

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.