MARYLAND DEPARTMENT OF TRANSPORTATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year
Ended June 30, 2019

Larry Hogan, *Governor*
Boyd K. Rutherford, *Lt. Governor*
Pete K. Rahn, *Secretary*

2019

COMPREHENSIVE ANNUAL FINANCIAL REPORT

MARYLAND DEPARTMENT OF TRANSPORTATION

For the Fiscal Year Ended June 30, 2019

Prepared by the Secretary's Office – Office of Finance

Jaclyn Hartman, Director/CFO
Steven P. Watson, Deputy CFO
Brandie S. Karfonta, Asst. Director – Accounting
Daryl E. Brigman, GAAP Accountant

2019

MARYLAND DEPARTMENT OF TRANSPORTATION

Mission

The Maryland Department of Transportation is a customer-driven leader that delivers safe, sustainable, intelligent and exceptional transportation solutions in order to connect our customers to life's opportunities.

Goals

- Safety & Security-Enhance the safety of transportation system
- System Preservation-Preserve and maintain the State's existing transportation infrastructure and assets
- Quality of Service-Maintain and enhance the quality of the service experienced by users of Maryland's transportation system
- Environmental Stewardship-Ensure the delivery of the State's transportation infrastructure program conserves and enhances Maryland's natural, historical and cultural resources
- Community Vitality-Provide options for the movement of people and goods that support communities and quality of life
- Economic Prosperity-Support a healthy and competitive Maryland economy

MARYLAND DEPARTMENT OF TRANSPORTATION
A Department of the STATE OF MARYLAND
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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INTRODUCTORY SECTION

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Larry Hogan
Governor

Boyd K. Rutherford
Lt. Governor

Pete K. Rahn
Secretary

December 30, 2019

Pete K. Rahn
Secretary
Maryland Department of Transportation
7201 Corporate Center Drive
Hanover, MD 21076

Dear Secretary Rahn:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Maryland Department of Transportation (Department) for the fiscal year ended June 30, 2019, which includes the financial statements of the Department. The data is reported in a manner designed to present fairly the financial position and changes in financial position of the Department. All disclosures necessary to enable the reader to gain a maximum understanding of the Department's financial affairs have been included. This CAFR is a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Department. Consequently, management assumes full responsibility for the completeness and reliability of all information presented within this report. To provide a reasonable basis for making these representations, the Department's management has established a comprehensive internal control framework designed to protect the Department's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Department's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the Department's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

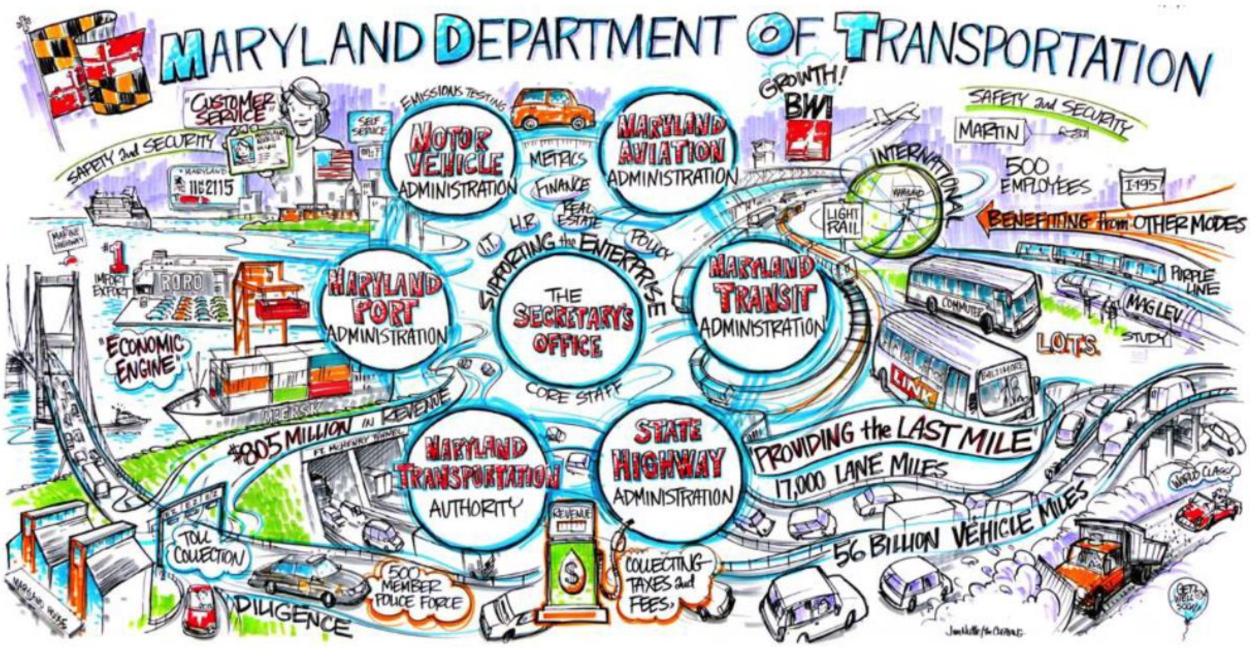
The Department, in conjunction with the State of Maryland (State), requires an audit of the Department's basic financial statements by a firm of licensed certified public accountants. The Department has complied with this requirement, and the independent audit report of SB & Company, LLC is presented on page 24 of this report. The goal of the independent audit is to provide reasonable assurance that the Department's financial statements for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; evaluating the key internal controls; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Department's basic financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP.

The independent audit of the Department's basic financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State of Maryland's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Department's MD&A can be found on page 27 of this report.

Profile of the Maryland Department of Transportation

The Department has responsibility for most State-owned transportation facilities and programs. This responsibility includes the planning, financing, construction, operation and maintenance of various modes of transportation as well as various related licensing and administrative functions. The Department includes the Secretary's Office (TSO), which provides overall policy direction, guidance, and support to the Department's five business units and one authority: the Maryland Aviation Administration (MAA), the Maryland Port Administration (MPA), the Maryland Transit Administration (MTA), the Motor Vehicle Administration (MVA), the State Highway Administration (SHA), and the Maryland Transportation Authority (MDTA). In addition, Maryland's share of funding for the Washington Metropolitan Area Transit Authority (WMATA) is paid through the Department. WMATA is the tri-jurisdictional agency that operates transit service in the Washington DC metropolitan area. (Note: MDTA and WMATA are separate entities with separate fiscal operations and management and are not financially accountable to the Department. Both entities are excluded from the Department's financial statements and produce their own financial statements.)



The Department brings together all of the State's transportation business units into one organization that allows business units to work together seamlessly and leverage one another's strengths. This unified approach provides the State with the ability to develop coordinated and balanced multi-modal solutions to transportation across the State.

Maryland Aviation Administration

The MAA owns and operates the Baltimore/Washington International Thurgood Marshall (BWI Marshall) Airport and Martin State Airport and supports public-use airports across the State of Maryland. The core mission of the MAA is the operation and support of airports in Maryland to provide residents, businesses and travelers with the highest levels of service, safety and economic benefit. BWI Marshall Airport is the twenty-second busiest airport in the United States and the busiest in the Washington-Baltimore region, serving more than 26 million passengers per year. Air service includes more than 650 daily commercial flights and nonstop service to over 90 domestic and international destinations. BWI Marshall Airport is a major transportation resource and economic development engine for the State of Maryland and the entire National Capital region, producing a total economic impact of $9.3 billion. The airport and visitors support more than 106,000 jobs throughout the State.

Motor Vehicle Administration

The MVA provides premier customer service to all Marylanders at 24 offices and 28 vehicle emissions inspection stations conveniently located throughout the State. Last year, the MVA processed more than 11 million transactions. The MVA is committed to delivering premier customer service, offering more online service options, increasing customer convenience, and decreasing customer wait times. The MVA is home to the Maryland Highway Safety Office and remains committed to decreasing traffic fatalities Statewide through the implementation of a comprehensive Strategic Highway Safety Plan.

Maryland Port Administration

In calendar year 2018, the Helen Delich Bentley Port of Baltimore's (Port) public and private marine terminals experienced a record year in foreign cargo tonnage, surpassing the previous mark set in 1974. The Port handled 43.0 million tons of cargo with a value of $59.7 billion. The Port moved up one spot, from twelfth to eleventh largest port in the United States in terms of foreign cargo tonnage and remains the ninth largest port in terms of total dollar value of cargo. One of the busiest and most diverse cargo ports in the United States, the Port leads the nation in handling autos and light trucks, roll on/roll off heavy farm and construction machinery, imported sugar, and imported gypsum and ranks second in exported coal. The public marine terminals, managed by MPA, handled a record 10.9 million tons of general cargo and more than a million twenty-foot equivalent unit (TEU) containers. Business at the Port generates about 15,300 direct jobs, and about 139,180 jobs are linked to overall port activities. The Port drives nearly $3.3 billion in wages and salaries and $395 million in state and local tax revenues.

Maryland Transit Administration

The MTA is one of the largest multi-modal transit systems in the United States with a goal to provide safe, efficient and reliable transit across Maryland with world-class customer service. The MTA operates local and commuter buses, Light RailLink, Metro SubwayLink, Maryland Area Regional Commuter (MARC) train service, and a comprehensive paratransit (MobilityLink) system. The MTA also manages the Taxi Access system and directs funding and statewide assistance to locally operated transit systems in each of Maryland's 23 counties, Annapolis, Baltimore City and Ocean City.

State Highway Administration

The SHA operates, maintains and rebuilds the major highways (numbered, non-toll routes) in Maryland's 23 counties – more than 17,000 lane-miles and 2,572 bridges. MDOT's Coordinated Highways Action Response Team (CHART) monitors traffic 24/7 and provides emergency patrols that assist with incident responses, disabled vehicles, and traffic management operations for special and weather-related events. Construction projects at the SHA sustains thousands of jobs in the highway industry for contractors, suppliers, engineering firms and small and minority businesses. The State highway system supports Marylanders' quality of life by connecting communities, schools, recreation, worship and local and world travel through BWI Marshall Airport and the Maryland Port of Baltimore.

Maryland Transportation Authority

Maryland's eight toll facilities are operated by the MDTA and include four bridges, two tunnels, and two turnpikes. MDTA's toll facilities are the William Preston Lane, Jr. Memorial (Bay) Bridge (US 50/301), the Francis Scott Key Bridge (I-695), the Governor Harry W. Nice Memorial Bridge (US 301), the Thomas J. Hatem Memorial Bridge (US 40), the Fort McHenry Tunnel (I-95/I-395), the Baltimore Harbor Tunnel (I-895), the John F. Kennedy Memorial Highway (I-95), and the Intercounty Connector (MD 200). The MDTA consists of eight members who are appointed by the Governor with the advice and consent of the Maryland Senate. The Secretary of Transportation presides as the MDTA's Chairman. The MDTA acts on behalf of, but is separate from, the Department. The MDTA prepares a separate CAFR, which is available at http://mdta.maryland.gov/About/Finances/ Financial_Statements_and_Annual_Reports.html.

Washington Metropolitan Area Transit Authority
WMATA operates the third largest rail system and the seventh largest bus network in the United States. WMATA was created in 1967 by an interstate compact in which Maryland, Virginia, and Washington DC participate. In accordance with Section 10-205 of the Transportation Article of the Annotated Code of Maryland, Maryland's share of WMATA's operating and capital expenses are paid as grant from the Department to the Washington Suburban Transit Commission through the Transportation Trust Fund. Services include a Metrorail network of 6 lines, 91 stations, and 117 miles of track; a Metrobus system covering over 11,000 stops across 1,500 square miles in Maryland, Virginia, and Washington DC; and the MetroAccess paratransit system. WMATA is a wholly separate entity from the Department and prepares a separate CAFR, which is available at https://www.wmatabonds.com/wmata-bonds-dc/financial-documents/i2812.

Transportation Trust Fund
The Transportation Trust Fund (TTF) was established in 1971 as a nonlapsing special fund to establish a dedicated fund to support the Department. The use of this integrated trust fund approach allows Maryland tremendous flexibility to meet varying transportation service and infrastructure needs. The continuing commitment to these needs has provided Maryland with the excellent infrastructure system necessary to support the economic growth of the State. All funds dedicated to the Department are deposited in the TTF, including motor fuel taxes, vehicle excise (titling) taxes, motor vehicle fees (registrations, licenses and other fees), a portion of the State's corporate income taxes, a portion of the State's sales and use tax on rental vehicles, operating revenues (e.g., transit fares, port fees, airport fees), federal-aid, and bond proceeds. Certain TTF revenues are shared with local governments and other State agencies based on statutory requirements. All activities of the Department are supported by the TTF, including debt service, maintenance, operations, administration, and capital projects. Unexpended funds remaining in the TTF at the close of each fiscal year do not revert to the State's General Fund but remain in the TTF.

Funds in the TTF are dedicated to transportation. In 2014, a Constitutional amendment was overwhelmingly approved by Maryland voters that limits the use of the TTF to debt service on transportation bonds and for constructing and maintaining the State's transportation system. Except for transfers for local transportation aid or to the MDTA, funds from the TTF may not be transferred to the State's General Fund or any other fund unless the Governor declares a fiscal emergency and the General Assembly approves legislation by a three-fifths vote of both chambers concurring with the use or transfer of funds. In addition, State law requires that any funds diverted or transferred from the TTF must be repaid within five years.

Accounting records for the TTF are maintained by the Comptroller of Maryland, and all cash and investments of the TTF are held by the State Treasurer, except for revolving cash accounts. Accounting records for the TTF, for operational and management purposes, are maintained by the Department's Office of Finance. Accounts maintained by the Department on a budgetary basis generally conform to GAAP, but there are certain departures from these principles, primarily for the exclusion of non-budgeted activities and classification of fund-type, that are dictated by statutory requirements and historical practices.

Long-term Planning

The Department's strategic approach is presented through the annual State Report on Transportation, which is comprised of three documents: (1) the Maryland Transportation Plan, which is updated every five years and outlines the Department's 20-year vision for the transportation system; (2) the Consolidated Transportation Program (CTP), which is published annually and outlines the Department's six-year plan for transportation capital projects; and (3) the Annual Attainment Report on Transportation System Performance, which evaluates and reports the performance of Maryland's transportation system compared to the goals established in the Maryland Transportation Plan. In addition, the Department evaluates its performance quarterly through the Department's Excellerator performance management system to ensure that the Department is delivering on its commitments to its customers and responding quickly to emerging trends to improve performance and decision-making.

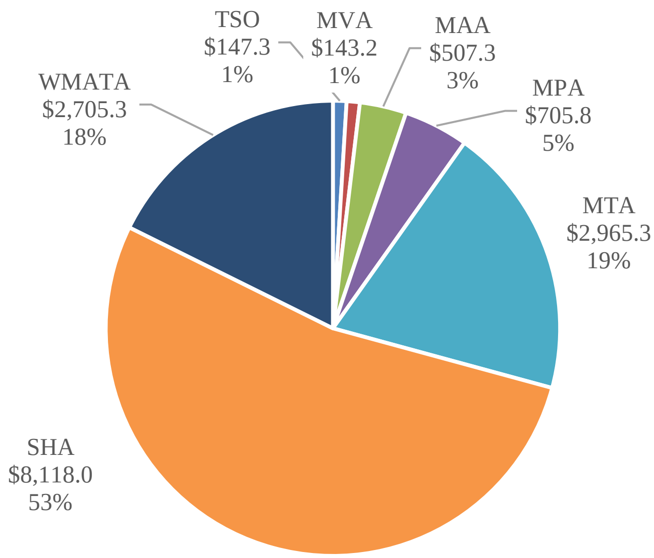
Maryland Transportation Plan Goals

- ✓ Ensure a Safe, Secure, and Resilient Transportation System
- ✓ Facilitate Economic Opportunity and Reduce Congestion in Maryland Through Strategic System Expansion
- ✓ Maintain a High Standard and Modernize Maryland's Multimodal Transportation System
- ✓ Improve the Quality and Efficiency of the Transportation System to Enhance the Customer Experience
- ✓ Ensure Environmental Protection and Sensitivity
- ✓ Promote Fiscal Responsibility
- ✓ Provide Better Transportation Choices and Connections

The Department publishes the draft CTP in September of each year and the final CTP in January of the next calendar year. Projects included in the Department's draft CTP for fiscal years 2020-2025 require $15.3 billion in funding over the next six years. Funding for the draft CTP includes $7.7 billion in State funds (the revenues and bond proceeds of the Department), $5.6 billion in federal funds, and $2.0 billion in other funds. Other funds include other funding sources not received through the TTF, such as passenger facility charges, customer facility charges, certain federal funds received directly by WMATA, and certain funding from the MDTA.

The CTP includes capital projects across the Department that create, expand, or significantly improve transportation facilities or services across the State. Project activities may include planning, environmental studies, design, right-of-way acquisitions, construction, or the purchase of essential equipment related to the facility or service. The CTP also includes Maryland's share of capital funding, and certain federal funding, for WMATA. In accordance with State law, the Department developed a project-based scoring system to rank major highway and transit capacity projects. The scoring system evaluates projects against nine goals and twenty-three measures using a combination of project data, modeling analysis, and qualitative questionnaires. Projects are then ranked based on score. Project rankings, along with other factors, help to decide which projects are funded in the six-year capital program.

FY 2020-2025 Draft Consolidated Transportation Program
$15.3 Billion



Relevant Financial Policies

The Department's annual budget serves as the foundation for its financial planning and control. The Maryland Constitution requires Governor to submit, and the General Assembly to adopt, a balanced budget containing a complete plan of proposed expenditures and estimated revenues for the ensuing fiscal year, including a plan of proposed expenditures and estimated revenues for the Department. The General Assembly may not amend the budget to affect payment of State debt or otherwise to change its provisions, except to increase or decrease the appropriations relating to the General Assembly or the Judiciary, or to delete or reduce other appropriations submitted by the Governor. The General Assembly may authorize an appropriation apart from the budget bill, but it may only do so by a separate supplementary appropriation bill limited to a single object or purpose and providing for levying a specific tax or taxes in that bill sufficient to fund the appropriation.

The Department's expenditures are made in accordance with appropriations provided for in the annual budget, except that the Department may submit to the Governor a budget amendment and, if the Governor approves the amendment, the Department may make disbursements in accordance with the budget amendment. By budget amendment, the Department may increase or decrease the amount of the appropriation for any project or transfer funds from one project or administration to another. All amendments approved by the Governor are required to be reported to the next session of the General Assembly. A schedule showing budget and actual expenditures is presented as required supplementary information on page 86 of this report.

The Department updates its six-year financial plan at least twice per year in conjunction with the submission to the legislature of the draft CTP in September and the final CTP in January. These two forecasts are submitted to the legislature to support the funding of the CTP. For internal planning purposes, additional financial plans are developed throughout the year to reflect year-to-date revenue attainment and spending, alternative planning horizons, or sensitivity testing. The financial plan accounts for all of the Department's revenues, planned expenses, debt service, and the issuance of bonds to help fund the capital program. Revenue forecasts are based on historical attainment, econometric modeling, independent forecasts of certain variables, and a consensus process with the State's Board of Revenue Estimates and legislative staff.

The Department issues Consolidated Transportation Bonds to help fund its capital program. The Department maintains strong credit ratings of AAA from Standard and Poor's, Aa1 by Moody's, and AA+ by Fitch Ratings. These ratings are in part based on strong debt oversight at both the Department and at the State. State debt oversight includes the Capital Debt Affordability Committee, composed of the State Treasurer, the State Comptroller, the Secretary of the Department of Budget and Management, and the Secretary of Transportation, and one person appointed by the Governor. The Committee annually reviews all tax-supported debt, including the Department's tax-supported debt, to ensure affordability. New debt issuances must be authorized by the Board of Public Works, which is composed of the Governor, the State Treasurer, and the State Comptroller, and must mature within 15 years.

State law and the Department's debt practices limit Consolidated Transportation Bond issuances with three criteria: a debt outstanding limit and two coverage tests. State law establishes a maximum debt outstanding limit for Consolidated Transportation Bonds of $4.5 billion and requires the Maryland General Assembly to establish an annual debt limit in the budget bill. For fiscal year 2019, the annual debt outstanding limit was established at $3.4 billion; the debt outstanding as of June 30, 2019 was $3.3 billion. The two coverage tests are established in the Department's bond resolutions and require that annual pledged taxes and net income from the prior year each equal at least 2.0 times the maximum level of future debt service payments on all Consolidated Transportation Bond debt outstanding and expected to be issued. The Department maintains a management practice that requires minimum coverage of 2.5 times maximum future debt service. In fiscal year 2019, the ratio of pledged taxes was 5.07 and the ratio of net income was 2.9.

