

As of June 30, 1984, direct mortgage loan programs included in the enterprise funds had unfunded mortgage loan commitments aggregating approximately \$163,276,000. These commitments are expected to be funded from existing program resources and proceeds from revenue bonds to be issued.

In August 1981, the Maryland Transportation Authority (Authority) entered into an agreement with the City of Baltimore to finance the non-Federal share (approximately \$100,000,000) plus accrued interest on the Federal share, which is estimated to approximate \$20,000,000, of costs associated with the construction of a tunnel across the Patapsco River. The agreement is contingent upon the ability of the Authority to obtain the requisite financing. The Authority expects to recover their debt service and other costs through future net toll revenues of the tunnel. Tunnel construction began in 1980 and is expected to be completed in 1985.

At June 30, 1984, the Maryland State Lottery had commitments of approximately \$24,500,000 for services to be rendered relating principally to the operation of the lottery games.

At June 30, 1984, Maryland Environmental Service had commitments of approximately \$5,000,000 for construction of projects.

The State is insured for workers' compensation losses by the State Accident Fund under a contract, which provides for the State to pay premiums based upon loss experience plus a proportionate share of administrative costs. In the event of termination of the contract, the State is obligated for any premium deficiency existing at the time of termination. As of June 30, 1984, anticipated workers' compensation claims in the amount of \$38,700,000 applicable to State employees were accrued in nonexpendable trust fund. For the year ended June 30, 1984, the State paid the State Accident Fund approximately \$10,445,000 in premiums.

### **13. Contingencies:**

The State is party to legal proceedings, 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 financial position of the affected funds.

As of June 30, 1984, mortgage loan insurance programs included in the enterprise funds were contingently liable as insurer of mortgage loans payable, or portions of mortgage loans payable, in an aggregate amount of approximately \$369,927,000 (including \$261,380,000 for the economic development loan programs). In addition, there are commitments to insure mortgage loans which would represent additional contingent liabilities of approximately \$72,050,000.

The Maryland Higher Education Loan Corporation (Corporation), as endorser of student loans, is contingently liable to lending institutions for the purchase of student loans in default. In the event of such default, the Corporation is liable to the lending institution for the unpaid principal amount of the loan plus unpaid interest, including interest accrued from the date of default until the date of purchase by the Corporation. At June 30, 1984, the Corporation had endorsed loans of approximately \$479,000,000. These loans are covered by a federal reinsurance agreement with the U.S. Department of Education. The agreement provides for the U.S. Department of Education to repurchase defaulted loans purchased by the Corporation at a rate based on past default performance. Since entering into the reinsurance agreement, the Corporation has qualified for 100% reinsurance, except 1982 (90%), 1983 (80%) and 1984 (80%). Management expects the 80 or 90 percent rates to continue through 1985.

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 receives the grant. As of June 30, 1984, the State estimates that no material liabilities will result from such audits.

### **14. Retirement and Pension Systems:**

As of June 30, 1984, the State of Maryland had employee retirement and pension programs as follows:

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