OFFICIAL STATEMENT DATED OCTOBER 26, 2016

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: (See "RATINGS" herein)
Standard & Poor's: AAA
Moody's: Aa1
Fitch: AA+

In the opinion of Bond Counsel to the Department, (i) assuming compliance with certain covenants described herein, under existing statutes, regulations and decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes, and (ii) under the Act, the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by the political subdivisions, municipal corporations, or public agencies of any kind of the State of Maryland; provided, however, that no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, their transfer or the income therefrom. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax; provided, however, that interest on the Bonds may be included in a corporation's "adjusted current earnings" in the calculation of a corporation's alternative minimum taxable income for federal income tax purposes. See "TAX MATTERS."

Department of Transportation of Maryland
$385,000,000
Consolidated Transportation Bonds, Series 2016
and
$242,525,000
Consolidated Transportation Bonds, Refunding Series 2016

Dated: Date of Delivery **Due:** shown on inside cover

Redemption	The $385,000,000 Consolidated Transportation Bonds, Series 2016 (the "Construction Bonds") are subject to redemption prior to their stated maturities at the option of the Department of Transportation of Maryland (the "Department"), as described herein under "THE BONDS- Redemption Provisions". The $242,525,000 Consolidated Transportation Bonds, Refunding Series 2016 (the "Refunding Bonds", and together with the Construction Bonds, the "Bonds") are not subject to optional redemption.
Security	The Bonds are obligations of the Department only, payable as to both principal and interest solely from the proceeds of certain taxes and, to the extent needed, other revenues credited to the Department. See "SECURITY". **THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF MARYLAND.**
Purpose	Proceeds from the Construction Bonds will provide a portion of the capital funds needed for the Consolidated Transportation Program. Proceeds from the Refunding Bonds will advance refund certain maturities of outstanding Consolidated Transportation Bonds, see "PURPOSE OF BONDS".
Interest Payment Dates	Construction Bonds: May 1 and November 1, commencing May 1, 2017 Refunding Bonds: March 1 and September 1, commencing March 1, 2017
Denomination	$5,000, or any integral multiple thereof
Closing/Settlement	On or about November 10, 2016
Bond Counsel	Kutak Rock LLP
Financial Advisors	Public Financial Management, Inc. and People First Financial Advisors
Paying Agent/Registrar	Department of Transportation of Maryland
Book-Entry Only Form	The Depository Trust Company, see "Appendix E — Book-Entry Only System"

FOR MATURITY SCHEDULES SEE INSIDE COVER

The Bonds are offered for delivery, when and if issued, subject to the approving opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel. Certain legal matters will be passed upon for the Department by the Office of the Attorney General of the State of Maryland. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about November 10, 2016.

This cover page contains certain information for quick reference only. It is not a summary of the Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

$385,000,000 Consolidated Transportation Bonds, Series 2016

Maturities, Amounts, Interest Rates, Prices and CUSIP Numbers

Maturing November 1	Principal Amount	Interest Rate[1]	Price[1]		CUSIP[2]
2019	$22,055,000	5.000%	111.852		574204C43
2020	23,185,000	5.000%	115.422		574204C50
2021	24,375,000	5.000%	118.670		574204C68
2022	25,620,000	5.000%	121.717		574204C76
2023	26,935,000	5.000%	124.218		574204C84
2024	28,320,000	5.000%	126.300		574204C92
2025	29,620,000	4.000%	117.737	*	574204D26
2026	30,825,000	5.000%	124.261	*	574204D34
2027	32,085,000	4.000%	114.437	*	574204D42
2028	33,395,000	3.000%	104.109	*	574204D59
2029	34,755,000	4.000%	113.021	*	574204D67
2030	36,175,000	3.000%	101.922	*	574204D75
2031	37,655,000	3.000%	101.420	*	574204D83

$242,525,000 Consolidated Transportation Bonds, Refunding Series 2016

Maturities, Amounts, Interest Rates, Prices and CUSIP Numbers

Maturing September 1	Principal Amount	Interest Rate[1]	Price[1]	CUSIP[2]
2019	$29,410,000	4.000%	108.489	574204D91
2020	37,180,000	4.000%	111.023	574204E25
2021	41,020,000	4.000%	113.293	574204E33
2022	12,625,000	4.000%	115.237	574204E41
2023	35,665,000	4.000%	116.826	574204E58
2024	22,840,000	4.000%	117.789	574204E66
2025	23,770,000	4.000%	118.290	574204E74
2026	24,960,000	4.000%	118.807	574204E82
2027	15,055,000	4.000%	119.136	574204E90

[1] The interest rates and prices shown above were furnished by the successful bidder(s) for the Bonds on October 26, 2016. All the information concerning the terms of reoffering of the Bonds should be obtained from the successful bidder and not from the Department. See “SALE AT COMPETITIVE BIDDING”.