The net income coverage test is the ratio of all prior year's income (excluding federal capital, bond proceeds, and third-party reimbursements) minus prior year operating expenses, debt service payments, deductions for certain nontransportation agencies, and local transportation aid to maximum future annual debt service. The pledged taxes coverage test measures annual net revenues from vehicle excise, motor fuel, rental car sales tax, and corporation income taxes (excluding refunds and all statutory deductions) as a ratio of maximum future annual debt service. If either of these coverage ratios falls below the 2.0 times level, the Department is prohibited under its bond covenants from issuing additional debt until the ratios are once again at the minimum 2.0 times level.

Major Initiatives

The Department embraces one unified mission statement across all of its business units that serves as the guiding light for all of the Department's operations and interactions with its customers.

MDOT
MARYLAND DEPARTMENT OF TRANSPORTATION

MISSION STATEMENT

"The Maryland Department of Transportation is a customer-driven leader that delivers safe, sustainable, intelligent, and exceptional transportation solutions in order to connect our customers to life's opportunities."

A few of the major accomplishments and initiatives that help the Department achieve this mission are listed below.

- In May 2019, the Evergreen Triton, with a capacity to handle 14,424 TEU containers, became the largest container ship ever to visit Maryland. The port call was made possible due in large part to a highly successful public-private partnership entered into with Ports America Chesapeake in 2009 to build a 50-foot berth to complement the Port's 50-foot deep channel. In December 2018, the MPA and Ports America Chesapeake announced a project to develop a second 50-foot berth to allow the Port to handle two supersized container ships simultaneously starting in calendar year 2021. Growth at the Port will also be boosted in coming years by the replacement of the Howard Street Tunnel. The Department was awarded a $125 million federal grant through the Infrastructure for Rebuilding America Grant program for the replacement of the Howard Street Tunnel. The Howard Street Tunnel, built in the early 1890s, has long served as a bottleneck to the Port's booming container business. The project will double the tunnel's freight capacity and remove trucks from highways, providing important environmental benefits.

- Less than two years after Governor Larry Hogan broke ground on the Purple Line project, in 2019, the project marked an important milestone with the placing of the final beam at the Glenridge Operations and Maintenance Facility. The facility is a critical component of the project and will support the regular maintenance of rail cars and house the Purple Line Operations Control Center. In 2016, the Department entered into a public-private partnership with Purple Line Transit Partners to design, build, finance, operate, and maintain a 16-mile light rail project in Montgomery and Prince George's counties. The Purple Line will provide direct connections between three lines on the existing Metrorail system, all three MARC commuter rail lines, Amtrak's Northeast Corridor, and local transit options. Construction is currently underway with substantial completion in 2023.

- In June 2019, Maryland Board of Public Works approved the Department's Traffic Relief Plan for solicitation as a public-private partnership. This approval allows the Department to move forward with a solicitation to select a private partner to deliver the transformative Traffic Relief Plan, which will provide much needed congestion relief on I-495 and I-270. The subsequent Capital Beltway Accord, reached between Maryland Governor Larry Hogan and Virginia Governor Ralph Northam, provides a bi-state and bi-partisan solution to rebuild the American Legion Bridge, a key component of achieving a regional network of travel options for the entire Washington metropolitan region.

Plaque signed by Maryland Governor Larry Hogan and Virginia Governor Ralph Northam to commemorate the Capital Beltway Accord.

- To keep up with continued passenger growth at BWI Marshall Airport, work continues on a $60 million renovation and expansion project at the terminal. The project includes a 55,000 square foot addition to add five new gates, passenger waiting areas, and food and retail concessions space. The expansion will provide additional space for Southwest Airlines, BWI Marshall Airport's largest airline, which accounts for 68% of airport passengers.

- With the October 1, 2020 deadline to obtain federally-required REAL-ID driver's licenses or identification cards looming, the MVA continues to provide premier customer service by providing customers with more options and information on REAL-ID. The federal REAL-ID Act, created post-9/11, creates a security standard for driver's licenses and identification cards nationwide. To meet the increased customer demand for in-branch services necessitated by REAL-ID, the MVA has added staff, extended hours, and began offering appointments with a guarantee to be seen within 15 minutes of appointment time. The MVA maintains a 98% customer satisfaction rate for the professionalism, friendliness, and helpfulness of its employees. The MVA's work with REAL-ID resulted in Maryland being the first state in the nation to be recertified by the United States Department of Homeland Security for REAL-ID compliance.

Economic Outlook

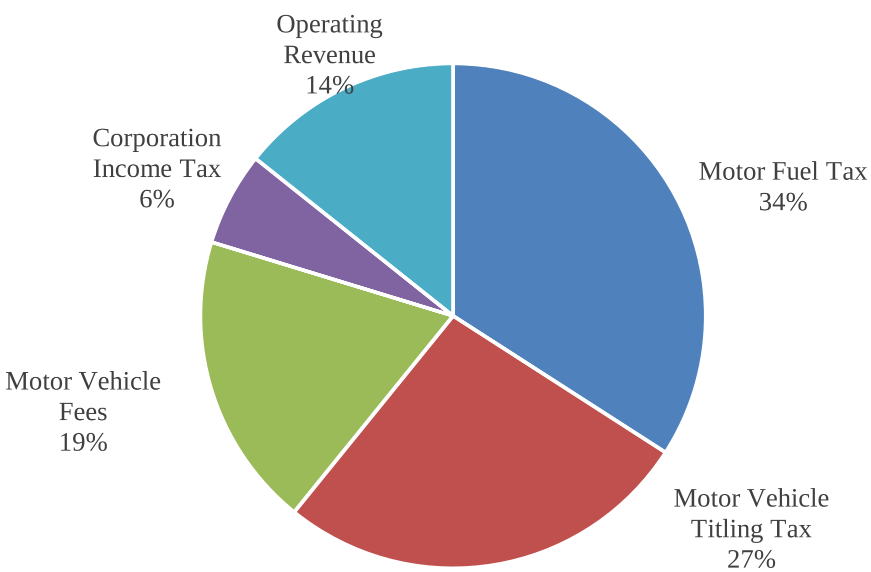
The TTF is credited with all transportation taxes and fees, federal transportation funds, and bond proceeds and it is the primary source of funding for transportation spending across the State. The Department typically prepares financial plans for a six-year period that coincides with the six-year capital program. Revenue forecasting relies on the condition and outlook for the State as a whole, as well as the condition and outlook for each major revenue source.

Maryland Economy
Maryland's economy continued its recovery this year with most of Maryland's economic indicators showing positive growth. Although employment growth has slowed, Maryland continues to show strength in the Government, Professional and Business Services, and Education and Health Services sectors. The unemployment rate has been under 4.0% all year and is forecasted at 3.8% for 2019.

Maryland trailed the national recovery primarily because of federal budget uncertainty. This fiscal drag eased as federal policymakers started to address budget issues. Maryland's outlook assumes it will see improvement in employment and income growth throughout the coming year.

Transportation Revenues
The following represent the major State-sourced revenue sources for the TTF.

State-Sourced Transportation Revenues
FY 2020 - 2025



Motor Fuel Tax: As of July 1, 2019, the motor fuel tax rates are 36.7 cents per gallon for gasoline and 37.45 cents per gallon for diesel fuel. These rates include three components: a base rate of 23.5 cents per gallon for gasoline and 24.25 cents per gallon for diesel fuel; an annual inflation adjustment based on the average percentage growth in the Consumer Price Index for All Urban Consumers, currently 2.7 cents per gallon for both gasoline and diesel fuel; and a sales and tax use equivalent rate of 5% on the average retail price of gasoline, currently 10.5 cents per gallon for both gasoline and diesel fuel. Modest growth is forecasted over the six-year financial plan as increases in the tax rate and vehicle miles traveled are offset by more fuel-efficient vehicles and increased teleworking. This revenue source is projected to provide $7.4 billion over the six-year period.

Motor Vehicle Titling Tax: The titling tax of 6% of the fair market value of motor vehicles, less an allowance for trade-ins, is applied to new and used vehicles sold and to vehicles of new residents. This revenue source follows the cycle of auto sales with periods of decline and growth. This revenue source is projected to provide $5.8 billion over the six-year period.

Motor Vehicle Fees: This includes a number of fees for various vehicle and licensing services. The six-year forecast assumes revenues will increase an average of 1.5% every two-year cycle. This revenue source is projected to provide $4.1 billion over the six-year period.

Corporation Income Tax: The Department receives 17.2% of the State's 8.25% corporation income tax. The State's Board of Revenue Estimates forecasts these revenues for both the State and the Department. This revenue source is projected to provide $1.3 billion for the Department over the six-year period.

Operating Revenues: The activities of MAA, MPA, and MTA generate operating revenues. MTA rail and bus fares indexed to inflation beginning in fiscal year 2015. This revenue source is projected to provide $3.1 billion over the six-year period, including $1.7 billion from the MAA, $1.1 billion from the MTA, and $334 million from the MPA.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Maryland Department of Transportation for its CAFR for the fiscal year ended June 30, 2018. This was the nineteenth consecutive year that the Department received this prestigious award. To be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Department believes that this CAFR continues to meet the Certificate of Achievement Program's requirements and we will again submit it to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR could not have been accomplished without the professionalism and dedication demonstrated by financial staff across the Department at each of the business units and at the Office of Finance. Their expertise and hard work is sincerely appreciated. Special thanks to Brandie Karfonta, who has the primary responsibility for department-wide year-end closing activities, the annual financial audit, and preparing this report.

Sincerely,

Jaclyn D. Hartman

Jaclyn D. Hartman
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maryland Department of Transportation

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

MARYLAND DEPARTMENT OF TRANSPORTATION
Organizational Chart

Governor

Secretary

Deputy Secretaries

EXECUTIVE STAFF

Chief of Staff
Office of General Counsel
Office of Audits
Office of Finance
Office of Public Affairs
Office of Strategic Customer Service

BOARDS AND COMMISSIONS

Maryland Port Commission
Maryland Aviation Commission
Board of Review
Maryland Transportation Commission

TRANSPORTATION BUSINESS UNITS

State Highway Administration
Maryland Port Administration
Motor Vehicle Administration
Maryland Transit Administration
Maryland Aviation Administration

OPERATING STAFF

Office of Diversity and Equity
Office of Environment
Office of Fleet, Facilities and Administrative Services
Office of Freight and Multimodalism
Office of Government Affairs
Office of Homeland Security, Emergency Management and Rail Safety
Office of Human Resources
Office of Minority Business Enterprise
Office of Assistant Secretary for Operations
Office of Planning and Capital Programming
Office of Policy and Regulations
Office of Procurement and Project Quality Assurance
Office of Real Estate and Economic Development
Office of Risk Management
Office of Small and Minority Business Policy
Office of Transportation Technology Services
Office of Assistant Secretary for Policy Analysis & Planning

MARYLAND DEPARTMENT OF TRANSPORTATION
List of Principal Department Officials
For the Year Ended June 30, 2019

Title	Name
Secretary of Transportation..	Pete K. Rahn
Deputy Secretary of Transportation	R. Earl Lewis, Jr.
Deputy Secretary of Transportation	Sean Powell
State Highway Administrator..	Gregory I. Slater
Maryland Port Executive Director..	James J. White
Motor Vehicle Administrator	Christine E. Nizer
Maryland Transit Administrator	Kevin B. Quinn, Jr.
Maryland Aviation Executive Director.....................................	Ricky D. Smith, Sr.

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FINANCIAL SECTION

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Report of Independent Public Accountants

Mr. Pete K. Rahn, Secretary
Maryland Department of Transportation
Hanover, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Maryland Department of Transportation (the Department, a Special Revenue Fund of the State of Maryland), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Department's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

200 International Circle • Suite 5500 • Hunt Valley • Maryland 21030 • P 410.584.0060 • F 410.584.0061

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Department, as of June 30, 2018, and the respective changes in financial for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the total liability and related ratios Maryland Transit Administration OPEB Plan, schedule of employer contributions Maryland Transit Administration OPEB Plan, schedule of changes in the net pension liability and related ratios Maryland Transit Administration Pension Plan, schedule of employer contributions Maryland Transit Administration Pension Plan, schedule of the proportionate share of the net pension liability and related ratios - Maryland State Retirement Pension Plan, schedule of employer's contributions - Maryland State Retirement and Pension Plan, and the special revenue funds schedules of revenue, expenditures and changes in fund balance - budget and actual, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The statement of changes in assets and liabilities – agency funds, introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of changes in assets and liabilities – agency funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of changes in assets and liabilities – agency funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Owings Mills, Maryland
December 10, 2019

SB & Company, LLC

MARYLAND DEPARTMENT OF TRANSPORTATION
Management's Discussion and Analysis

As management of the Maryland Department of Transportation (Department), we offer the citizens of Maryland and others interested in the Department's financial statements this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 7 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the Department exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year in the amount of $14,095,421,000 (net position). Of this amount, $2,548,182,000 represents the unrestricted deficit primarily due to the reporting of net pension liability, OPEB liability and the respective deferred amounts, and the decrease in net investments in capital assets.

- The Department's governmental funds reported a combined ending fund balance, as of the close of the current fiscal year, of $248,712,000, an increase of $229,603,000 in comparison with the prior fiscal year.

- The Department's Consolidated Transportation Bonds debt outstanding increased by $431,270,000 (14.8%) during the current fiscal year. The key factors in this increase were bond issuances of $630,680,000, which was offset by principal repayment of $199,410,00.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as one of several useful indicators of the Department's financial position. The Statement of Activities presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions. The government-wide financial statements include only the Department (a Special

Revenue Fund of the State of Maryland), which has no component units and does not include the Maryland Transportation Authority (MDTA), which is a separate enterprise fund of the State of Maryland. The government-wide financial statements can be found starting on page 39 of this report.

Fund financial statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds
Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the Special Revenue Fund and the Debt Service Fund. The Special Revenue Fund is considered to be a major fund. The basic governmental fund financial statements can be found starting on page 41 of this report.

The Maryland General Assembly authorizes an annual appropriated budget for the Department's Special Revenue Fund. A budgetary comparison schedule has been provided for the Special Revenue Fund to demonstrate compliance with this budget. The budgetary comparison schedule can be found on page 86 of this report.

Fiduciary funds
Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Department's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 45 and 46 of this report.

Notes to the financial statements
The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 47 of this report.

Changes in Governmental Accounting Standards
The Governmental Accounting Standards Board (GASB) issued Statement No. 88, entitled Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; and Statement No. 83, Certain Asset Retirement Obligations which the Department implemented in the current fiscal year.

As of the year ended June 30, 2019, GASB has issued Statement No. 84 Fiduciary Activities; Statement No. 87, Leases; Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61; and Statement No. 91, Conduit Debt Obligation, which will require adoption in the future, if applicable. These statements may or will have a material effect on the Department's financial statements once implemented. The Department has not yet completed the process of evaluating the impact of these pronouncements on its financial statements and plans to adopt them, as applicable, by their effective date.

Other information
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Department's progress in funding its obligation to provide pension benefits to its employees at the Maryland Transit Administration, as well as the budget and actual comparison schedule. Required supplementary information can be found starting on page 81 of this report.

Government-wide Financial Analysis
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Department, assets and deferred outflows exceeded liabilities and deferred inflows by $14,095,421,000 at the close of the most recent fiscal year. By far the largest portion of the Department's net position reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure), less any still outstanding related debt used to acquire those assets. The Department uses those capital assets to provide services to the citizens of Maryland; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Department's net position decreased by $226,428,000 during the current fiscal year 2019, primarily due to an increase in operating and WMATA expenditures.

The following schedule reflects the Department's Net Position Summary.

Maryland Department of Transportation
Changes in Net Position
(amounts expressed in thousands)

Governmental Activities	**2019**	**2018**
Current and other assets	$ 1,218,744	$ 1,051,835
Capital assets	20,992,202	20,742,129
Total assets	22,210,946	21,793,964
Deferred amount on refunding bonds	14,495	19,532
Deferred amount related to pensions	284,121	367,707
	298,616	387,239
Long-term liabilities outstanding	6,869,939	6,472,791
Other liabilities	867,471	867,951
Total liabilities	7,737,410	7,340,742
Deferred service concession arrangement receipts	145,151	114,054
Deferred amount related to pensions	306,682	304,927
Deferred amount related to OPEB	224,898	99,631
	676,731	518,612
Net position:		
Net Investment in capital assets	16,643,603	16,838,969
Unrestricted deficit	(2,548,182)	(2,517,120)
Total net position	$14,095,421	$14,321,849

Governmental activities

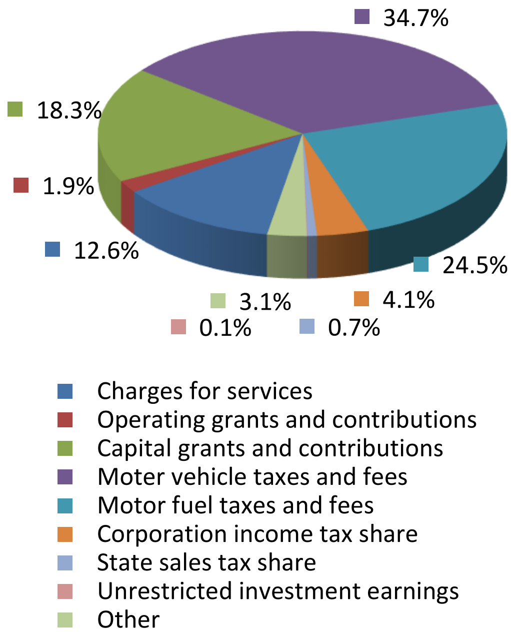
Governmental activities, which represent the Department's overall economic position, decreased the Department's net position by $226,600,000. The key elements of the Department's governmental activities are as follows:

Maryland Department of Transportation
Statement of Activities
(amounts expressed in thousands)

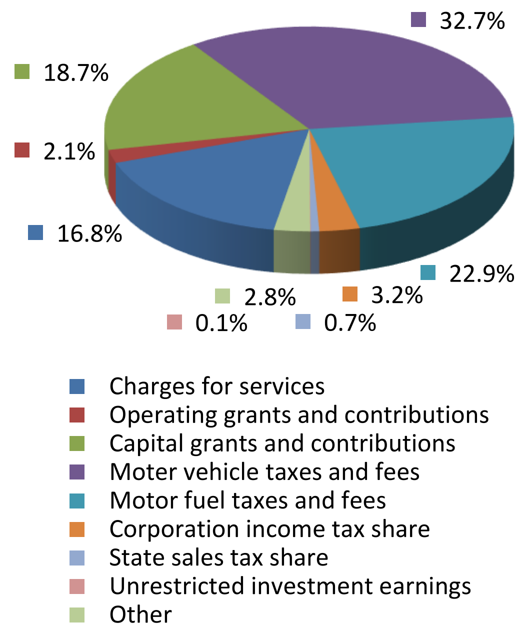
Governmental Activities	2019	2018
Revenues:		
Program revenues:		
Charges for services	$ 586,674	$ 797,444
Operating grants and contributions	90,795	99,533
Capital grants and contributions	851,866	885,245
General revenues:		
Motor vehicle taxes and fees	1,618,524	1,547,450
Motor fuel taxes and fees	1,140,220	1,084,195
Corporation income tax share	189,878	150,784
State sales tax share	34,471	31,691
Unrestricted investment earnings	2,929	2,322
Other	145,024	134,573
Total revenues	4,660,381	4,733,237
Expenses:		
Secretary's Office	977,303	938,626
State Highway Administration	1,477,133	1,213,310
Port Administration	182,300	171,715
Motor Vehicle Administration	239,324	272,318
Transit Administration	1,509,847	1,153,718
Aviation Administration	317,838	448,647
Interest on long-term debt	183,064	62,770
Total expenses	4,886,809	4,261,104
Change in net position	(226,428)	472,133
Net position – July 1	14,321,849	14,313,093
Prior Period adjustment-adoption of GASB 75	-	(463,377)
Net Position-July 1, as restated	14,321,849	13,849,716
Net position – June 30	$14,095,421	$14,321,849

Below are the Department's Revenues by Source and Expenses by Function for Fiscal Years 2019 & 2018

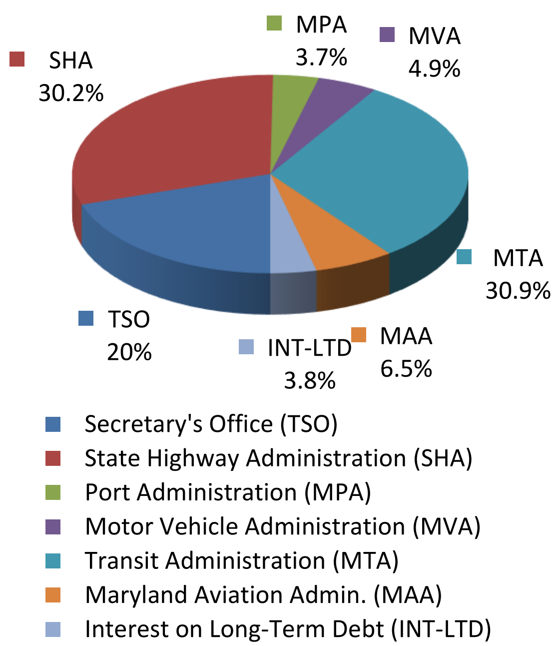
Revenue 2019



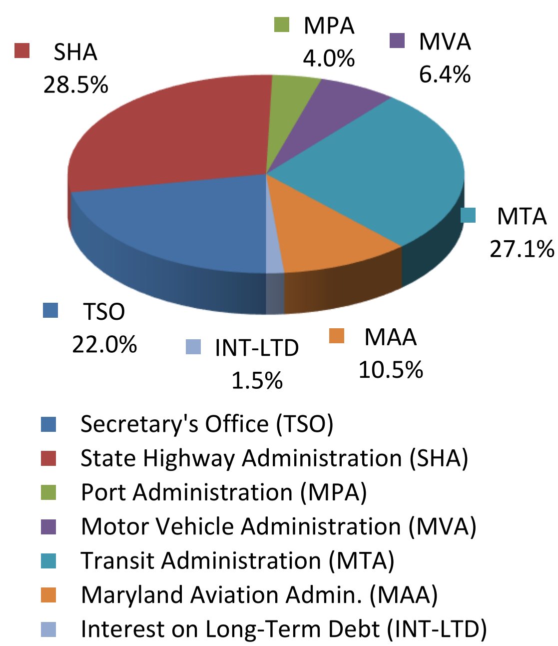
Revenue 2018



Expenses 2019



Expenses 2018



Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Department's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Department's governmental funds reported combined ending fund balances of $248,712,000, an increase of $229,603,000 in comparison with the prior fiscal year. The Department's governmental funds increase is due primarily to increase in federal revenues. All of the Special Revenue Fund balance is non-spendable, restricted, committed, and/or assigned fund balance and indicates that it is not available for new spending because it has already been committed and/or assigned for the following purposes: (1) to maintain a separate nonspendable account for inventory activity in the amount of $94,763,000 and ; (2) to maintain a separate committed account for contractual transportation obligations in the amount of $8,908,000; (3) to maintain a separate assigned account for specific agency activity balances in the amount of $850,000; (4) to maintain a separate unassigned account for specific agency activity balances in the amount of $144,191,000.

