As of June 30, 1987, the Maryland State Lottery had commitments of approximately $23,150,000 for services to be rendered relating principally to the operation of the lottery game.

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, 1987, anticipated workers' compensation claims in the amount of $56,003,000 applicable to State employees were accrued in the nonexpendable trust fund. For the year ended June 30, 1987, the State paid the State Accident Fund approximately $16,462,000 in premiums.

17. Contingencies:

The State is party to legal proceedings, which normally occur in governmental operations. Other than the litigation discussed in Note 14, 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, 1987, 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 $522,267,000 (including $391,757,000 for the economic development loan programs). In addition, there are commitments to insure mortgage loans which would represent additional contingent liabilities of approximately $34,020,000.

The Maryland Higher Education Loan Corporation (Corporation), as endorser of student loans, is contingently liable to lending institutions for 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, 1987, the Corporation has endorsed loans outstanding of approximately $726,000,000. These loans are covered by a federal reinsurance agreement with the U.S. Department of Education. The agreement provides for repurchase by the U.S. Department of Education of 100% of the amount of loans which default; however, if the default rate exceeds 5% of the loans in repayment status as of September 30 of the preceding year, the reinsurance rate is 90%, and for all defaults in excess of 9% the reinsurance rate is 80%.

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, 1987, the State estimates that no material liabilities will result from such audits.