Effective July 1, 1979, the State is required to distribute to its political subdivisions the estimated local portion of income tax withholding and estimated payments received for which no individual income tax returns, claiming the payments, were filed by the taxpayers. In fiscal year 1980, the State distributed approximately \$31 million applicable to payments received for tax years prior to 1977. Amounts received for tax years after 1977 will become distributable to the political subdivisions upon the expiration of the three year period during which taxpayers have the right to file tax returns and claim refunds. As of June 30, 1980, the approximate balance of such unclaimed payments was \$6,976,000 and \$11,357,000 for the tax years 1977 and 1978, respectively, which amounts, to the extent not claimed by taxpayers, will be distributed to the political subdivisions in the years 1981 and 1982, respectively. Because the legislation requiring these distributions became effective July 1, 1979, the State accrues the liability for distributions applicable to tax years after 1978.

14. Contingencies:

The State and its units are parties to numerous legal proceedings, many of which normally recur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

In addition, the State and its units are involved in certain other legal proceedings which, if decided adversely to the State may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the State.

As of June 30, 1980, mortgage loan insurance programs included in other enterprise funds were contingently liable as insurer of mortgage loans payable, or portions of mortgage loans payable, in an aggregate amount of approximately \$71 million.

The State receives significant financial assistance from the U. S. Government in the form of grants and federal revenue sharing entitlements. 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 State. As of June 30, 1980, the State estimates that no material liabilities will result from such audits.

15. Retirement and Pension Systems:

As of June 30, 1980 the State of Maryland had seven employee retirement and pension programs as follows:

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

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

"Judges Pension System" a retirement program for State judges.

"Mass Transit Administration Pension Plan" a retirement program for certain employees of the Mass Transit Administration.

All retirement and pension systems, other than the Mass Transit Administration Plan, are jointly contributory. Employee contributions are established at fixed percentages of total employee compensation, except for the Pension Systems where employee contributions are established at fixed percentages of employee compensation in excess of the F.I.C.A. taxable wage base. The Mass Transit Administration Pension Plan requires no employee contributions. Prior to July 1, 1980 State funding for the Retirement Systems was partially based on actuarial determinations with the balance of the funding on a pay-as-you-go basis; the Judges Pension System and the Mass Transit Administration Pension Plan were funded on a pay-as-you-go basis; and the Pension Systems received no State contributions. As described below, as of July 1, 1980, the State began to currently fund all Retirement and Pension Systems, other than the Mass Transit Administration Pension Plan.