The Special Revenue Fund is the chief operating fund for the Department. As a measure of the Special Revenue Fund's liquidity, it may be useful to compare the total fund balance of $248,712,000 to the total Department expenditures of $5,019,004,000. The total fund balance represents 5.0% of the total fund expenditures.

Capital Asset and Debt Administration

Capital assets

The Department's investments in capital assets for its governmental activities as of June 30, 2019, amounts to $20,992,202,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure and construction in progress. In the current fiscal year, the Department's investments in capital assets increased by $250,073,000.

Some of the major capital asset events during the current fiscal year included the following:

- Construction continued on the expansion and upgrading of the airport facilities at the Baltimore Washington International Thurgood Marshall (BWI Marshall) Airport; construction in progress at BWI Marshall Airport at the close of the current fiscal year increased by $555,785,000, buildings increased by $25,152,000 and infrastructure increased by $463,677,000 in the current fiscal year.

- A variety of widening and/or expansion of existing and new highways and bridges were completed in fiscal year 2019; infrastructure assets for the State Highway Administration at the close of the current fiscal year reached $23,094,525,000 compared to $22,026,449,000 in the prior fiscal year, a 4.85% increase.

- Various transit projects in addition to the Purple Line construction were ongoing in the current fiscal year; construction in progress was $3,343,494,000, down from the prior fiscal year at $3,495,420,000 due to completion of the project implementation/equipment put into service.

- The port and motor vehicle administration construction projects in fiscal year 2019; construction in progress for these administrations at the close of the current fiscal year was $362,964,000 compared to $322,112,000 in the prior fiscal year.

The following schedule reflects the Department's Capital Assets Summary.

Maryland Department of Transportation
Capital Assets
(net of depreciation)
(amounts expressed in thousands)

Governmental Activities	June 30, 2019	June 30, 2018
Land	$ 2,884,904	$ 2,828,647
Buildings and improvements	1,716,594	1,817,182
Machinery and equipment	745,230	645,314
Infrastructure	9,929,748	9,784,767
Seagirt Assets	46,417	47,549
Purple Line Assets	98,734	66,505
Construction in progress	5,570,575	5,552,165
Total	$ 20,992,202	$ 20,742,129

Additional information on the Department's capital assets can be found in Note 8 of this report.

Long-term debt

At the end of the current fiscal year the Department had total bonded debt outstanding of $3,342,945,000, and represents bonds secured solely by specified taxes and revenue sources.

The following schedule reflects the Department's Outstanding Debt Summary.

Maryland Department of Transportation
Outstanding Debt
(amounts expressed in thousands)

Governmental Activities	June 30, 2019	June 30, 2018
Consolidated Transportation Bonds	$ 3,342,945	$ 2,911,675

The Department's Consolidated Transportation Bonds outstanding debt increased by 14.8%. The issuance of $630,680,000 in new debt in Series 2019, combined with the continued scheduled debt service principal payments made during the year resulted in the increase in debt outstanding in fiscal year 2019. The Department maintains an "AAA" rating with Standard & Poor's Corporation, an "AA+" rating with Fitch Ratings and an "Aa1" rating with Moody's Investors Services, Inc., for its Consolidated Transportation Bonds. As provided by law, the maximum outstanding aggregate amount of Consolidated Transportation Bonds that may be outstanding on June 30 is $4,500,000,000. In addition, the General Assembly sets an annual limit on the amount of debt outstanding. For fiscal year 2019, that amount was $3,422,265,000, which is higher than the

Department's outstanding transportation-related debt. Additional information on the Department's long-term debt can be found in Note 10 of this report.

Capital leases. At the end of the current fiscal year the Department had capital leases outstanding of $504,059,000. The following schedule reflects the Department's Capital Leases Summary.

Maryland Department of Transportation

Capital Leases

(amounts expressed in thousands)

Governmental Activities	**June 30, 2019**	**June 30, 2018**
Capital leases	$ 504,059	$ 524,748

The Department's capital lease obligations decreased by $20,689,000, during the current fiscal year. This decrease is attributable to ongoing construction costs related to airport projects and continued scheduled capital lease payments at the airport and the Department's various port, and transit facilities. The Department maintains an "AA+" rating with Standard & Poor's Corporation, an "Aa2" rating with Moody's Investors Services, Inc. and an "AA" with Fitch Ratings for Certificates of Participation which are included in capital lease obligations. Additional information on the Department's capital lease obligations can be found in Note 12 of this report.

Special Revenue Fund Budgetary Highlights

The Department's appropriations, between the original and final amended budget increased by $292,616,000 for special funds and decreased by $284,583,000 for federal funds during the current fiscal year. The increase in special and federal fund appropriations was due to a mid-year budget evaluation analysis throughout the Department. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual can be found on page 86 of this report.

Economic Factors and Next Year's Budgets and Rates

Maryland's economic indices showed positive direction for the State this past fiscal year. Employment growth for the State of Maryland was 0.5% for the first three quarters of this year compared to 0.8% growth in 2018. The State's personal income is continuing to rise with a growth of 4.0% through the second quarter of 2019. Nationally, personal income grew by 4.8% for the same period.

Although growth has been uncharacteristically slow for a period of economic recovery, Maryland's economy continues to grow at a slow but steady pace, and steady growth is forecasted for the next several years. The unemployment rate, which peaked at 7.6% in 2010, is estimated to be 3.8% for 2019. Job growth continues to be in professional and business services, as well as, the healthcare and leisure/hospitality sectors.

Maryland's economic health is heavily reliant on federal spending. The federal government sector, typically a positive driver to Maryland's economy, has in the recent past caused a level of uncertainty. The federal fiscal concerns eased with the passage of the omnibus spending package; however, the president's proposed budget includes cuts to nearly all non-defense departments. This potential hit to civilian employment could impact discretionary spending and be a drag on growth in Maryland.

Requests for Information

This Comprehensive Annual Financial Report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Jaclyn D. Hartman, Chief Financial Officer, Office of Finance, MDOT - Secretary's Office, 7201 Corporate Center Drive, Hanover, MD, 21076.

BASIC FINANCIAL STATEMENTS

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MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Net Position
As of June 30, 2019
(amounts expressed in thousands)

		Total Governmental Activities
ASSETS:		
Cash and cash equivalents	$	36,845
Cash and cash equivalents - restricted		3,854
Taxes receivable, net		189,149
Intergovernmental receivable		538,339
Other accounts receivable		94,474
Due from other State agencies		99,044
Inventories		94,763
Prepaids		162,276
Capital assets not depreciated:		
Construction in progress		5,570,575
Purple Line assets		98,734
Land		2,884,904
Capital assets depreciated (net of depreciation):		
Buildings and improvements		1,716,594
Machinery and equipment		745,230
Infrastructure		9,929,748
Seagirt assets		46,417
Total assets		22,210,946
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount for refunding bonds		14,495
Deferred amount for pensions		284,121
		298,616
LIABILITIES:		
Salaries payable		25,319
Accounts payable and other current liabilities		497,394
Accounts payable to political subdivisions		45,657
Due to other State agencies		135,056
Unearned revenue		124,031
Accrued interest payable		40,014
Noncurrent liabilities:		
Due within one year		325,228
Due in more than one year		6,544,711
Total liabilities		7,737,410
DEFERRED INFLOWS OF RESOURCES:		
Deferred service concession arrangement receipts		145,151
Deferred amount for pensions		306,682
Deferred amount for OPEB		224,898
		676,731
NET POSITION:		
Net investment in capital assets		16,643,603
Unrestricted deficit		(2,548,182)
Total net position	$	14,095,421

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Activities
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Positon: Total Governmental Activities
Governmental activities:					
Secretary's Office	$ 977,303	$ 3,753	$ 10,019	$ 10,310	$ (953,221)
State Highway Administration	1,477,133	95,203	13,077	558,773	(810,080)
Port Administration	182,300	64,968	439	2,872	(114,021)
Motor Vehicle Administration	239,324	14	6,679	244	(232,387)
Transit Administration	1,509,847	169,748	59,935	272,553	(1,007,611)
Aviation Administration	317,838	252,988	646	7,114	(57,090)
Interest on long-term debt	183,064	-	-	-	(183,064)
Total governmental activities	$ 4,886,809	$ 586,674	$ 90,795	$ 851,866	(3,357,474)
General revenues:					
Motor vehicle taxes and fees					1,618,524
Motor fuel taxes and fees					1,140,220
Corporation income tax share					189,878
State sales tax					34,471
Unrestricted investment earnings					2,929
Other revenue					145,024
Total general revenues					3,131,046
Change in net position					(226,428)
Net position, July 1, 2018					14,321,849
Net position, June 30, 2019					$ 14,095,421

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Balance Sheet
Governmental Funds
As of June 30, 2019
(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund Debt Service	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 36,845	$ -	$ 36,845
Cash and cash equivalents - restricted	3,854	-	3,854
Taxes receivable, net	189,149	-	189,149
Intergovernmental receivable	538,339	-	538,339
Other accounts receivable	94,474	-	94,474
Due from other State agencies	99,044	-	99,044
Inventories	94,763	-	94,763
Prepaids	162,276	-	162,276
Total assets	1,218,744	-	1,218,744
LIABILITIES & FUND BALANCES:			
Liabilities:			
Salaries payable	25,319	-	25,319
Accounts payable and other current liabilites	497,394	-	497,394
Accounts payable to political subdivisions	45,657	-	45,657
Due to other State agencies	135,056	-	135,056
Unearned revenue	32,725	-	32,725
Total liabilities	736,151	-	736,151
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue	233,881	-	233,881
FUND BALANCES:			
Nonspendable fund balance:			
Inventories	94,763	-	94,763
Prepaid items	162,276	-	162,276
Committed fund balance:	8,908	-	8,908
Assigned fund balance:			
Agency activities	850	-	850
Unssigned fund balance:	(18,085)	-	(18,085)
Total fund balances	248,712	-	248,712
Total liabilities, deferred inflows and fund balances	1,218,744	-	1,218,744

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Reconciliation of the Governmental Funds' Fund Balance to the Statement of Net Position
Net Position Balance
As of June 30, 2019
(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of net assets are different because:		
Amount in governmental funds, fund balance (page 41)		248,712
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.		20,992,202
Accrued interest payable on bonds and capital leases		(40,014)
Long-term liabilities not due and payable in the current period and, therefore, are not reported in the fund financial statements, includes the following:		
Unavailable revenue		233,881
Advance rental payment		(91,305)
Deferred amount on refunding bonds		14,495
Bonds payable		(3,342,945)
Capital leases		(504,059)
Pollution liability		(156,161)
MTA OPEB liability		(728,867)
Net pension liability		(1,636,418)
Premium on bonds not liquidated with current financial resources		(338,006)
Workers' compensation costs		(77,590)
Energy savings liability		(32,933)
Compensated absences		(52,960)
Deferred outflows and inflows related to pensions and OPEB		(247,460)
Deferred service concession arrangement receipts		(145,151)
Net position of governmental activities	$	14,095,421

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund Debt Service	Total Governmental Funds
REVENUES:			
Taxes:			
Motor vehicle taxes and fees	$ 1,618,343	$ -	$ 1,618,343
Motor vehicle fuel taxes and fees	1,140,401	-	1,140,401
Revenue sharing of State corporation income tax	189,878	-	189,878
Revenue sharing of State sales tax	34,471	-	34,471
Federal reimbursements	1,005,159	-	1,005,159
Charges for services	453,011	-	453,011
Passenger facility charges	51,356	-	51,356
Customer facility charges	12,933	-	12,933
Special parking revenues	66,015	-	66,015
Investment earnings	2,929	-	2,929
Other	34,973	-	34,973
Total revenues	4,609,469	-	4,609,469
EXPENDITURES:			
Current:			
Department administration, operating, and maintenance expenditures:			
Secretary's Office	228,328	-	228,328
State Highway Administration	281,328	-	281,328
Port Administration	110,709	-	110,709
Motor Vehicle Administration	199,925	-	199,925
Transit Administration	1,299,069	-	1,299,069
Aviation Administration	338,072	-	338,072
Intergovernmental:			
Highway user revenue distributions and federal fund pass-thru to local subdivisions	306,252	-	306,252
Washington Metropolitan Area Transit Authority Grants	542,371	-	542,371
Distributions to other State agencies	28,170	-	28,170
Debt service:			
Principal repayment	-	199,410	199,410
Interest	-	138,156	138,156
Issuance expenditures	379	-	379
Capital outlay	1,529,103	-	1,529,103
Total expenditures	4,863,706	337,566	5,201,272
Excess of expenditures over revenues	(254,237)	(337,566)	(591,803)
OTHER FINANCING SOURCES (USES):			
Issuance of debt	630,680	-	630,680
Premium on bonds	58,531	-	58,531
Capital leases	132,195	-	132,195
Debt service transfer	(337,566)	337,566	-
Total other financing sources and uses	483,840	337,566	821,406
Net change in fund balances	229,603	-	229,603
Fund balances, July 1, 2018	19,109	-	19,109
Fund balances, June 30, 2019	$ 248,712	$ -	$ 248,712

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds (page 43)		$229,603
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	1,529,103	
Loss on disposal of assets	(118,083)	
Depreciation expense	(1,193,176)	
		217,844
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue	(53,746)	
Amortization of advance rental payments	2,227	
		(51,519)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net positon. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Premium on bonds	(58,531)	
Reductions of premium	49,945	
Principal repayment of bonds	199,410	
Debt Issued, transportation bonds	(630,680)	
Capital lease liability	20,689	
		(419,167)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		
Accrued interest	(5,443)	
Compensated absences	(3,739)	
Energy savings liability	9,862	
Workers compensation	(6,857)	
State net pension liability	(122,611)	
MTA net pension liability	40,941	
MTA OPEB obligation	104,422	
Energy savings asset	(5,250)	
		11,325
Deferred financing inflows (outflows)		
Pension activity	(85,342)	
OPEB activity	(125,267)	
Refunding bonds	(5,037)	
Amortization of assets	1,132	
		(214,514)
Change in net positon of governmental activities (page 40)		($226,428)

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2019
(amounts expressed in thousands)

	Maryland Transit Administration Pension Plan Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 2,236	$ 54,283
Investments:		
Equity securities pool	120,906	-
Fixed income pool	72,412	-
Alternative investments pool	118,217	-
Real estate pool	10,159	-
Total investments	321,694	-
Receivables:		
Accrued investment income	1,422	-
Investment sales proceeds	8,685	-
Total receivables	10,107	-
Total assets	334,037	54,283
LIABILITIES		
Due to others		54,283
Accounts payable and accrued liabilities	11,733	-
Total liabilities	11,733	54,283
NET POSITION:		$ -
Net Postion restricted for Pension Benefits	$ 322,304	

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

			Maryland Transit Administration Pension Plan Trust Fund	
ADDITIONS:				
Contributions from employer			$	41,597
Contributions from employees				3,006
Investment earnings:				
Interest income	$	18,083		
Net appreciation in fair value of investments		12,940		
Net investment earnings				31,023
Total additions				75,626
DEDUCTIONS:				
Benefit payments				42,724
Administrative expenses				2,325
Due from SRA				6,720
Total deductions				51,769
Change in net postion				23,857
Net positon restricted for pension benefits, July 1, 2018				298,447
Net position restricted for pension benefits, June 30, 2019			$	322,304

The notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies:

A. Reporting Entity:

The Maryland Department of Transportation (Department), a department of the State of Maryland, was established by statute in 1971. The Department is responsible for carrying out the Governor's policies in the area of transportation under statutory mandates, guidelines and constraints established by the Maryland General Assembly. The Department has the responsibility for most State-owned transportation facilities and programs, including planning, financing, construction, operation and maintenance of various modes of transportation and carrying out related licensing and administrative functions. The Department includes the Secretary's Office (TSO), which provides overall policy direction, guidance, and support to five business units and one authority: the Maryland Aviation Administration (MAA), the Maryland Port Administration (MPA), the Maryland Transit Administration (MTA), the Motor Vehicle Administration (MVA), the State Highway Administration (SHA), and the Maryland Transportation Authority (MDTA).

The accompanying financial statements include the Department, which has no component units. The MDTA is a separate entity with separate fiscal operations and management, and accordingly, is excluded from the Financial Reporting Entity of the Department, because it is not financially accountable to the Department, as required by generally accepted accounting principles (GAAP) in the United States of America to require inclusion in the reporting entity.

B. Government-Wide and Fund Financial Statements:

The Department's government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the government. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. The Department's governmental activities are supported primarily by taxes, intergovernmental revenues and charges for services. Fiduciary funds are excluded from the Department's government-wide and fund financial statements, as fiduciary assets are not available for the Department's use. Separate financial statements are provided for the fiduciary fund, the MTA Employee Pension Plan Trust Fund.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the financial statements as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability or obligation is incurred as a result of goods or services rendered, as under accrual accounting. However, under the modified accrual basis, debt service expenditures are recorded only when payment is due. Compensated absences, retirement and workers' compensation costs and claims, judgments and other liabilities not expected to be paid with current available resources are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Motor vehicle taxes, motor vehicle fuel taxes, charges for services, federal reimbursements, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Department.

The Department collects and receives various types of motor vehicle taxes and fees. These taxes and fees consist primarily of a portion of the motor vehicle fuel taxes, motor vehicle titling taxes and motor vehicle registration fees. The Department accrues the motor vehicle fuel taxes and titling taxes for the month of June that are unremitted as of year-end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the Department in July and thereafter by merchants who collect these taxes. Expenditure-driven federal grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met and the reimbursement funding is available from the federal government.

The Department reports the following major governmental fund:
Special Revenue Fund:
Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the Special Revenue Fund. The Special Revenue Fund accounts for resources used for operations (other than debt service and pension activities) of the Department, including construction and improvement of transportation facilities and mass transit operations. Fiscal resources dedicated to transportation operations include the excise taxes on motor vehicle fuel and motor vehicle titles, a portion of the State’s corporation income tax and the sales tax on short-term vehicle rentals, wharfage and landing fees, fare box revenues, bond proceeds, federal grants for transportation purposes, and other receipts of the Department’s agencies. The Department’s unexpended balances as of year-end do not revert to the State’s General Fund. In addition, the various series of Consolidated Transportation Bonds are serviced from the resources of the Department. The particular taxes and other designated revenues are dedicated to the payment of Consolidated Transportation Bonds and constitute the sole sources to which holders of Consolidated Transportation Bonds may legally look for repayment.

The Department reports the following non-major governmental fund:
Debt Service Fund:
Transactions related to the resources accumulated and payments made for principal and interest on long-term transportation debt of governmental funds are accounted for in the Debt Service Fund.

Additionally, the Department reports the following fund types:
MTA Employee Pension Plan Trust Fund:
The pension trust fund accounts for the activities of the MTA Employee Pension Plan (the Plan), which accumulates resources for pension benefit payments to qualified MTA employees. The pension trust fund accounts for plan assets at their fair value. Additional information regarding the Plan is included in Note 14. The accounts of the pension trust fund are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded in the fiduciary fund financial statements when

earned, and administrative expenses are recorded at the time the liabilities are incurred and pension benefits are recorded when paid.

Agency Fund:
The agency fund is custodial in nature and does not present the results of operations or have a measurement focus. The Department uses an agency fund to account for the receipt and disbursement of federal grant proceeds collected by the Department for distribution to political subdivisions and the accumulation of and payment of funds for debt service issued under the County Transportation Revenue Bond program, see Note 11 for additional information. When both restricted and unrestricted resources are available for use, the Department's policy is to use unrestricted resources first and then restricted resources as they are needed.

D. New Pronouncements:
The Governmental Accounting Standards Board (GASB) adopted Statement No. 88, entitled Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; and Statement No. 83, Certain Asset Retirement Obligations, which the Department implemented in the current fiscal year.

As of the year ended June 30, 2019, GASB issued Statement No.84 Fiduciary Activities; Statement No. 87; Leases: Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61; and Statement No. 91, Conduit Debt Obligations, which will require adoption in the future, if applicable. These statements may or will have a material effect on the Department's financial statements once implemented. The Department has not yet completed the process of evaluating the impact of these pronouncements on its financial statements and plans to adopt them, as applicable, by their effective date.

2. Summary of Significant Accounting Policies - Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position:

A. All Funds:

1. Deposits and investments:

The Department's cash on hand, demand deposits and short-term investments maturing within 90 days from the date purchased are considered as cash and cash equivalents. The Department's investments are recorded at fair value and changes in fair value are recognized as revenue. The cash and cash equivalents and investments of the MTA Employee Pension Plan Trust Fund are maintained by the State Retirement and Pension System of Maryland (System) on a pooled basis. The System, in accordance with Section 21 of the State Personnel and Pensions Article of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The System's investments are commingled in three combined investment funds. Two investment funds consist principally of bonds and other fixed income investments, while the other investment fund consists principally of common stocks.

2. Receivables and payables:

Amounts due to the Department from various tax revenue sharing programs are recorded as taxes receivable, while amounts due to the Department from the federal government are reported as intergovernmental receivables. Amounts representing balances due from the MDTA and the State's General Fund are reported as due from other State agencies. Amounts representing balances due to the MDTA and the State's General Fund are reported as due to other State agencies. Amounts representing balances due to political subdivisions are reported as accounts payable to political subdivisions.

3. Inventories and prepaid items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In governmental fund type accounts, prepaid expenses are generally accounted for using the purchases method. Under the purchases method, prepaid expenses are treated as expenditures when purchased rather than accounted for as an asset.

4. Grants:

Revenues from federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The government considers all grant revenues to be available if they are collected within 60 days of the current fiscal period.

5. Capital assets:

Capital assets, which include land, buildings and improvements, machinery and equipment, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than $50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Cost on constructed assets includes materials, labor, design and any other costs directly related to putting the asset in use. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	**Years**
Buildings and improvements	5-50
Transit vehicles and equipment	10-25
Other vehicles	3-10
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-50

6. Deferred outflows/inflows of resources:

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Department has two items that qualify for reporting in this category: the deferred amount for refunding bonds and deferred amount of pensions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Department has three items that qualify for reporting in this category: deferred service concession arrangement receipts, deferred amount for pensions, and deferred amount for other post-employment benefits (OPEB). (See Note 9 for additional information concerning service concession arrangements, Note 14 for additional information concerning pensions, and Note 15 for additional information concerning OPEB).

7. Compensated absences:
It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the State. All vacation pay is accrued when earned in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and/or retirements. Principally all full-time State 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 75 days as of the end of each calendar year. Accumulated earned, but unused annual leave for the Department's employees is accounted for in the government-wide financial statements.

8. Long-term obligations:
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts adjust the carrying value of the bonds and are amortized over the life of the bonds. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the period the debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

9. Fund balance:
The Department's Balance Sheet for the reservation of fund balance includes the following categories: (1) Nonspendable fund balance (which includes inventory of supplies and prepaid items), (2) Restricted fund balance (for debt service items), (3) Committed fund balance (contractual obligations), (4) Assigned fund balance (for loans receivable, agency activities and other function related activities), and (5) Unassigned fund balance is the residual classification for the Department and includes all spendable amounts not contained in the other classification for the Special Revenue Funds within the Department.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Department's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Department utilizes encumbrance accounting. Encumbrances, based on purchase orders or other contracts, have been classified based on the existing resources that will be used to liquidate them. Encumbrances not included in the restricted fund balance are included in the committed fund balance since these amounts do not lapse at year-end but are payable from remaining appropriations from the prior year. These amounts can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision-making authority through the budget process.

3. Reconciliation of Government-wide and Fund Financial Statements:

A. Explanation of the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund Balance Sheet includes reconciliation between fund balance-total governmental funds and total net position-total governmental activities as reported in the government-wide Statement of Net Position. The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between the net change in fund balance-total governmental funds and the change in net position of governmental activities as reported in the government-wide Statement of Activities. The Statement of Net Position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement of Net Position displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, although a balance sheet format (assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources, plus net position) may be used. Regardless of the format used, the Statement of Net Position should report the residual amount as net position, rather than net assets, proprietary or fiduciary fund balance, or equity. The net position represents the difference between all other elements in a Statement of Net Position and should be displayed in three components-net investment in capital assets; restricted (distinguishing between major categories of restrictions); and unrestricted.

4. Deposits and Investments:

A. Investments at Fair Value:

GASB Statement No. 72 (GASB 72), Fair Value Measurement and Application, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Department categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2019:

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a combination of prevailing market prices and interest payments that are discounted at prevailing interest rates for similar instruments. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

The fiduciary funds have the following fair value measurements as of June 30, 2019:

(amounts expressed in millions)

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
U.S. Government obligations	$ 40	$ 40	$ -	$ -
Domestic corporate obligations	29	-	29	-
Emerging markets debt	4	-	4	-
Mortgages & mortgage related securities	10	-	-	10
Total debt securities	83	40	33	10
Equity Securities				
Domestic stocks (including REITs)	60	60	-	-
International stocks (including REITs)	61	61	-	-
Total equity securities	121	121	-	-
Total investment by fair value level	**$ 204**	**$ 161**	**$ 33**	**$ 10**
Investment measured at the net asset value (NAV)				
Private Funds (includes equity, real estate, credit, energy, infrastructure and timber)	59			
Real Estate-open ended	24			
Multi-strategy	3			
Hedge Funds				
Equity long/short hedge funds	7			
Event-driven hedge funds	6			
Global macro	8			
Multi-strategy hedge funds	9			
Opportunistic	2			
Total investment measured at the NAV	**118**			
Total	**$ 322**			

The valuation method for investments measured at net asset value per share (or its equivalent):

(amounts expressed in millions)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Funds (includes equity, real estate, energy, infrastructure and timber)	$ 59	$ 59		
Real Estate-open ended	24		Quarterly	45 - 90 days
Multi-asset	3		Monthly	5 days
Hedge Funds				
Equity long/short	6		Monthly	30 - 45 days
	1		Quarterly	45 - 90 days
Event-driven	3		Quarterly	65 days
	2		Quarterly	120 days +
	1		N/A	Liquidating
Global macro	5		Monthly	5 - 30 days
	2		Weekly	3 days
	1		Daily	2 days
Relative value	5		Quarterly	30 days
	4		Quarterly	30 days
Opportunistic	2		Annual	90 days
Total	**$ 118**	**$ 59**		

Interest rate risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Maryland State Treasurer's policy on all of the Department's investments. The State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the State Treasurer will not directly invest in securities maturing more than five years from the date of purchase. The Department followed this policy for all of its investments.

Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department's policy for reducing its exposure to credit risk is to comply with the State law, which requires that repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. agency obligations. These agency obligations are rated Aa1 by Moody's and AAA by Standard and Poor's. State law also requires that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by U.S. treasuries or agencies. The money market mutual funds are rated Aaa/AAA.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Department's policy for reducing this risk of loss is to comply with the State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio.

Custodial credit risk - deposits and investments:

Custodial credit risk is the risk that, in the event of a bank failure, the Department's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Department's name. The Department follows State law, which permits the State Treasurer to deposit in a financial institution in the State, unexpended or surplus money in which the State Treasurer has custody if (a) the deposit is interest-bearing, (b) the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance, or (c) a custodian holds the collateral.

As of June 30, 2019, the Department reported a total of $3,854,000 in *Cash and cash equivalents – restricted* on the Department's Balance Sheet. This amount consists primarily of restricted cash for the construction retainages related to the SHA road projects.

State law authorizes the Department to invest in obligations of the U.S. Treasury including bills, notes, and bonds; obligations of U.S. agencies and instrumentalities; obligations of supranational issues; repurchase agreements secured by an U.S. Treasury agency; instrumentality obligations or bankers' acceptances guaranteed by a financial institution with the highest short-term debt rating by at least one nationally recognized statistical rating organization (NRSRO); commercial paper with the highest rating by at least one NRSRO; shares or certificates in a money market mutual fund as defined by the State Treasurer; and the Maryland Local Government Investment Pool.

5. Receivables and Unearned Revenue:

The Department's receivables as of June 30, 2019 for the individual funds were as follows:

(amounts expressed in thousands)

Receivables	Special Revenue
Taxes receivable	$ 189,149
Intergovernmental receivable	538,339
Other accounts receivable	94,474
Due from other State agencies	99,044
Net total receivables	$ 921,006

The Department's taxes receivable consists of receivables recorded at year-end for the motor vehicle fuel tax in the amount of $143,062,000 and the motor vehicle titling tax in the amount of $46,087,000.

The Department's intergovernmental receivables consist of receivables from the federal government in the amount of $500,713,000 and from the local subdivisions in the amount of $37,626,000.

The Department's other accounts receivable of $94,474,000 consist of miscellaneous receivables recorded at fiscal year-end across the Department.

The Department's due from other State agencies consist of $43,181,000 for the amount due from the State Comptroller's Revenue Administration Division for cash transfers not transferred to the Department as of June 30, 2019; $43,825,000 due from the MDTA for passenger facility charge (PFC), customer facility charge (CFC) and special parking revenue collections; $11,760,000 due from the Maryland Department of Budget and Management (DBM) for the health benefits refund; and $278,000 due from the MDTA for the Intercounty Connector.

The Department's unearned revenue in connection with resources that have been received, but not yet earned was $124,031,000 as of June 30, 2019. The Department reported unearned revenue for customer prepayments of future airport services to be provided by the MAA in the amount of $3,202,000; $29,523,000 for revenues collected by the SHA for advanced contract payments, and $91,305,000 for advanced rental payments related to the MPA's service concession arrangement.

As of June 30, 2019, the Department also reported unearned revenue in the governmental funds in the amount of $32,725,000 for unearned customer prepayments. Unavailable revenue was comprised of $43,825,000 for the balance in the MAA PFC and CFC Improvement Funds and $190,056,000 related to federal receivables that were not collectable within the period available.

6. Interfund Transfers:

The interfund transfers for the Department for the year ended June 30, 2019, were as follows:

(amounts expressed in thousands)

Transfers In	Transfers Out	Amount
Debt Service Fund	Special Revenue Fund	$ 337,566

The purpose of this interfund transfer is to record the amount of revenue transferred from the Special Revenue Fund to the Debt Service Fund for debt service principal and interest payments. This transfer is reported on the Statement of Revenues, Expenditures and Changes in Fund Balances for the year ended June 30, 2019 as a debt service transfer under Other Financing Sources (Uses).

7. Due to Other State Agencies:

The amount reported as due to other State agencies within the Special Revenue Fund in the accompanying balance sheet is $135,056,000. That amount represents the amount due to the State's General Fund for motor vehicle fuel tax, which was not transferred as of June 30, 2019.

8. Capital Assets:

The Department's capital assets activity by asset classification, including accumulated depreciation, for the year ended June 30, 2019, was as follows:

(amounts expressed in thousands)

Capital Assets - Governmental activities	**Balance July 1, 2018**	**Increases**	**Decreases**	**Transfers In (Out)**	**Balance June 30, 2019**
Capital Assets not depreciated:					
Land and Land Improvements	$ 2,828,647	$ 11,002	$ -	$ 45,255	$ 2,884,904
Construction in progress	5,552,165	619,271	-	(600,754)	5,570,682
Purple Line Assets	66,505	32,229	-	-	98,734
Total capital assets not depreciated	8,447,317	662,502	-	(555,499)	8,554,320
Capital assets depreciated:					
Building & improvements	3,384,747	42,151	(81,503)	28,474	3,373,869
Machinery & equipment	2,362,096	47,515	(78,610)	216,485	2,547,486
Infrastructure	25,407,788	809,164	(28,215)	310,540	26,499,277
Seagirt Assets	54,341	-	-	-	54,341
Total capital assets depreciated	31,208,972	898,830	(188,328)	555,499	32,474,973
Accumulated depreciation for:					
Building & improvements	(1,567,565)	(89,823)	113	-	(1,657,275)
Machinery & equipment	(1,716,782)	(155,713)	70,132	-	(1,802,363)
Infrastructure	(15,623,021)	(946,508)	-	-	(16,569,529)
Seagirt Assets	(6,792)	(1,132)	-	-	(7,924)
Total accumulated depreciation	(18,914,160)	(1,193,176)	70,245	-	(20,037,091)
Net capital assets after depreciation	12,294,812	(294,346)	(118,083)	555,499	12,437,882
Net total capital assets – governmental activities	$20,742,129	$ 368,156	$ (118,083)	$ -	$ 20,992,202

Depreciation expense for the current year on capital assets charged to the Department's transportation business units in the Statement of Activities for the year ended June 30, 2019, was as follows:

(amounts expressed in thousands)

Depreciation Expense - Governmental Activities	
Secretary's Office	$ 6,848
State Highway Administration	918,569
Port Administration	25,345
Motor Vehicle Administration	15,505
Transit Administration	139,915
Aviation Administration	86,994
Total depreciation expense - governmental activities	$1,193,176

9. <u>Service Concession Arrangements:</u>

The Department implemented GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, as of July 1, 2012. The Department entered into a long-term lease with Ports America Chesapeake (PAC) to manage, operate and maintain the Seagirt Marine Terminal. These agreements satisfy the criteria established to be considered a service concession arrangement (SCA). Under the terms of the ground lease, the Department transfers rights to PAC for a term of 50 years. After 50 years the Department has the option to buy PAC's equipment. PAC charges and collects fees from the user for container lifts, short tons of roll on-roll off, break-bulk and bulk cargo and pays the operating costs, management fee and debt service associated with the project. The Department has the ability to approve what services the operator is required to provide. As of June 30, 2019, the capital assets, net accumulated depreciation and deferred receipts were $46,417,000.

In 2016, the Department entered into the first light rail transit public-private partnership concession arrangement in Maryland. The construction, operating and maintenance risk is being managed by Purple Line Transit Partners, LLC (PLTP) through the 6-year construction and 30-year operating period. The PLTP will finance, develop, design, build, equip, and supply light rail vehicles under an availability-based concession agreement with the Department. Construction began August 2017. The Department has paid a total of $603,867,000 for construction costs to date. As of June 30, 2019, the capital assets and deferred service concession arrangement receipts were $1,336,784,000.

10. Long-term Liabilities:

Changes in long-term liabilities:

The Department's long-term liability activity for the year ended June 30, 2019, was as follows:

(amounts expressed in thousands)

Governmental activities:	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019	Due Within One Year
Transportation bonds(1)	$ 2,911,675	$ 630,680	$(199,410)	$ 3,342,945	$ 205,755
Capital leases(1)	524,748	132,195	(152,884)	504,059	45,030
Pollution obligations	156,161	-	-	156,161	-
MTA OPEB liability	833,289	-	(104,422)	728,867	-
State Employees' Plan Net pension liability	581,413	122,611	-	704,024	-
MTA Net pension liability	973,335	-	(40,941)	932,394	-
Premium on bonds(1)	329,420	58,531	(49,945)	338,006	46,296
Workers' compensation cost	70,733	25,888	(19,031)	77,590	11,639
EPC obligations(1)	42,795	-	(9,862)	32,933	4,787
Compensated absences	49,222	33,894	(30,156)	52,960	11,721
Total long-term liabilities – governmental activities	$ 6,472,791	$1,003,799	$(606,651)	$ 6,869,939	$ 325,228

Notes to the schedule:

(1) These items are combined for the net related debt calculation on the Statement of Net Position section entitled Net Position – Net investment in capital assets.

The State Treasurer's Office is financing the EPC obligations in the amount of $30,688,000; certain agencies have a Maryland Energy Administration (MEA) State Agency Loan Program (SALP) loan totaling $2,245,000. The current portion that is due within one year is the principal due to the State Treasurer's Office in the amount of $4,787,000 and the agencies' SALP portion in the amount of $538,000; see Note 17 for additional program details.

The Department's long-term liabilities, other than Consolidated Transportation Bonds, are generally liquidated through the Special Revenue Fund. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2019.

11. Transportation Bonds:

The Department issues Consolidated Transportation Bonds to provide funds for the acquisition and construction of major capital facilities. Consolidated Transportation Bonds are limited obligations issued by the Department for highway, port, airport, rail 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 State law, the

General Assembly establishes in the budget for each fiscal year a maximum outstanding aggregate amount of Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed $4,500,000,000. The aggregate principal amount of those bonds that were allowed to be outstanding as of June 30, 2019, was $3,422,265,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2019, was $3,342,945,000. Consolidated Transportation Bonds are paid from the Debt Service Fund.

The Department's Consolidated Transportation Bonds outstanding as of June 30, 2019, were as follows:

(amounts expressed in thousands)

	Interest Rates	**Amount**
Consolidated Transportation Bonds – due serially through 2033 – for State transportation activity	2.0-5.5%	$2,907,665
Consolidated Transportation Bonds, refunding – due serially through 2027 – for State transportation activity	4.0-5.0%	435,280
Total Consolidated Transportation Bonds		$3,342,945

Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporation income tax and a portion of the State sales tax on short term vehicle rentals credited to the Department. These amounts are applicable 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 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 (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 Revenue Bonds, enacted during the 1993 session of the General Assembly, 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, and the obligation of, the participating counties and Baltimore City. Unexpended bond proceeds in the amount of $32,123,000 and certain debt service sinking fund amounts aggregating $22,160,000 were invested in money market accounts as of June 30, 2019. These funds are reported as restricted cash and cash equivalent in the agency funds. The two amounts are restricted for project funds and county bond debt service respectively. As of June 30, 2019, $128,275,000 in County Transportation Revenue Bonds was outstanding.

On October 3, 2018, Consolidated Transportation Bonds in the amount of $630,680,000 were issued by the Department with a net premium of $58,531,000. These bonds are dated with maturities ranging from October 1, 2021 to October 1, 2033 at interest rates ranging from 3.375-5.0%. As of June 30, 2019, the Department has $112,440,000 of defeased debt outstanding.

Annual debt service requirements to maturity for Consolidated Transportation Bonds in future years are as follows:

(amounts expressed in thousands)

Years Ended June 30,	Transportation Bonds-Principal	Consolidated Transportation Bonds-Interest	Total Transportation Bond Debt Service Requirements
2020	$ 205,755	$ 142,426	$ 348,181
2021	254,860	131,770	386,630
2022	296,750	118,495	415,245
2023	304,905	105,295	410,200
2024	252,445	90,458	342,903
2025-2029	1,253,930	282,884	1,536,814
2030-2034	774,300	54,656	828,956
Total	$ 3,342,945	$ 925,984	$ 4,268,929

12. Operating and Capital Leases:

Operating Leases:

The Department leases office space under various agreements that are accounted for as operating leases. Rent expense under these agreements was $4,467,000 for the year ended June 30, 2019.

The future minimum operating lease payments under these agreements as of June 30, 2019, were as follows:

(*amounts expressed in thousands)*

Years Ended June 30,	Operating Leases Future Minimum Payments
2020	$4,550
2021	4,408
2022	3,645
2023	2,767
2024	4,550
2025-2029	3,490
Total operating leases	$ 23,410

Capital Leases:

The Department has entered into several lease agreements for the financing of various transportation related projects. The Department has also entered into agreements with the MDTA for the financing of various aviation projects. The Department has reported obligations under capital leases of $504,059,000, as of June 30, 2019. The Department's activity related to capital leases is included in the table in Note 10.

The Department's capital lease obligations as of June 30, 2019, were as follows:

- $8,865,000 in obligations related to Project Certificates of Participation for the Maryland Aviation Administration Facilities, Series 2010 (refunding), issued on December 1, 2010, at annual interest rates ranging from 3.0-5.0%;

- $7,030,000 in obligations related to Project Certificates of Participation for the Maryland Transit Administration Project, Series 2010 (refunding), issued on December 1, 2010, at annual interest rates ranging from 3.0-5.0%;
- $10,190,000 in obligations related to Certificates of Participation for the Maryland Port Administration Facility Project, Series 2016 (refunding), issued in December 2016, at an annual interest rate of 5%;
- $23,490,000 in obligations related to Project Certificates of Participation for the Maryland Aviation Administration's Shuttle Bus Fleet Acquisition, Series 2019, issued on March 27, 2019, at annual interest rates ranging from 3.0-5.0%;
- $125,810,000 for the Maryland Economic Development Corporation bond issuance for the Maryland Aviation Administration Facilities, Series 2012 (refunding), at annual interest rates ranging from 1.8-3.8%;
- $7,720,000 for the Maryland Economic Development Corporation bond issuances for the financing of the Department's headquarters building, original bonds issued on June 27, 2002, refunding bonds issued May 25, 2010, at annual interest rates ranging from 3.0-4.5%;
- $95,460,000 on long-term obligations related to the financing of Baltimore/Washington International Thurgood Marshall (BWI Marshall) Airport parking and roadway projects. Bonds associated with this agreement were issued by the Maryland Transportation Authority in the amount of $264,075,000 on March 5, 2002, and refunded on April 25, 2012, with annual interest rates ranging from 4.0-5.0%;
- $66,326,000 on long-term obligations related to the financing of BWI Marshall Airport Consolidated Rental Car Facility. Bonds associated with this agreement were issued by the Maryland Transportation Authority in the amount of $117,345,000 on June 18, 2002, at annual interest rates ranging from 2.74-6.65%;
- $14,429,000 minimum payments, for the financing of certain airport facilities project located at BWI Marshall Airport including construction of a connector hallway between Concourses B and C. Bonds were issued by Maryland Transportation Authority on April 25, 2012, in the amount of $50,905,000 at annual interest rates ranging from 4.0-5.0%;
- $101,232,000 on long-term obligations related to the financing of BWI Marshall Airport's runway safety and paving improvement projects. Bonds were issued by the Maryland Transportation Authority on December 13, 2012, in the amount of $92,070,000 as fixed rate bonds with interest rates ranging from 2.0-4.0% and $43,400,000 of variable rate demand bonds. As of June 30, 2019, the interest rate on the variable rate bonds was 1.56%;
- $34,265,000 on long-term obligation related to the financing of BWI Marshall Airport's construction of a connector hallway between Concourses C and D. Bonds were issued by the Maryland Transportation Authority on December 18, 2014, in the amount of $40,000,000 as fixed rate bonds with interest rates ranging from 3.0% -5.0%;
- $9,242,000 on long-term obligations related to the financing of BWI Marshall Airport's improvements to the security and baggage screening requirements as well as modernization for level of service. Bonds were issued by the Maryland Transportation Authority on June 5, 2019, in the amount of $108,705,000 as fixed rate bonds with interest rates ranging from 3.0% -5.0%; and
- $108,705,000 on long-term obligations related to the financing of BWI Marshall Airport's construction of Concourse A extension, restroom improvement, FIS Hall Reconfiguration and

Concourse D HVAC replacement. Bonds were used June 19, 2019 in the amount of $108,705,000 as fixed rate bonds with interest rates ranging from 3.0-5.0%.

As bond proceeds are spent for construction, the Department's liability (or minimum payments) and related capital assets will increase, accordingly. Once construction is completed, the Construction in Progress asset will become a Building or Infrastructure asset.

The future minimum capital lease obligations and the net value of these minimum lease payments as of June 30, 2019, were as follows:

(amounts expressed in thousands)

Years Ended June 30,	Amount	
2020	$ 72,155	
2021	75,010	
2022	74,487	
2023	71,308	
2024	71,324	
2025-2029	299,605	
2030-2034	156,491	
2035-2039	42,350	
Total minimum lease payments	862,730	
Less: amount representing interest	204,725	(1)
Less: funds held by bond trustee	153,946	(2)
Value of minimum lease payments	$504,059	

Notes to the schedule:
(1) The interest represents 23.7% of the total minimum lease payments due.
(2) The reduction shown in the amount of $153,946,000 are monies held by the bond trustee on behalf of the MDTA to be used for construction and Debt Service Reserve Fund expenditures.

The capital assets acquired through capital leases as of June 30, 2019 were as follows:

(amounts expressed in thousands)

Capital Asset		Amount
Construction in progress	$	97,895
Land and improvements		16,204
Buildings and improvements		1,128,697
Machinery and equipment		34,615
Infrastructure		292,139
Total acquired capital assets		1,569,550
Less: accumulated depreciation		592,338
Total capital assets – net	$	977,212

13. Pollution Remediation Obligations:

The Department has recognized a pollution remediation obligation on the Statement of Net Position for governmental activities. A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement, and post remediation monitoring. Obligating events that initiate the recognition of a pollution remediation liability include any of the following: (a) There is an imminent and substantial endangerment to the public; (b) The Department is in violation of a pollution prevention related permit or license; (c) The Department is identified as a responsible party or potentially responsible party by an environmental regulator; (d) The Department is named or has evidence that it will be named in a lawsuit to participate in pollution remediation; or (e) The Department voluntarily commences, or legally obligates itself to commence, cleanup activities, monitoring or operations and maintenance of pollution remediation efforts.

The pollution remediation obligation is an estimate and subject to change resulting from price increases or reductions, technology advances or from changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur and as remediation is implemented and monitored. The measurement of the liability is based on the current value of outlays to be incurred using the expected cash flow technique. This technique measures the sum of probability-weighted amounts in a range of possible potential outcomes – the estimated mean or average.

The Department's pollution remediation liability as of June 30, 2019, is estimated to be $156,161,000 for cleanup projects at the SHA, the MPA, the MTA and the MAA with no expected recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair excavation of road and infrastructure, and replacement of buildings as a result of contaminations by hazardous materials under federal and State law. In these cases, either the Department has been named in a lawsuit by a State Regulator or the Department has legally obligated itself under the Environment Article, Section 7-201, of the Annotated Code of Maryland. These cost estimates for the Department's pollution remediation, due to site contamination from hazardous materials, are based on engineering design estimates. The estimated long-term costs that the Department may be responsible for over the next 15 years include: various cleanup projects related to several MTA construction sites and projects related to cleanup of underground hazardous substances at one of the MPA's marine terminals. The MPA is only responsible for 23% of the total remediation costs. The Department did not incur any significant costs to reduce the liability or identify any new technology that would change the liability during the current fiscal year ended June 30, 2019.

14. Retirement Systems and Pension Plans:

Maryland State Retirement and Pension System:

The Department and its employees contribute to the Maryland State Retirement System and Pension System (the System). The System was established by the State to provide pension benefits for State employees (other than employees covered by the MTA Plan described below) and employees of various 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. While the System is an agent multiple-employer public employee retirement system, the Department accounts for the plan as a cost sharing multiple-employer public employee retirement system as a separate valuation is not performed for the Department and the Department's only obligation to the plan is its required annual contributions. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant.

Plan description:

Most employees of the State are provided with pensions through the System. The System is administered by a Board of Trustees in accordance with Section 21-108 of the State Personnel and Pensions Article of the Annotated Code of Maryland. The System issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits provided:
The System includes several plans based on date of hire and job function. Employees of the Department are members of the Employees' and Teachers' Retirement System, Employees' and Teachers' Pension System, or Law Enforcement Officers' Pension System. The Employees' and Teachers' Retirement System (the Retirement Plan) includes those employees hired prior to January 1, 1980, who have not elected to transfer to the Employees' and Teachers' Pension System (the Pension Plan) and are not a member of the Law Enforcement Officers' Pension System (the Officers' Plan). Members of the Pension Plan include those employees hired after January 1, 1980, and prior employees who elected to transfer from the Retirement Plan and are not a member of the Officers' Plan. Members of the Officers' Plan include all MTA law enforcement officers.

Members of the Retirement Plan become vested after five years. Members are generally eligible for full retirement benefits upon the earlier or attaining age 60 or accumulating 30 years of eligible service regardless of age. The annual retirement allowance equals 1/55 (1.8%) of the member's highest three-year average final salary (AFS) multiplied by the number of years of accumulated credible service. A member may retire with reduced benefits after completing 25 years of eligible service.

The Pension Plan includes several components based on a member's date of hire. This is the result of legislative changes to the Pension Plan enacted in 1998, 2006, and 2011. Provisions for these components are largely the same; however, important distinctions exist in the areas of member contributions, retirement eligibility and benefit calculations. Generally, the greatest distinctions for members of the plan exist for those hired before July 1, 2011, and those hired on or after that date.

The following applies to members of the Pension Plan hired before July 1, 2011. Vesting occurs once members have accrued at least five years of eligible service. Members of the Pension Plan are generally eligible for full retirement benefits upon attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. Generally, the annual pension allowance for a member equals 1.2% of the member's three-year AFS, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFS, multiplied by the number of years of creditable service accumulated prior to June 30, 1998. A member may retire with reduced benefits upon attaining age 55 with at least 15 years of eligible service. Benefits are reduced by 0.5% per month for each month remaining until the retiree reaches the normal retirement service age. The normal retirement service age is 62 with a maximum reduction of 42%.

The following applies to members of the Pension Plan hired on or after July 1, 2011. Vesting occurs once members have accrued at least ten years of eligible service. To receive full retirement benefits, a member's age and years of eligibility service must equal at least 90, or if the member is at least age 65, a minimum of 10 years of eligibility service are required on the date of retirement. The annual pension allowance for a member equals 1.5% of the member's five-year AFS multiplied by the number of years of creditable service. A member may retire with reduced benefits at age 60 with at least 15 years of eligible service. Benefits are reduced by 0.5% per month for each month remaining until the retiree reaches the normal retirement service age. The normal retirement service age is 65, with a maximum reduction of 30%.

For members of the Officers' Plan, hired on or before June 30, 2011, vesting occurs once members have accrued at least five years of eligible service. For members hired on or after July 1, 2011, vesting occurs once a member has accumulated ten years of eligible service. Members are eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligible service regardless of age. Generally, the annual pension allowance for a member equals 2.0% of the member's AFS, up to a maximum of benefit of 60% of AFS (30 years of creditable service). The Officers' Plan does not provide for early retirement.

Funding policy:
In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. Employees are required to contribute to the System a fixed percentage of their regular salaries and wages. Members of the Retirement System pay 5-7% depending on the retirement system selected. Members of the Pension Plan and Officers' Plan pay 7% of earnable compensation. The Department's contractually required contribution rate for the System for the year ended June 30, 2019, was $67,605,000, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the System from the Department were $67,605,000 for the year ended June 30, 2019.

GASB Statement No. 68 requires the Department to recognize the long-term obligation for pension benefits as a liability on the Statement of Net Position and measure the pension costs. As of June 30, 2019, the Department reported a liability of $704,025,000 for its proportionate share of the System's net pension liability. The Department's net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the System's net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2019, the Department's proportion for the System was 3.36%, which was higher from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Board recognized pension expense for the System of $73,855,000. As of June 30, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to the System from the following sources:

(amounts expressed in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in experience	$ -	$ 47,182
Changes of assumptions	20,973	-
Contribution after measurement date	67,605	-
Change in proportionate share	-	54,123
Net difference between projected and actual earning on pension plan investments	23,409	-
Total	$ 111,987	$ 101,305

The amount reported as deferred outflows of resources related to the System resulting from the Department's contributions subsequent to the measurement date was $67,605,000 and will be recognized as reduction of the System's net pension liability in the year ended June 30, 2019.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense is as follows:

(amounts expressed in thousands)

Year ending June 30,	Amount
2020	$ (6,204)
2021	(23,273)
2022	(15,889)
2023	(8,695)
2024	(2,862)
Total	$ (56,923)

Information included in the MSRPS financial statements:
Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR.

The sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate:
The Department's proportionate share of the System's net pension liability calculated using the discount rate of 7.5% is $704,025,000. Additionally, the Department's proportionate share of the System's net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

(amounts expressed in thousands)

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
The Department's proportionate share of the NPL	$ 1,014,037	$ 704,025	$ 446,737

Maryland Transit Administration Employee Pension Plan:
Plan description:
The MTA Employee Pension Plan (the MTA Plan) is a single employer plan that covers certain MTA employees. Covered employees include: any employee who is a member of the Amalgamated Transit Union, Local 1300, or the Office and Professional Employees International Union, Local 2, who are not included in the System; any employee who is a member of the Police Local Union No. 1859, who is not included in the Officers' Plan; and any management employee who transferred from any of the bargaining units above. The MTA Plan is part of the Department's financial reporting entity and is included in the Department's financial statements as a Pension Trust Fund. The MTA Plan prepares separate audited financial statements, which can be obtained from the MTA Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202. The Plan is administered and funded in compliance with the collective bargaining agreements, which established the MTA Plan.

The MTA Plan and the reports can be found on the MDOT website at the following link: http://www.mdot.maryland.gov/newMDOT/Finance/Index.html.

Benefits Provided:
Members of the MTA Plan are vested once members have accrued at least five, seven, or ten years, depending on date of hire. Members of the MTA Plan are generally eligible for full retirement benefits upon attaining age 52 with 30 years of eligibility service or attaining age 65 and being fully vested with 5 years of eligible service. The annual pension allowance for a member equals 1.7% of the member's

pensionable earnings for three years over the last 10 years of credited service. Effective July 1, 2016, AFS may include overtime up to 2,392 pay hours in any year. A member may retire with reduced benefits upon attaining age 55 plus years of service at least equal to 85. Benefits are reduced by 0.33% or 0.42% per month depending on age at retirement for each month remaining until the retiree reaches ages 65, the normal retirement service age.

Funding Policy:
The MTA's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the total pension liability. All administrative costs of the Plan are paid by the Plan.

During fiscal year 2019, the MTA paid $41,597,000 of the required contribution totaling $64,649,000 which was 28.02% of covered payroll and 62.4% of the required payment.

Assumptions and other inputs:
The actuarial method and significant assumptions listed below were used in the actuarial valuation of the Plan for the MTA Plan as of June 30, 2019, was as follows:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Closed, level payments
Amortization Period:	1 to 25 years
Asset Valuation Method:	5-year smoothed market
Inflation:	3. 2%
Salary increases:	Rates vary by participant service
Investment rate of return:	7.5%, net of pension plan investment and administrative expenses, including inflation
Retirement age:	Rates vary by participant age
Mortality:	RP-2014 Blue Collar tables with MP-2014. The RP-2014 Disabled Retiree table with MP-2014 is used for disabled members
Cost of living adjustments:	2.5% per year
Post-retirement benefit increase:	2.5% COLAs

Plan Fiduciary Net Position:
The Plan's fiduciary net position has been determined on the same basis used by the pension plan. The Plan's financial statements are prepared on the accrual basis of accounting. Accordingly, investment purchases and sale are recorded as of their respective trade dates and all contributions and benefits including refunds of employee contributions are recorded in the period when they become due. Investments are reported at fair value.

Net Pension Liability of the Plan:
The total pension liability of the Plan was determined by an actuarial valuation as of July 1, 2018 rolled forward to June 30, 2019 and the adjustment to the roll-forward liabilities were made to reflect the following assumptions change in the 2019 valuation.

1. Change of assumptions: An increase of the effective blended discount rate from 4.52% to 4.53%.

The components of the net pension liability as of June 30, 2019 are as follows:

(amounts expressed in thousands)

Total pension Liability	$1,254,698
Less: Plan fiduciary net position	(322,304)
Employer net pension liaility	$ 932,394
Plan fiduciary net position as a percentage of the total pension liability	25.69%

The sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate:

The MTA Plan's net pension liability calculated using the discount rate of 4.53% is $932,394,000. Additionally, the Department's proportionate share of the MTA Plan's net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

(amounts expressed in thousands)

	1% Decrease 3.53%	**Discount Rate 4.53%**	**1% Increase 5.53%**
Net Pension Liability	$ 1,124,206	$ 932,394	$ 775,604

For the year ended June 30, 2019, the MTA Plan recognized pension expense for the MTA Plan of $80,649,000. As of June 30, 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to the MTA Plan from the following sources:

(amount expressed in thousands)

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 11,590	$ 31,003
Changes of assumptions	160,544	165,999
Net difference between projected and actual earning on pension plan investments	-	8,374
Total	$ 172,134	$ 205,376

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the MTA Plan will be recognized in pension expense as follows:

(amounts expressed in thousands)

Year ending June 30,	**Amount**
2020	$ 7,086
2021	8,029
2022	4,721
2023	(41,961)
2024	(11,117)
Total	$ (33,242)

The changes in employer's net pension liability as of June 30, 2019 are as follows:

(amounts expressed in thousands)

Total pension liability	
Service cost	$ 36,027
Interest	56,519
Changes of benefit terms	(203)
Differences between expected and actual experience	(8,527)
Change of assumptions or other inputs	(58,176)
Benefit payments, including refunds of member contributions	(42,724)
Net Changes in total pension liability	(17,084)
Total pension liability - beginning	1,271,782
Total pension liability - ending	1,254,698
Plan fiduciary net position	
Contributions - employer	41,597
Contributions - member	3,006
Net investment income	31,023
Benefit payments, including refunds of member contributions	(42,724)
Administrative expense	(2,325)
Other	(6,720)
Net Changes in plan fiduciary net position	23,857
Plan fiduciary net position - beginning	298,447
Plan fiduciary net position - ending	322,304
Net pension liability -ending	$ 932,394

15. <u>Other Postemployment Benefits (OPEB)</u>:

State Employee and Retiree Health and Welfare Benefits Program of Maryland

Plan Description:

The State Employee and Retiree Health and Welfare Benefits Program (Plan) is a single-employer defined benefit healthcare plan established by the State Personnel and Pensions Article, Sections 2-501 through 2-516, of the Annotated Code of Maryland. The self-insured Plan provides medical hospitalization, prescription drug and dental insurance to State employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary DBM. In addition, the Secretary of DBM specifies by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

The Postretirement Health Benefits Trust Fund (OPEB Trust) is established as an irrevocable trust under Section 34-101 of the State Personnel and Pensions Article to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The oversight of the OPEB funds is the same Board of Trustees that oversees the Maryland State Retirement and Pension Systems. The Board of Trustees consists of 15 members. A separate audited GAAP-basis postemployment benefit report is not available for the defined benefit healthcare trust fund. The OPEB Trust is included in the State's CAFR, which can be obtained from the Comptroller of Maryland's website at www.marylandtaxes.com.

Funding Policy:
The contribution requirement of Plan members and the State are established by the DBM Secretary. Each year the DBM Secretary recommends to the Governor the State's share of the costs of the Plan. Funds deposited into the OPEB Trust may consist of any funds appropriated to the OPEB Trust, whether directly or through the budgets of any State agency. The State is required by law to include money in the State budget to pay the State's share of the costs of the Plan. The administrative expenses may not exceed $100,000 annually.

Eligibility for the Plan is determined by various factors, including date of hire. Generally, employees hired before July 1, 2011 may enroll and participate in the Plan if the employee left State service with at least 16 years of creditable service, retired directly from State service with at least 5 years of creditable service, left State service with at least 10 years of creditable service and within 5 years of normal retirement age, or retired directly from State service with a disability retirement. Employees hired on or after July 1, 2011, may enroll and participate in the Plan if the employee left State service with at least 25 years of creditable service, retired directly from State service with at least 10 years of creditable service, left State service with at least 10 years of creditable service and within 5 years of normal retirement age, or retired directly from State service with a disability retirement.

The State subsidizes a portion of the covered medical, dental, prescription, and hospitalization costs, depending on the type of insurance plan. The Plan assesses a surcharge for postemployment health care benefits, which is based on health care insurance charges for State employees. Costs for postretirement benefits are for State retirees and are primarily funded by the State. The State does not distinguish employees by employer/State agency. For the years ended June 30, 2019, 2018, and 2017, the State did not allocate postemployment health care costs to participating employers and as a result did not require a contribution from the Department. As such, the State has elected to maintain the entire net OPEB liability as a liability of the General Fund of the State and has not allocated any balances to State agencies including the Department.

The Schedule of MDOT's employer contributions for the OPEB Trust is as follows:

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Actuarial Determined Contribution	Annual Contribution Paid	Net OPEB Obligation	Percentage Contributed
2017	$ 35,904	$ 35,904	$ -	100.0 %
2018	27,172	27,172	-	100.0
2019	32,737	32,737	-	100.0

Maryland Transit Administration Pension Plan - OPEB:

Plan Description:
The members of the MTA Plan are provided postemployment health care benefits through the State Employee and Retiree Health Plan (the MTA Health Plan). The MTA Health Plan currently funds retirees' health care cost on a pay-as-you-go basis. As retirees incur expenses, the MTA Health Plan pays out funds based on the appropriate benefit structure. The MTA does not currently have a separate fund set aside to pay health care costs. The MTA Health Plan provides health care coverage for 1,397 retirees. Retirees make the same contributions as active employees; however, Medicare contributions are handled separately.

Funding Policy:

The Department is required by law to provide funding each year to the MTA Health Plan for the Department's share of the pay-as-you-go amount necessary to provide current benefits to retired employees and their dependents. The MTA Health Plan healthcare benefits including medical, prescription drug, dental and vision plans are provided to retirees meeting the following eligible criteria:

1. Age 65 with 5 years of service
2. Age 52 with 30 years of service
3. Age 55 with at least 30 years of service, including military and other qualifying service credits
4. Disabled with 5 years of service or 7 years depending on date of hire
5. Surviving spouse subsidized benefit for 3 years

Actuarial Methods and Assumptions:

An actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future.

A projection of benefits for financial reporting purposes is based on the substantive plan and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial method and significant assumptions listed below were used in the actuarial valuation of the OPEB Plan for the MTA Health Plan as of June 30, 2019, was as follows:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Closed, level Percentage of Payroll
Amortization Period:	25 years (as of July 1, 2019)
Asset Valuation Method:	5-year smoothed market
Discount Rate:	3.62%
Medical Trend:	5.4% in FY2019 increasing to 6.3% in 2025 for pre-Medicare and decreasing to 5.2% for post-Medicare. The ultimate rate in 2080 is 4.1% and 3.9%, respectively.
Dental/Vision Trend:	4.5% per annum

Net OPEB Liability of the MTA Health Plan:

The Net OPEB Liability was measured as of June 30, 2018 and the components of the net OPEB liability are as follows:

(amounts expressed in thousands)

Total OPEB Liability	$	728,867
Less: Plan fiduciary net position		-
Employer net OPEB liaility	$	728,867
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

Discount rate:
The discount rate used to determine the total OPEB liability is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used for the MTA Health Plan to measure the total OPEB liability was 3.62%.

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate:
The following presents the MTA Health Plan's net OPEB liability, calculated using the current rates, as well as what the plan's net OPEB liability would be if it were calculated using rates that are 1-percentage-point lower or 1-percentage-point higher:

(amounts expressed in thousands)

	1% Decrease 2.90%	Health Trend 3.90%	1% Increase 4.90%
Net OPEB Liability	$ 607,702	$ 728,867	$ 887,376

Sensitivity of the net OPEB liability to changes in the discount rate:
The following presents the plan's net OPEB liability, calculated using as single discount rate of 3.62%, as well as what the plan's net OPEB liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

(amounts expressed in thousands)

	1% Decrease 2.62%	Discount Rate 3.62%	1% Increase 4.62%
Net OPEB Liability	$ 862,058	$ 728,867	$ 622,800

OPEB expense, deferred outflows of resources and deferred inflows of resources and changes in net OPEB liability:
The Department's annual OPEB cost related to the MTA Health Plan, which is not setup in an irrevocable trust, is calculated based on the actuarially determined contribution (ADC), an amount actuarially determined in accordance with the parameters of GAAP. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities over a period not to exceed 30 years. Since the MTA Health Plan does not have an irrevocable trust established, the Department will comply with GASB Statement No. 75.

The MTA Health Plan recognized OPEB expense of $36,463,000 for the year ended June 30, 2019. At that date, the Department reported deferred outflows and deferred inflows of resources related to the MTA Health Plan from the following sources:

(amounts expressed in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 12,314
Changes of assumptions	-	212,584
Net difference between projected and actual earning on pension plan investments	-	-
Total	$ -	$ 224,898

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to the MTA Health Plan will be recognized in the expense as follows:

(amounts expressed in thousands)

Year ending June 30,	Amount
2020	$ (34,162)
2021	(34,162)
2022	(34,162)
2023	(34,162)
2024	(34,162)
Thereafter	(54,088)
Total	$ (224,898)

16. <u>Risk Management and Insurance</u>:

Workers' Compensation:

The Department is self-insured for workers' compensation liabilities. The Department's workers' compensation self-insured 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, the process used in computing claims liabilities does not necessarily result in an exact amount. 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 determined payments over a long period of time are reported at their present value using a 4% discount rate. The workers' compensation costs are based upon separately determined actuarial valuations for the fiscal year ended June 30, 2019.

The Department's workers' compensation self-insurance program is administered by the Chesapeake Employers' Insurance Company under a contract which requires that the Department pay premiums based upon loss experience plus a proportionate share of administrative costs. In the event of termination of the contract, the Department is obligated for any premium deficiency at the time of termination. The Department's accrued workers' compensation costs were $77,590,000 as of June 30, 2019.

The activity related to accrued workers' compensation costs is included in the table in Note 10. Changes in the balances for the Department's workers' compensation liability during the past two fiscal years are as follows:

(amounts expressed in thousands)

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Unpaid claims, beginning of fiscal year	$ 70,733	$ 68,083
Incurred claims and changes in estimates	25,888	21,910
Claim payments	(19,031)	(19,260)
Total unpaid claims, end of fiscal year	$ 77,590	$ 70,733

Insurance:
The operations of MAA, MPA and MTA are covered by commercial liability insurance policies and many claims are handled by the Department's insurance carriers. MAA's two facilities, BWI Marshall Airport and Martin State Airport, are covered by an airport owners' and operators' general liability insurance policy providing coverage per occurrence up to $750,000,000 for bodily injury and property damage. This policy contains the war, hi-jacking and other perils endorsement for $100,000,000 due to the events of September 11, 2001.

MPA's liability insurance policies, including excess liability policies, provide insurance up to $150,000,000 per occurrence for its port operations. These policies cover liability for both injury and property damage.

MTA's operations are covered by a $495,000,000 excess liability insurance policy over and above the MTA's $5,000,000 self-insured retention. Bombardier and Amtrak are contractors hired to provide MTA's commuter rail service known as MARC. In addition, the MTA pays a track access fee to CSX for the use of CSX's railroad tracks (MARC Brunswick Line and Camden Line) and to Amtrak for use of Amtrak's railroad tracks (MARC Penn Line). The MTA has insurance to cover its contractual obligations for the MARC rail service as well as insurance for the MTA's other modes of service (bus, light rail, commuter bus, subway and mobility). The MARC operations insurance coverage provides excess liability up to $500,000,000. All other MTA operations insurance coverage provides excess liability limits up to $200,000,000. This includes a shared self-insured retention of $5,000,000. Claims under $5,000,000 are self-insured by the MTA. The excess liability policies also extend punitive damages liability coverage to Bombardier, Amtrak and CSX arising from commuter rail operations for claims. All third-party liability claims exceeding $10,000 for Bombardier and $20,000 for Amtrak must have prior approval of the MTA for payment/settlement. Workers' compensation claims by Bombardier, Amtrak or CSX are exempt from the MTA's coverage because those are the responsibility of the vendors.

The amount of any settlements, within the Department, did not exceed the insurance coverage in each of the past five fiscal years. For those areas not covered by purchased insurance, the State Treasurer has a program of self-insurance for tort claims. By statute, bodily injury, personal injury or property damages are limited to claims of $200,000 per claimant before September 30, 2015, and $400,000 on or after October 1, 2015.

17. <u>Energy Performance Contract:</u>
The Department of General Services (DGS) implemented an Energy Performance Contract (EPC) program for the Department in the fiscal year ended June 30, 2011, with a goal to reduce Maryland's energy consumption through energy efficiency projects. The State Treasurer's Office secured the financing required to fund the construction of the improvements. The savings resulting from the projects are used to offset the costs of the services.

The SHA, the MTA, the MAA, the MPA and the MVA participated in the EPC. As of June 30, 2019, the total amount due in long-term liability for EPC obligations is $32,933,000.

18. <u>Commitments</u>:
The Department has active construction commitments outstanding as of June 30, 2019, of approximately $7,858,002,000 principally for construction of highway, port, motor vehicle, aviation and transit projects. Approximately 30.85% of future expenditures, related to these commitments of the Department, are expected to be reimbursed from proceeds of approved federal grants when the actual costs are incurred.

The remaining balance will be funded by other financial resources of the Department, including the issuance of long-term debt.

As of June 30, 2019, the Department's commitments with contractors were as follows:
(amounts expressed in thousands)

Construction projects	Spent-to-date	Remaining commitment
Highway construction	$ 3,378,290	$3,466,023
Port construction	636,883	337,138
Motor vehicle construction	232,450	164,164
Transit construction	3,074,240	2,108,577
Aviation construction	536,139	643,214
Total projects	$ 7,858,002	$6,719,116

19. Related Party Transactions:

Various State of Maryland agencies provide services for the Department for which they are reimbursed from the Department. During fiscal year ended June 30, 2019, such reimbursements are reflected as Distributions to other State agencies in the Special Revenue Fund.

20. Federal Revenue:

Federal revenue consists principally of grants from the Federal Transit Administration for rail and bus projects for the Baltimore region and from the Federal Highway Administration in connection with highway construction projects. In addition, the Department receives federal grants to aid in planning, design and construction of transportation facilities and to support mass transit operations. 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 Department. As of June 30, 2019, the Department estimates that no material liabilities will result from such audits.

In 2007 and 2008, the MDTA issued Grant and Revenue Anticipation Bonds (GARVEE) as part of the financing package for the Intercounty Connector. The GARVEE debt service is paid from SHA federal funds. As of June 30, 2019, the outstanding balance was $48,865,000. The GARVEEs mature on March 1, 2020.

21. Passenger Facility Charges:

The Aviation Safety and Capacity Expansion Act of 1990 (the 1990 Safety Act), enacted by the United States Congress, allows a public agency to impose an airport passenger facility charge (PFC) for enplaned passengers. The proceeds of such PFCs are to be used to finance eligible airport-related construction projects, as approved by the Federal Aviation Administration (FAA). MAA received FAA approval in July 1992 to collect PFCs for four projects.

The Aviation Investment and Reform Act for the 21st Century, enacted by the United States Congress in April of 2000, together with the 1990 Safety Act, increased the maximum per passenger PFC allowed to be charged by qualifying airports from $3.00 to $4.50. In June 2002, the MAA received FAA approval to increase its collection level to $4.50 to support approved PFC projects in the MAA's capital program. The FAA further allows the MAA to impose and use PFCs for the payment of debt service for bonds used to fund approved PFC projects (see Note 12 Operating and Capital Leases). PFC collections not needed for debt service are used for approved PFC pay-as-you-go projects.

The MAA submitted multiple additional applications for additional PFC projects. The FAA approved additional applications for PFC eligible projects in June 2006, July 2007, February 2008, September 2010, March 2012, September 2012, October 2014, August 2016, and March 2019.

22. <u>Rent Revenue</u>:

The Department leases terminal space at various marine terminals (including the Seagirt Marine Terminal), airport facilities and office space in the World Trade Center building in Baltimore, pursuant to various operating leases. The Department's total minimum future rental revenues totaled $660,579,000 as of June 30, 2019, and 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 revenues collected included in operations were approximately $240,002,000 for the year ended June 30, 2019. Total net assets of the Department under lessor operating lease agreements totaled $1,427,723,000. They are included on the Statement of Net Position in the Capital assets of the Department, net of accumulated depreciation in the amount of $830,517,000 on the Statement of Net Position.

Minimum future rental revenues for the Department are as follows:

(amounts expressed in thousands)

Year Ended June 30,	Operating Leases Minimum Future Rental Revenues
2020	$ 133,965
2021	100,055
2022	94,823
2023	80,999
2024	75,777
2025-2029	172,421
2030-2034	2,539
Total	$ 660,579

23. <u>Net Position/Fund Balance:</u>

The unrestricted deficit for the governmental activities on the government-wide Statement of Net Position is $2,548,182,000.

Nonspendable fund balance is reported for a portion of the Special Revenue Fund balance in the amount of $94,763,000 for inventories of supplies and $167,276,000 for prepaids as of June 30, 2019.

The commitment of fund balance requires formal action by a government's highest level of decision-making authority. The assignment of fund balance is based on an authorization policy established by the governing body pursuant to which that authorization is given. Committed fund balance is reported for the Department's contractual transportation obligations of $8,908,000 which requires the highest level of budgetary authority to cancel said obligations.

Assigned fund balance is reported in the amount of $850,000 as of June 30, 2019 and represents non-budgeted agency activities.

Unassigned fund balance was ($18,085,000) reported in the Department's Transportation Trust Fund as of June 30, 2019.

24. <u>Contingent Liabilities</u>:

The Department is party to various legal proceedings, many of which occur in the normal course of the Department's operations, including actions commenced and claims asserted for alleged property damage, personal injury, breach of contract, discrimination or other alleged violations of law. These legal proceedings are not, in the opinion of the Office of the Attorney General of the State, likely to have a material adverse impact on the Department's financial position as of June 30, 2019.

25. <u>Subsequent Events:</u>

On October 2, 2019, the Department sold Consolidated Transportation Bonds in the amount of $490,000,000 with a net premium of $64,597,037. The sale was competitive. Closing on the bonds occurred on October 17, 2019.

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REQUIRED SUPPLEMENTARY INFORMATION

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MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Changes in the Total Liability and Related Ratios for the Maryland Transit Administration OPEB Plan
(amounts expressed in thousands)

Fiscal Year Ended June 30	2018	2019
Total OPEB liability:		
Service cost	$ 47,907	$ 41,137
Interest	25,090	29,487
Changes of benefit terms	-	-
Difference between expected and actual experience	-	(14,073)
Changes of assumptions	(113,863)	(145,356)
Benefit payments	(12,422)	(15,617)
Net change in total OPEB liability	(53,288)	(104,422)
Total OPEB liability - beginning	886,577	833,289
Total OPEB liability - ending (a)	$ 833,289	$ 728,867
Plan fiduciary net position:		
Contributions - employer	$ 13,208	$ 15,617
Contributions - member	-	-
Benefit payments, net of retiree contributions	(12,422)	(15,617)
Administrative expense	(786)	-
Net change in plan fiduciary net position	$ -	$ -
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	$ -	$ -
Net OPEB liability	$ 833,289	$ 728,867
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered payroll (1)		
Net OBEB liability as a percentage of covered payroll (1)		
Expected average remaining service years of all participants	8	8

Source: Bolton Partners, Maryland Transit Administration Pension Plan, GASB 68 Actuarial Information Report.

Notes to Schedule:

(1) The OPEB plan does not depend on salary, therefore no salary information is available.

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contributions Maryland Transit Administration OPEB Plan
(amounts expressed in thousands)

Fiscal Year Ended June 30	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Actuarially determined contribution	$ 65,864	$ 64,444	$ 67,496	$ 72,624	$ 81,843	$ 59,551	$ 104,422
Contribution in relation to the actuarially determined contribution	14,147	18,383	13,905	15,296	16,887	12,422	15,617
Contribution deficiency (excess)	$ 51,717	$ 46,061	$ 53,591	$ 57,328	$ 64,956	$ 47,129	$ 88,805
Percentage of actuarially dertermined contribution	21.5%	28.5%	20.6%	21.1%	20.6%	20.9%	15.0%

Source: Bolton Partners, Maryland Transit Administration Pension Plan, GASB 68 Actuarial Information Report.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to fiscal year 2013 is not available.

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Changes in the Net Pension Liability and Related Ratios Maryland Transit Administration Pension Plan
(amounts expressed in thousands)

Fiscal Year Ended June 30	2014	2015	2016	2017	2018	2019
Total Pension Liability:						
Service Cost	$ 19,438	$ 24,718	$ 48,499	$ 36,334	$ 37,195	$ 36,027
Interest	43,472	39,236	31,181	57,880	54,904	56,519
Changes of benefit terms	-	-	82,510	2,133	3,105	(203)
Difference between expected and actual experience	4,025	(19,621)	(15,024)	(20,741)	17,385	(8,527)
Changes of assumptions	38,643	53,480	338,950	(162,606)	(36,903)	(58,176)
Benefit payments, including refunds of member contributions	(32,598)	(30,636)	(35,283)	(39,062)	(37,203)	(42,724)
Net change in total pension liability	72,980	67,177	450,833	(126,062)	38,483	(17,084)
Total pension liability - beginning	768,371	841,351	908,528	1,359,361	1,233,299	1,271,782
Total pension liability - ending (a)	$ 841,351	$ 908,528	$1,359,361	$1,233,299	$1,271,782	$1,254,698
Plan fiduciary net position:						
Contributions - employer	$ 39,749	$ 35,400	$ 40,997	$ 40,997	$ 40,997	$ 41,597
Contributions - member	-	-	-	3,094	3,316	3,006
Net investment income	15,783	14,045	12,768	27,740	20,550	31,023
Benefit payments, including refunds of member contributions	(32,598)	(30,636)	(35,283)	(39,062)	(37,203)	(42,724)
Administrative expense	(1,588)	(1,851)	(1,967)	(1,914)	(2,213)	(2,325)
Other	-	-	-	(2,631)	-	(6,720)
Net change in plan fiduciary net position	$ 21,346	$ 16,958	$ 16,515	$ 28,224	$ 25,447	$ 23,857
Plan fiduciary net position - beginning	189,957	211,303	228,261	244,776	273,000	298,447
Plan fiduciary net position - ending (b)	$ 211,303	$ 228,261	$ 244,776	$ 273,000	$ 298,447	$ 322,304
Net pension liability - ending (a)-(b)	$ 630,048	$ 680,267	$1,114,585	$ 960,299	$ 973,335	$ 932,394
Plan fiduciary net position as a percentage of the total pension liability	25.11%	25.12%	18.01%	22.14%	23.47%	25.69%
Covered payroll	$ 137,596	$ 135,545	$ 137,427	$ 137,154	$ 145,834	$ 148,445
Net pension liability as a percentage of covered payroll	457.90%	501.88%	811.04%	700.16%	667.43%	628.11%
Expected average remaining service years of all participants	7	7	7	7	6	6

Source: Bolton Partners, Maryland Transit Administration Pension Plan, GASB 68 Actuarial Information Report.

Notes to Schedule:

Information for FY2013 and earlier is not available.

FY 2015 reflects a reduction to the effective discount rate from 5.24% to 4.75%

FY 2016 removal of the dollar-per-month benefit limit. Reflects a reduction to the effective discount rate from 4.75% to 3.5%, change to the RP2014 mortality tables.

FY 2017 reflects the increased vesting requirement to 10 years for employees of Local 2 or Local 1300 hired on or after July 1, 2016; a cap on pensionable earnings of 2,392 pay hours per year and 2% employee contributions for Local 2 and Local 1300 employees effective July 1, 2016. Reflects increase to the effective discount rate from 3.5% to 4.32%, decrease in wage growth assumption from 3.5% to 3.2%, and changes to the salary scale, retirement rates and termination rates.

FY 2018 for Local 2 employees hired after July 1, 2016, COLA awards granted for retirees and beneficiaries who were receiving payments for at least 13 months on August 1, 2014, 2015, 2016, and 2017. FY 2018 reflects an increase of the effective discount rate from 4.32% to 4.52%.

FY19 reflects and increse of the effective discount rate from 4.52% to 4.53%. COLA assumtion changed from 2.5 to 2.1% for GASB.

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contributions Maryland Transit Administration Pension Plan
(amounts expressed in thousands)

Fiscal Year Ended June 30	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	$ 39,749	$ 40,807	$ 44,736	$ 62,217	$ 66,495	$ 64,649
Contribution in relation to the actuarially determined contribution	(39,749)	(35,400)	(40,997)	(40,997)	(40,997)	(41,597)
Contribution deficiency (excess)	$ -	$ 5,407	$ 3,739	$ 21,220	$ 25,498	$ 23,052
Covered payroll	$ 137,596	$ 135,545	$ 137,427	$ 137,154	$ 145,834	$ 148,445
Contribution as a percentage of covered payroll	28.89%	26.12%	29.83%	29.89%	28.11%	28.02%

Source: Bolton Partners, Maryland Transit Administration Pension Plan, GASB 68 Actuarial Information Report.

Note: This schedule is presented to illustrate the requirement to show iformation for 10 years. However, information prior to fiscal year 2014 is not available.

Notes to schedule:

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the current fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Level Dollar Entry Age Normal
Amortization method	Level Payments (Closed)
Remaining amortization period	Remaining payments range from 2 to 25 years
Asset valuation method	5-year smoothed market
Inflation	3.20%
Salary increases	Rates vary by participant service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age
Mortality	RP-2014 Blue Collar tables with MP-2014. The RP-2014 Disabled Retiree table

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Proportionate Share of the Net Pension Liability and Related Ratios Maryland State Retirement Pension Plan
(amounts expressed in thousands)

Fiscal Year Ended June 30	2016	2017	2018	2019
Proportion of the Maryland State Retirement System Net Pension Liability (asset)	3.60%	2.86%	2.85%	3.36%
Proportionate share of the State net pension liability (asset)	$748,345	$634,087	$581,413	$704,025
Covered payroll	$ 372,296	$ 369,543	$371,857	$380,156
Net pension liability as a percentage of covered payroll	201.01%	171.59%	156.35%	185.19%
Plan fiduciary net position as a percentage of the total pension liability	68.78%	65.79%	69.38%	71.18%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to fiscal year 2016 is not available.

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contributions Maryland State Retirement Pension Plan
(amounts expressed in thousands)

Fiscal Year Ended June 30	2016	2017	2018	2019
Actuarially determined contribution	$ 56,643	$ 65,517	$ 66,910	$ 66,263
Contribution in relation to the actuarially determined contribution	(56,643)	(65,517)	(66,910)	(66,263)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$369,543	$371,857	$380,156	$393,924
Contribution as a percentage of covered payroll	15.33%	17.62%	17.60%	16.82%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to fiscal year 2016 is not available.

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019
(amounts expressed in thousands)

	Special Fund				Federal Fund			
	Budgeted Amounts			Variance with Final Budget - Positive	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)	Original	Final	Amounts	(Negative)
REVENUES:								
Taxes:								
Motor vehicle taxes and fees	$ 1,669,854	$ 1,598,602	$ 1,529,100	$ (69,502)	$ -	$ -	$ -	$ -
Motor vehicle fuel taxes and fees	1,116,240	1,128,187	1,140,401	12,214	-	-	-	-
Revenue sharing of State corporation income tax	162,932	176,082	189,878	13,796	-	-	-	-
Revenue sharing of State sales tax	32,519	32,324	34,471	2,147	-	-	-	-
Federal reimbursements	-	-	0	-	1,227,154	942,571	942,710	139
Charges for services	456,471	454,049	585,124	131,075	-	-	-	-
Investment earnings	2,000	2,000	5,738	3,738	-	-	-	-
Other	48,947	53,066	56,543	3,477	-	-	-	-
Total revenues	3,488,963	3,444,310	3,541,255	96,945	1,227,154	942,571	942,710	139
EXPENDITURES and ENCUMBRANCES:								
Current:								
General government:								
The Secretary's Office	1,034,188	1,051,892	1,051,924	(32)	22,418	20,264	20,329	(65)
State Highway Administration	1,232,027	1,305,156	1,313,723	(8,567)	705,896	571,850	571,850	-
Maryland Port Administration	175,653	143,352	143,419	(67)	2,406	3,311	3,385	(74)
Motor Vehicle Administration	207,149	216,268	216,621	(353)	13,768	6,898	6,898	-
Maryland Transit Administration	825,093	1,033,943	1,063,651	(29,708)	471,792	332,488	332,488	-
Maryland Aviation Administration	252,110	268,224	269,061	(837)	10,874	7,760	7,760	-
Total general government	3,726,220	4,018,836	4,058,399	(39,563)	1,227,154	942,571	942,710	(139)
Total expenditures and encumbrances	3,726,220	4,018,836	4,058,399	(39,563)	1,227,154	942,571	942,710	(139)
Excess of revenues over expenditures	(237,257)	(574,526)	(517,144)	57,382	-	-	-	-
OTHER FINANCIAL SOURCES (USES):								
Proceeds from Bonds	710,000	675,000	630,680	44,320	-	-	-	-
Transfers in (out)	178,133	180,542	(270,774)	(451,316)	-	-	-	-
Total other financing sources and uses	888,133	855,542	359,906	(406,996)	-	-	-	-
Net change in fund balances	650,875	281,016	(157,238)	(349,614)	-	-	-	-
Fund balances, July 1, 2018	243,476	(84,603)	(287,563)	(321,516)	-	-	-	-
Fund balances, June 30, 2019	$894,351	$196,413	$ (444,801)	($671,130)	$ -	$ -	$ -	$ -

MARYLAND DEPARTMENT OF TRANSPORTATION
Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

1. Stewardship, Compliance and Accountability:

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 Special Revenue Fund, which includes the transportation activities of the Department, shared taxes and payments of debt service on transportation bonds. The budgetary federal fund revenue and expenditures are included in the GAAP Special Revenue Fund as federal revenues and expenditures by function. An annual budget is also prepared for the federal funds, which accounts for all Departmental grants from the federal government.

Each year the Department prepares its annual budget and submits it to the Governor. The Governor then presents the State's annual budget (including the Department's) to the General Assembly in accordance with Constitutional requirements. The General Assembly is required to then enact a balanced budget for the next fiscal year.

The GAAP Special Revenue Fund includes both budgetary special and federal funds.

Special fund:
The Special fund includes all transportation activities of the Department and shared taxes with the political subdivisions.

Federal fund:
The federal fund accounts for substantially all grants from the federal government.

Budgetary fund equities and other accounts:
The Department's legal level of budgetary control is exercised at the agency appropriation (program) and fund level (legislative spending authority level). Encumbrances and expenditures cannot exceed appropriated amounts. Appropriation transfers between or within departments and any supplemental appropriations require both executive and legislative branch approvals. Unencumbered and unexpended appropriations lapse at fiscal year-end and become available for appropriation in the subsequent year. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

All Departmental budgetary expenditures for special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time. The Department may, with the Governor's approval, amend the appropriations by transportation business unit within the budgetary Special and federal funds. Additionally, appropriations for programs funded in whole or in part from Special or federal funds may permit expenditures in excess of the original Special or federal fund appropriation to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from Special and federal funds may be carried over to the following year to the extent of (a) available resources and (b) encumbrances which are approved by the Department of Budget and Management. The Department did not receive any General Fund appropriations in fiscal year 2019.

The Department's original and amended budget adopted by the General Assembly for special and federal funds is presented in the Required Supplementary Information - Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - For the Year Ended June 30, 2019 on page 86 of this report. The Department's budgetary fund structure and basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with GAAP. The budgetary system's principal departures from the modified accrual basis are the classification of the Department's budgetary funds and the timing of recognition of certain revenues and expenditures. The GAAP Special Revenue Fund is an aggregate of the special and federal budgetary funds.

A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2019, is provided in the Reconciliation of the Budgetary Special Fund, Fund Balance to the GAAP Special Revenue Fund, and Fund Balance in the Notes to the Required Supplementary Information section (see below).

MARYLAND DEPARTMENT OF TRANSPORTATION
Reconciliation of the Budgetary Special Fund, Fund Balance
to the GAAP Special Revenue Fund, Fund Balance
June 30, 2019
(amounts expressed in thousands)

Classification of budgetary fund equities and other accounts into governmental funds' fund structure:	Special Revenue Fund
Special fund-fund balance (page 86)	$ (444,801)
Non-budgeted funds-fund balance	850
Total budgetary fund balance reclassified to GAAP fund structure	(443,951)
Accounting principle and timing differences:	
Assets recognized in governmental funds financial statements not recognized for budgetary purposes:	
Taxes receivable	3,474
Inventories	94,763
Due from other State funds	11,760
Liabilities recognized in governmental funds financial statements not recognized for budgetary purposes:	
Unearned Revenue	190,056
Deferred inflows of resources	392,610
Financial statement governmental funds' fund balance, June 30, 2019	$ 248,712

SUPPLEMENTARY INFORMATION

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MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019
(amounts expressed in thousands)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
ASSETS:				
Cash and cash equivalents	$ 25,152	$ 68,803	$ 39,671	$ 54,284
Total assets	$ 25,152	$ 68,803	$ 39,671	$ 54,284
LIABILITIES:				
Accounts payable and accrued liabilities	$ 25,152	$ 29,132	$ -	$ 54,284
Total liabilities	$ 25,152	$ 29,132	$ -	$ 54,284

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STATISTICAL SECTION

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MARYLAND DEPARTMENT OF TRANSPORTATION
STATISTICAL SECTION
JUNE 30, 2019

This part of the Maryland Department of Transportation's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, not disclosures and required supplementary information says about the Department's overall financial health.

Table of Contents **Pages**

MARYLAND DEPARTMENT OF TRANSPORTATION
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Governmental activities:										
Net Investment in capital assets	$ 13,171,279	$ 13,068,635	$ 13,360,456	$ 13,819,782	$ 14,063,378	$ 14,472,903	$ 15,248,583	$ 16,210,472	$ 16,838,969	$ 16,643,603
Restricted	3,783	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	(201,647)	(205,960)	(278,008)	(324,664)	(363,200)	(1,450,994)	(1,826,709)	(1,897,379)	(2,517,120)	(2,548,182)
Total governmental activities net assets	$ 12,973,415	$ 12,862,675	$ 13,082,448	$ 13,495,118	$ 13,700,178	$ 13,021,909	$ 13,421,874	$ 14,313,093	$ 14,321,849	$ 14,095,421
Primary government:										
Net Investment in capital assets	$ 13,171,279	$ 13,068,635	$ 13,360,456	$ 13,819,782	$ 14,063,378	$ 14,472,903	$ 15,248,583	$ 16,210,472	$ 16,838,969	$ 16,643,603
Restricted	3,783	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	(201,647)	(205,960)	(278,008)	(324,664)	(363,200)	(1,450,994)	(1,826,709)	(1,897,379)	(2,517,120)	(2,548,182)
Total primary government net position	$ 12,973,415	$ 12,862,675	$ 13,082,448	$ 13,495,118	$ 13,700,178	$ 13,021,909	$ 13,421,874	$ 14,313,093	$ 14,321,849	$ 14,095,421

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2010-2019.

(1) FY 2014 Net Position was restated for implementation of GASB Statement No. 68 by ($1,038,224).

(2) FY 2017 Net Position was restated for implementation of GASB Statement No. 75 by ($463,377).

MARYLAND DEPARTMENT OF TRANSPORTATION
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
Governmental activities:	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Expenses:										
Secretary's Office	$ 459,933	$ 483,410	$ 498,029	$ 515,638	$ 570,596	$ 624,378	$ 626,299	$ 652,965	$ 938,626	$ 977,303
State Highway Administration	1,410,556	1,593,278	1,359,177	1,186,116	1,436,114	1,399,446	1,337,696	1,203,216	1,213,310	1,477,133
Port Administration	186,516	107,521	115,211	87,445	99,996	126,885	148,231	126,432	171,714	182,300
Motor Vehicle Administration	165,933	178,529	182,839	195,803	207,342	213,896	206,117	208,783	272,318	239,324
Transit Administration	818,465	1,056,590	864,702	888,137	886,966	937,286	1,058,861	1,031,072	1,153,718	1,509,847
Aviation Administration	272,455	252,723	275,051	308,202	354,180	337,596	374,475	339,270	448,647	317,838
Interest on long-term debt	101,481	92,996	144,725	110,984	122,894	69,902	80,888	43,547	62,770	183,064
Total governmental activities expenses	3,415,339	3,765,047	3,439,734	3,292,325	3,678,088	3,709,389	3,832,567	3,605,285	4,261,103	4,886,809
Program Revenues:										
Charges for services:										
Secretary's Office	9,447	27,503	5,336	5,630	3,262	7,133	3,307	4,564	3,721	3,753
State Highway Administration	40,399	44,071	38,495	59,284	40,586	46,435	52,155	60,802	67,394	95,203
Port Administration	69,781	48,667	52,846	50,298	54,099	52,411	55,999	51,641	157,474	64,968
Motor Vehicle Administration	-	-	4	4	4	4	-	10	11	14
Transit Administration	125,057	143,456	146,093	138,339	139,769	142,363	156,524	149,147	190,862	169,748
Aviation Administration	282,646	291,535	297,935	418,588	328,094	339,958	346,836	361,971	377,982	252,988
Operating grants and contributions	90,762	90,732	92,739	72,397	90,574	92,238	87,324	94,499	99,533	90,795
Capital grants and contributions	714,144	709,029	830,922	779,557	800,019	741,846	722,764	858,187	885,245	851,866
Total governmental activities program revenues	1,332,236	1,354,993	1,464,370	1,524,097	1,456,407	1,422,388	1,424,909	1,580,821	1,782,222	1,529,335
Net (expense) revenue governmental activities	(2,083,103)	(2,410,054)	(1,975,364)	(1,768,228)	(2,221,681)	(2,287,001)	(2,407,658)	(2,024,464)	(2,478,881)	(3,357,474)
General Revenues and Other Changes in Net Assets:										
Taxes:										
Motor vehicle taxes	1,082,559	1,166,398	1,259,743	1,332,143	1,389,066	1,465,022	1,541,596	1,579,384	1,547,450	1,618,524
Motor fuel taxes	714,210	747,171	728,410	740,428	807,739	918,483	1,013,144	1,078,312	1,084,195	1,140,220
Corporation income tax share	153,275	156,758	180,653	76,746	162,609	166,051	186,803	146,224	150,784	189,878
State sales tax share	223,582	227,981	23,581	25,462	48,653	30,788	30,780	31,566	31,691	34,471
Unrestricted investment earnings	404	1,006	2,750	764	2,156	2,096	3,819	627	2,322	2,929
Other revenue	-	-	-	7,235	16,518	64,516	31,481	79,570	134,573	145,024
Loss on disposal of capital assets	(413,770)	-	-	-	-	-	-	-	-	-
Total governmental activities general revenues:	1,760,260	2,299,314	2,195,137	2,182,778	2,426,741	2,646,956	2,807,623	2,915,683	2,951,015	3,131,046
Change in Net Position:										
Governmental activities	(322,843)	(110,740)	219,773	414,550	205,060	359,955	399,965	891,219	472,134	(226,428)
Total primary government	$ (322,843)	$ (110,740)	$ 219,773	$ 414,550	$ 205,060	$ 359,955	$ 399,965	$ 891,219	$ 472,134	$ (226,428)

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2010-2019.

MARYLAND DEPARTMENT OF TRANSPORTATION
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Motor Vehicle Tax	Motor Fuel Tax	Corporation Income Tax	State Sales Tax (1)	Total
2010	$ 1,082,559	$ 714,210	$ 153,275	$ 223,582	$ 2,173,626
2011	1,166,398	747,171	156,758	227,981	2,298,308
2012	1,259,743	728,410	180,653	23,581	2,192,387
2013	1,332,143	740,428	76,746	25,462	2,174,779
2014	1,389,066	807,739	162,609	48,653	2,408,067
2015	1,465,022	918,483	166,051	30,788	2,580,344
2016	1,541,596	1,013,144	186,803	30,780	2,772,323
2017	1,579,384	1,078,312	146,224	31,566	2,835,486
2018	1,547,450	1,084,195	150,784	31,691	2,814,120
2019	1,618,524	1,140,220	189,878	34,471	2,983,093

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2010-2019.
(1) Effective July 1, 2011, the Department only receives the State's Sales Tax portion related to rental vehicles.

MARYLAND DEPARTMENT OF TRANSPORTATION
Maryland's Ten Largest Employers
Calendar Years
(Employer Listed Alphabetically)

2019-2018	2018-2017
Anne Arundel County Board of Edu	Applied Physics Laboratory
Applied Physics Laboratory	BYK Gardner Inc.
BYK Gardner Inc.	Carefirst Blue Cross Blue Shield
Carefirst Blue Cross Blue Shield	F.H. Furr Plumbing, HVAC & Electrical
Johns Hopkins University	Johns Hopkins Hospital
Northrop Grumman Electronic System	Johns Hopkins University
University of Maryland Cancer Center	Northrop Grumman Electronic System
University of Maryland Medical Center	University of Maryland Biotechnology
University of Maryland School of Medicine	University of Maryland Medical Center
Walter Reed National Military Medical Ctr	Sap America Inc.

Source: Department of Labor, Licensing and Regulation: Office of Labor Market

MARYLAND DEPARTMENT OF TRANSPORTATION
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Special Revenue Fund										
Nonspendable	$ 171,094	$ 182,156	$ 181,093	$ 183,355	$ 192,871	$ 197,847	$ 211,726	$ 103,510	$ 240,924	$ 257,039
Committed	-	12,442	8,182	11,499	26,989	27,930	23,871	15,402	12,547	8,908
Assigned	164,628	137,050	37,905	108,879	135,279	130,488	-	83,890	793	850
Unassigned	-	-	-	-	-	-	(124,502)	-	(235,155)	(18,085)
Total Special Revenue Fund	$ 335,722	$ 331,648	$ 227,180	$ 303,733	$ 355,139	$ 356,265	$ 111,095	$ 202,802	$ 19,109	$ 248,712
All other governmental funds										
Restricted	$ 1,126	$ -	$ -	$ 5,056	$ 12,331	$ -	$ 12,379	$ 5,769	$ -	$ -
Total all other governmental funds	$ 1,126	$ -	$ -	$ 5,056	$ 12,331	$ -	$ 12,379	$ 5,769	$ -	$ -

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2010-2019.

MARYLAND DEPARTMENT OF TRANSPORTATION
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Revenues:										
Motor vehicle taxes and fees	$ 1,796,769	$ 1,913,569	$ 1,988,153	$ 2,072,572	$ 2,196,805	$ 2,383,505	$ 2,554,740	$ 2,657,696	$ 2,631,645	$ 2,758,744
Revenue sharing of State taxes	376,857	384,739	204,234	102,208	211,262	196,839	217,583	177,790	182,475	224,349
Federal reimbursements	804,906	799,761	850,631	868,121	902,719	833,040	718,951	966,547	847,267	1,005,159
Charges for services	419,691	431,261	439,785	579,850	452,406	460,668	486,151	496,438	571,999	453,011
Passenger facility charges and interest	44,054	45,066	46,648	48,534	43,919	44,745	48,056	49,032	51,781	51,356
Customer facility charges (1)	45,467	48,970	13,446	12,902	12,613	12,733	13,579	13,559	13,195	12,933
Special parking revenues (1)	-	-	38,603	28,630	54,649	52,551	62,582	63,520	62,483	66,015
Investment earnings	404	1,006	2,750	764	2,156	2,096	3,819	627	2,322	2,929
Other	18,118	34,734	3,481	6,103	14,255	63,384	65,255	65,746	44,721	34,973
Total revenues	3,506,266	3,659,106	3,587,731	3,719,684	3,890,784	4,049,561	4,170,716	4,490,955	4,407,888	4,609,469
Expenditures:										
Current:										
Department administration, operating and maintenance expenditures	1,447,811	1,239,600	1,422,847	1,408,232	1,841,195	1,793,321	1,804,794	1,645,987	1,980,911	2,457,431
Intergovernmental:										
Highway user revenues and federal funds	255,164	297,145	263,981	252,574	244,448	253,401	241,459	267,270	294,319	306,252
Washington Metropolitan Area Transit Authority Grant	296,522	340,852	386,648	396,094	404,995	441,964	448,577	448,196	496,698	542,371
Distributions to other State agencies	401,930	481,244	343,946	127,957	23,000	19,926	-	14,728	-	28,170
Debt service:										
Issuance expenditure	-	-	-	-	1,002	-	1,192	3,614	595	379
Principal	77,595	83,170	102,845	109,340	130,620	152,415	174,165	207,185	221,710	199,410
Interest	73,359	75,492	71,370	70,968	76,614	79,989	90,193	100,030	118,350	138,156
Capital outlays	1,232,890	1,182,164	1,231,241	1,491,360	1,471,040	1,746,878	1,985,949	2,455,869	2,128,115	1,529,103
Total expenditures	3,785,271	3,699,667	3,822,878	3,856,525	4,192,914	4,487,894	4,746,329	5,142,879	5,240,698	5,201,272
Other financing sources (uses):										
Capital leases	-	1,021	-	29,127	2,519	5,733	917	(1,230)	(3,759)	132,195
Other long-term liability	-	-	-	-	-	-	-	-	-	-
Proceeds from bonds	140,002	-	323,967	189,323	325,000	661,250	300,000	892,525	555,000	630,680
Sale of future revenue rights	140,000	-	-	-	-	(331,412)	-	(277,611)	-	-
Premium on bonds	-	-	(193,288)	-	33,292	91,557	41,905	123,337	92,107	58,531
Transfers to the General Fund	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	280,002	35,361	130,679	218,450	360,811	427,128	342,822	737,021	643,348	821,406
Net change in fund balances	$ 997	$ (5,200)	$ (104,468)	$ 81,609	$ 58,681	$ (11,205)	$ (232,791)	$ 85,097	$ (189,462)	$ 229,603
Debt Service as a percentage of noncapital expenditures	3.04%	3.30%	3.97%	4.62%	4.80%	5.56%	6.31%	7.71%	7.12%	5.43%

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2010-2019.

(1) Customer facility charges and special parking revenues split starting in fiscal year 2012.

MARYLAND DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund
Gasoline and Motor Vehicle Revenue Account
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

	Fiscal Year Ended June 30,									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Revenues:										
Motor vehicle fuel tax and fees (1)	$ 721,295	$ 752,319	$ 733,563	$ 745,556	$ 812,915	$ 923,593	$ 1,017,870	$ 1,078,502	$ 1,084,373	$ 1,140,401
Motor vehicle titling tax	543,411	594,938	632,356	684,655	740,835	795,510	860,415	886,010	869,309	916,535
Licensing and registration	350,098	360,514	357,247	362,324	367,305	376,513	381,344	389,094	390,056	403,495
Corporation income tax (2)	154,025	157,993	180,653	76,746	162,609	166,051	186,803	146,224	150,784	189,878
Sales and use tax on rental vehicles	22,201	24,362	23,581	25,462	30,311	30,788	30,780	31,566	31,690	34,471
Total revenues	1,791,030	1,890,126	1,927,400	1,894,743	2,113,975	2,292,455	2,477,212	2,531,396	2,526,212	2,684,780
Deductions:										
1% portion -- Motor vehicle titling tax	(181,137)	(198,313)	(210,785)	(228,218)	(246,945)	(265,170)	(286,805)	(295,337)	(289,770)	(305,361)
Other to the Trust Fund	(6,615)	(6,859)	(6,797)	(9,040)	(121,401)	(180,913)	(283,832)	(342,237)	(348,418)	(400,323)
Other	(45,744)	(45,585)	(57,413)	(51,500)	(52,617)	(57,881)	(59,659)	(64,860)	(65,795)	(69,160)
Total deductions	(233,496)	(250,757)	(274,995)	(288,758)	(420,963)	(503,964)	(630,296)	(702,434)	(703,983)	(774,844)
Net Highway User Revenue	$ 1,557,534	$ 1,639,369	$ 1,652,404	$ 1,605,985	$ 1,693,012	$ 1,788,491	$ 1,846,916	$ 1,828,962	$ 1,822,229	$ 1,909,936
Allocations (Highway User Revenue): (3)(4)										
Share to the Department	$ 1,090,274	$ 1,122,968	$ 1,278,618	$ 1,445,386	$ 1,530,483	$ 1,616,796	$ 1,669,612	$ 1,653,382	$ 1,647,295	$ 1,726,589
Share to the General Fund (5)	-	-	40,000	-	-	-	-	-	-	-
Share to counties and municipalities	29,593	9,836	23,134	30,514	32,167	33,981	35,091	34,750	34,622	36,283
Share to Baltimore City	133,948	129,510	123,930	130,085	130,362	137,714	142,213	140,830	140,312	147,065
Local Share to the General Fund	303,719	377,055	186,722	-	-	-	-	-	-	-
Total allocations	$ 1,557,534	$ 1,639,369	$ 1,652,404	$ 1,605,985	$ 1,693,012	$ 1,788,491	$ 1,846,916	$ 1,828,962	$ 1,822,229	$ 1,909,937

Source: Maryland Department of Transportation, The Secretary's Office, Office of Finance.

(1) Chapter 429, Laws of Maryland 2013, calls for the following changes to the motor fuel tax rate effective July 1, 2013: (1) Annual adjustment based on increases in the Consumer Price Index, with no annual increase greater than 8%; and (2) A sales and use tax equivalent rate on all motor fuel, other than aviation and turbine fuel, that is calculated by multiplying a specified percentage by the prior year's average retail price of regular unleaded motor fuel (less federal and State excise taxes) purchased in the State. These revenues are retained 100% by the Department.

(2) The 2011 Session of the Maryland General Assembly approved legislation (HB 72) that changed the allocation of corporation income tax revenue to the Department from 24% to 17.2%. However, effective July 1, 2012, the Department received 9.5%; from July 1, 2013 through June 30, 2016, the Department received 19.5%. Effective July 1, 2016, the Department receives 17.2%.

(3) The 2010 Session of the Maryland General Assembly approved legislation (SB141) changing the allocation of Highway User Revenues. Effective July 1, 2009, the allocation is 70% to the Department, 19.5% to the General Fund, 8.6% to Baltimore City, 1.5% to the Counties, and 0.4% to the Municipalities. Effective July 1, 2010, the allocation is 68.5% to the Department, 23% to the General Fund, 7.9% to Baltimore City, .5% to the Counties, and 0.1% to the Municipalities.

(4) Pursuant to legislation enacted by the General Assembly at its 2011 Session (HB72), effective July 1, 2011, the allocation is 79.8% to the Department, 11.3% to the General Fund, 7.5% to Baltimore City, 0.8% to Counties, and 0.6% to municipalities. Effective July 1, 2012 the allocation is 90% to the Department, 8.1% to Baltimore City, 1.5% to Counties, and .4% to municipalities. Effective July 1, 2013 the allocation is 90.4% to the Department, 7.7% to Baltimore City, 1.5% to Counties, and .4% to municipalities.

(5) The 2011 Session of the Maryland General Assembly approved legislation (HB 72) requiring the transfer from the Transportation Trust Fund of $40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.

MARYLAND DEPARTMENT OF TRANSPORTATION
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	$ 1,830,010	$ 1,791,840	$ 1,888,995	$ 1,913,290	$ 2,292,670	$ 2,530,255	$ 2,855,105	$ 2,773,900	$ 3,021,675	$ 3,422,265
Net debt applicable to limit	1,645,010	1,561,840	1,562,630	1,618,290	1,812,670	2,020,250	2,146,085	2,578,385	2,911,675	3,342,945
Total legal debt margin	$ 45,948	$ 186,126	$ 230,000	$ 326,365	$ 295,000	$ 480,000	$ 510,005	$ 709,020	$ 195,515	$ 79,320
Net debt applicable to the limit as a percentage of debt limit	97.17%	89.83%	87.16%	82.72%	84.58%	79.06%	79.84%	75.17%	92.95%	97.68%

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2010-2019.

(1) The Maryland Department of Transportation's annual legal debt limit is established by the Maryland General Assembly on an annual basis, at a rate set below the total outstanding debt cap of $4,5000,000,000.

MARYLAND DEPARTMENT OF TRANSPORTATION
Ratio of Annual Debt Service Expenditures for Consolidated Transportation Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service	Total Noncapital Governmental Expenditures	Ratio of Debt Service to Noncapital Expenditures (percent)
2010	$ 77,595	$ 73,359	$ 150,954	$ 2,552,381	5.91 %
2011	83,170	75,492	158,662	2,517,503	6.30
2012	102,845	71,370	174,215	2,489,880	7.00
2013	109,340	70,968	180,308	2,365,165	7.62
2014	130,620	76,614	207,234	2,721,874	7.61
2015	152,415	79,989	232,404	2,741,016	8.48
2016	174,165	90,193	264,358	2,760,380	9.58
2017	207,185	100,030	307,215	2,687,210	11.43
2018	221,710	118,350	340,060	3,106,219	10.95
2019	199,410	138,156	337,566	3,672,169	9.19

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2010-2019.

MARYLAND DEPARTMENT OF TRANSPORTATION
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Fiscal Year Ended June 30,	Governmental Activities: Special Revenue Bonds	Governmental Activities: Capital Leases	Total Governmental Activities Debt	Total Personal Income (1)	Percentage of Personal Income
2010	$ 1,645,010	$ 641,252	$ 2,286,262	$ 282,152,796	0.81 %
2011	1,561,840	604,662	2,166,502	289,653,105	0.75
2012	1,562,630	562,656	2,125,286	306,001,368	0.69
2013	1,618,290	591,783	2,210,073	316,681,620	0.70
2014	1,812,670	594,302	2,406,972	321,688,894	0.75
2015	2,020,250	628,650	2,648,900	329,559,645	0.80
2016	2,146,085	621,732	2,767,817	349,266,576	0.79
2017	2,578,385	569,659	3,148,044	366,604,000	0.86
2018	2,911,675	524,748	3,436,423	379,941,000	0.90
2019	3,342,945	504,059	3,847,004	382,829,000	1.00

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2010-2019.

(1) US Department of Commerce, Bureau of Economic Analysis. Data for all years based on revised statistics of state personal income released on September 25, 2018. All estimates of State personal income are subject to BEA's flexible annual revison schedule.

https://www.bea.gov/data/income-saving/personal-income-by-state

MARYLAND DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund
Taxes Pledged to Bonds and Net Revenues as Defined for Purposes of the Bond Coverage Test
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

	Fiscal years ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Taxes pledged to bonds: (1)										
Corporation income tax (2)	$ 107,293	$ 107,379	$ 143,370	$ 68,503	$ 146,113	$ 148,949	$ 167,957	$ 131,160	$ 135,321	$ 170,452
Fuel tax (3)	489,004	500,801	567,431	651,196	723,249	827,830	923,216	981,555	987,506	1,043,835
Titling tax (4)	434,729	470,001	547,198	639,011	693,422	744,597	805,348	829,305	813,673	857,453
Sales and use tax (5)	213,254	221,842	19,770	23,425	27,983	28,424	28,416	29,142	29,257	31,823
Total taxes pledged to bonds	1,244,280	1,300,023	1,277,769	1,382,135	1,590,767	1,749,800	1,924,937	1,971,162	1,965,757	2,103,563
Fees:										
Motor vehicle licenses and registrations (6)	227,954	229,748	256,350	298,071	305,525	310,385	312,771	316,742	317,433	326,555
Other	187,455	209,909	259,211	274,823	280,989	293,315	298,488	306,488	287,720	297,699
General fund share of fees (6)			(40,000)							
Total taxes and fees	1,659,689	1,739,680	1,753,330	1,955,029	2,177,281	2,353,500	2,536,196	2,594,392	2,570,910	2,727,817
Operating revenues:										
Port Administration	69,222	49,156	57,302	49,030	52,841	49,759	49,999	49,039	51,783	55,283
Transit Administration	125,057	133,494	136,194	138,400	139,821	142,414	156,579	149,249	150,911	140,094
Aviation Administration	194,308	207,897	208,560	219,757	217,290	222,117	229,993	243,132	257,218	257,929
Total operating revenues	388,587	390,547	402,056	407,187	409,952	414,290	436,571	441,420	459,912	453,306
Other	(3,600)	60,458	40,015	30,785	29,139	47,307	59,609	69,012	60,566	56,543
Investment income	394	1,004	2,750	758	2,154	2,090	3,819	627	2,322	2,928
Total revenues	2,045,070	2,191,689	2,198,151	2,393,759	2,618,526	2,817,187	3,036,195	3,105,451	3,093,710	3,240,595
Expenditures:										
Administration, operation and maintenance expenditures:										
The Secretary's Office	71,811	70,650	71,382	72,256	76,142	75,339	80,229	86,010	90,330	94,138
Washington Metro Transit Grants-in-Aid	215,736	228,594	256,722	263,690	268,340	284,844	318,917	321,349	362,519	388,583
State Highway Administration	296,445	253,615	226,926	251,994	326,560	301,488	297,190	264,039	294,566	311,364
Motor Vehicle Administration	146,316	157,344	161,329	171,344	184,698	194,887	199,153	201,546	199,910	198,520
Port Administration	68,237	44,454	41,612	42,157	45,504	47,867	47,521	46,841	45,869	48,082
Transit Administration	610,284	621,917	646,795	665,844	751,801	767,009	781,769	840,446	859,477	881,561
Aviation Administration	173,749	170,765	167,415	171,122	189,740	188,090	192,692	187,965	196,278	205,719
Total admin., operation and maintenance expend.	1,582,578	1,547,339	1,572,181	1,638,407	1,842,785	1,859,524	1,917,471	1,948,196	2,048,949	2,127,967
Less Federal funds:										
The Secretary's Office	(9,001)	(8,027)	(8,237)	(9,291)	(9,089)	(7,967)	(8,160)	(8,445)	(10,968)	(10,019)
State Highway Administration -- Highway Safety	(16,925)	(17,175)	(21,218)	(13,338)	(10,844)	(11,357)	(10,066)	(14,561)	(14,326)	(13,077)
Transit -- Planning and program development	(63,775)	(64,496)	(62,430)	(42,028)	(60,631)	(59,046)	(58,940)	(60,221)	(61,364)	(59,935)
Port Administration								(103)	(73)	(440)
Motor Vehicle Administration	(404)	(379)	(150)	(7,090)	(9,348)	(10,697)	(9,514)	(10,523)	(12,157)	(6,654)
Aviation Administration	(656)	(656)	(702)	(650)	(655)	(776)	(645)	(645)	(645)	(645)
Total Federal funds	(90,761)	(90,733)	(92,737)	(72,397)	(90,567)	(89,843)	(87,325)	(94,498)	(99,533)	(90,769)
Total expenditures	1,491,817	1,456,606	1,479,444	1,566,010	1,752,218	1,769,681	1,830,146	1,853,698	1,949,416	2,037,198
Net revenues	$ 553,253	$ 735,083	$ 718,707	$ 827,749	$ 866,308	$ 1,047,506	$ 1,206,049	$ 1,251,753	$ 1,144,294	$ 1,203,397
Maximum annual principal and interest	$ 210,714	$ 210,714	$ 219,765	$ 237,394	$ 270,527	$ 292,327	$ 305,197	$ 331,345	358,739	415,245
Ratio of taxes pledged to principal and interest	5.91	6.17	5.81	5.82	5.88	5.99	6.31	5.95	5.48	5.07
Ratio of net revenues to principal and interest	2.63	3.49	3.27	3.49	3.20	3.58	3.95	3.78	3.19	2.90

Source: Maryland Department of Transportation, The Secretary's Office, Office of Finance.

(1) As a result of changes to the Highway User Revenues allocations approved during the 2010 and 2011 sessions of the Maryland General Assembly, the Department received the following distribution of Highway User Revenues: FY 2010 70%; FY 2011 68.5%; FY 2012 79.8%; FY 2013 90%, since FY 2014 90.4%.

(2) The 2011 Session of the Maryland General Assembly approved legislation (HB 72) that changed the allocation of corporate income tax revenue to the Department from 24% to 17.2%. However, effective July 1, 2012 the Department received 9.5%; from July 1, 2013 through June 30, 2016 the Department received 19.5%. Effective July 1, 2016, the Department receives 17.2%.

(3) Chapter 429, Laws of Maryland 2013, calls for the following changes to the motor fuel tax rate effective July 1, 2013: (1) Annual adjustment based on increases in the Consumer Price Index, with no annual increase greater than 8%; and (2) A sales and use tax equivalent rate on all motor fuel, other than aviation and turbine fuel, that is calculated by multiplying a specified percentage by the prior year's average retail price of regular unleaded motor fuel (less federal and State excise taxes) purchased in the State. These revenues are retained 100% by the Department.

(4) The 2007 Special Session of the Maryland General Assembly approved legislation to increase the State's Sales Tax and the Vehicle Excise Tax (Titling) from 5% to 6%, effective addition, effective July 1, 2008, the percentage of Titling Tax retained by the Department was increased from 76% to 80%. Changes to the allocation of Highway User Revenues approved during the 2010 and 2011 Sessions of the Maryland General Assembly resulted in the following percentages of Titling Tax retained by the Department: FY 2010 80%; FY 2011 79%; FY 2012 86.53%; FY 2013 93.336%; FY 2014 and beyond 93.6%.

(5) The 2007 Special Session of the Maryland General Assembly approved legislation to allocate 6.5% of the State's Sales and Use Tax (after distribution of the State's sales tax on short-term rental vehicles) to the Department effective July 1, 2008. The distribution was reduced to 5.3% during the 2008 Session of the Maryland General Assembly. This distribution ended July 1, 2011.

(6) The 2011 Session of the Maryland General Assembly approved legislation (HB 72) requiring the transfer from the Transportation Trust Fund of $40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.

MARYLAND DEPARTMENT OF TRANSPORTATION
Schedule of Miscellaneous Statistics
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended June 30,	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
State Highway Administration:										
Miles of State Highway (1)	5,143	5,145	5,266	5,145	5,155	5,152	5,154	5,151	5,154	5,940
Motor Vehicle Administration:										
Motor Vehicle Titles Issued	939,209	994,235	995,247	1,018,200	1,001,118	1,090,530	1,156,244	1,156,262	1,134,701	1,151,818
Motor Vehicle Registration Transactions	3,336,752	4,100,604	3,889,667	4,044,217	4,106,227	4,259,000	4,292,948	4,466,976	4,468,850	4,690,885
Motor Vehicle Fuel - Gallons Sold	2,862,255,721	3,178,835,403	3,149,605,108	3,250,923,911	3,211,359,630	3,283,767,170	3,313,813,008	3,328,519,193	3,299,937,835	3,312,963,313
Maryland Port Administration:										
Port of Baltimore (2):										
Export Commerce (2,000 lbs.)	17,596,350	23,852,386	23,757,853	19,396,664	16,750,213	17,755,547	18,032,687	24,811,957	28,799,201	N/A
Import Commerce (2,000 lbs.)	15,243,578	13,991,505	12,929,929	10,878,770	12,759,986	14,703,255	13,802,320	13,631,719	14,193,921	N/A
Total Foreign Commerce (2,000 lbs.)	32,839,928	37,843,891	36,687,782	30,274,105	29,510,199	32,458,802	31,835,006	38,443,676	42,993,122	N/A
General Cargo (2,000 lbs.) (included above)	8,373,255	9,126,585	9,557,401	9,939,751	10,230,365	10,685,003	11,326,594	12,317,094	12,317,094	N/A
Maryland Aviation Administration:										
Passenger Traffic	21,313,033	22,488,838	22,611,988	22,530,342	22,238,226	22,761,893	24,669,946	25,686,293	26,991,216	26,715,027
Commercial Air Carrier Operations	247,391	258,639	256,992	245,367	232,609	224,246	231,354	238,492	254,202	247,761
Total Aircraft Operations	272,997	277,435	273,966	263,360	251,305	243,255	248,271	253,238	268,254	260,932
Maryland Transit Administration:										
Core and Commuter Bus Ridership	78,188,577	72,520,531	73,627,843	73,404,275	75,780,350	79,035,332	79,828,737	73,453,522	67,550,456	67,612,158
Metro Ridership	1,363,903	14,002,609	15,199,117	15,208,352	14,632,401	13,900,813	12,221,949	10,960,071	8,916,972	7,275,335
Light Rail Ridership	8,076,249	8,752,463	8,796,346	9,371,791	8,105,752	7,657,256	7,475,005	7,413,659	7,416,504	6,966,072
MARC Train Riderships	8,095,577	8,232,729	8,532,214	9,030,039	8,979,468	9,245,588	8,961,892	9,185,382	9,191,727	9,190,885
Number of MDOT State Employees (3)	6,463	6,007	5,963	5,885	8,387	8,485	8,454	8,403	8,440	8,372

Source: Maryland Department of Transportation.

(1) As of January 1.

(2) Calendar year basis.

(3) FY 2009-2013 does not include union employees.

MARYLAND DEPARTMENT OF TRANSPORTATION
The Office of the Secretary
Pete K. Rahn, Secretary
Sean Powell, Deputy Secretary of Operations
R. Earl Lewis, Jr., Deputy Secretary of Policy, Planning and Enterprise Services

Secretary's Office
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Thomas J. Curtin, Chief of Staff
Mark Crampton, Assistant Secretary of Operations
Charles C. Glass, PH.D., P.E., Assistant Secretary for Transportation Policy Analysis & Planning
Christopher Holland, Director, Office of Homeland Security/Emergency Management and Rail Safety
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Heather Murphy, Director, Office of Planning and Capital Programming
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Office of Finance
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Steven P. Watson, Deputy Director/Deputy Chief Financial Officer
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Christina Thompson, Budget
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Brandie Karfonta, Accounting
JoAnn McCumber, Payroll
Lisa Webb, P3 Innovative Project Delivery
Linda S. Williams, Financial Planning