[2] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed by S&P Capital IQ, a division of McGraw Hill Financial, and the Department takes no responsibility for the accuracy thereof. These data are not intended to create a database and do not serve in any way as a substitute for CUSIP Global Services.

* Priced to the November 1, 2024 optional redemption date at a redemption price of 100%.

No dealer, broker, salesman or any other person has been authorized by the Department to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Department. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities described herein by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Department and other sources. The Department believes that the information contained in this Official Statement is correct and complete and has no knowledge of any inaccuracy or incompleteness as to any of the information herein contained. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Department since the date hereof.

No quotations from or summaries or explanations of provisions of law and documents herein purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Department and the purchasers or holders of any of the securities described herein. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date hereof.

The cover page hereof, the list of officials, this page and the appendices attached hereto are part of this Official Statement.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Bonds is made only by means of this entire Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DEPARTMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NO REGISTRATION STATEMENT RELATING TO THE BONDS HAS BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR WITH ANY STATE SECURITY AGENCY. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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STATE OF MARYLAND

Lawrence J. Hogan, Jr., Governor

Department of Transportation of Maryland

Pete K. Rahn, Secretary

James F. Ports, Jr., Deputy Secretary

R. Earl Lewis, Jr., Deputy Secretary

Gregory C. Johnson, State Highway Administrator

Christine E. Nizer, Motor Vehicle Administrator

James J. White, Maryland Port Executive Director

Ricky D. Smith, Sr., Maryland Aviation Executive Director/CEO

Paul W. Comfort, Esq., Maryland Transit Administrator

Cheryl A.C. Brown-Whitfield, Assistant Attorney General/Principal Counsel

David L. Fleming, Chief Financial Officer

Approving Legal Opinion

Kutak Rock LLP
Washington, D.C.

Financial Advisors

Public Financial Management, Inc.
Orlando, Florida
and
People First Financial Advisors
Landover, Maryland

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SUMMARY STATEMENT

(Subject in all respects to more complete information in this
Official Statement to which the reader is specifically referred)

THE DEPARTMENT OF TRANSPORTATION OF MARYLAND — The Department of Transportation of Maryland (the "Department") has responsibility for transportation facilities and programs owned by the State of Maryland (the "State"). This responsibility includes the planning, financing, construction, operation and maintenance of various transportation facilities, including highway, transit, port, aviation and motor vehicle administration facilities.

CONSOLIDATED TRANSPORTATION PROGRAM — The Department maintains a Consolidated Transportation Program (the "CTP") to meet the transportation requirements of the State and continually reviews the CTP considering current and anticipated economic factors. The CTP is developed in accordance with the current projection of six-year financial resources and is within the framework of the Maryland Transportation Plan, the long-range State plan for transportation. The CTP is flexible and is adjusted to reflect revenue fluctuations so that available funds may be concentrated on the most important projects.

THE TRANSPORTATION TRUST FUND — The Transportation Trust Fund is credited with transportation-related receipts, including portions of motor vehicle fuel taxes, the State's corporation income tax, the excise tax on motor vehicle titling, the sales and use tax on short-term vehicle rentals, registration fees for motor vehicles, and all bus and rail fares, port fees and airport revenues, together with bond and note proceeds, federal grants, and other receipts. Capital expenditures are financed from net revenues of the Department, federal grants and the proceeds of sales of Consolidated Transportation Bonds, certificates of participation, and conduit financings.

PURPOSE OF THE BONDS — The $385,000,000 Consolidated Transportation Bonds, Series 2016 (the "Construction Bonds") are being issued to provide a portion of the capital funds for certain projects in the CTP including highway projects and certain other transportation activities of the Department and paying certain issuance expenses of the Construction Bonds. The $242,525,000 Consolidated Transportation Bonds, Refunding Series 2016 (the "Refunding Bonds", and together with the Construction Bonds, the "Bonds") will be used to advance refund certain maturities of outstanding Consolidated Transportation Bonds (the "Refunded Bonds") and to pay certain issuance expenses of the Refunding Bonds.

SECURITY — Principal of and interest on the Bonds are payable from the proceeds of certain taxes levied by statute for that exclusive purpose before being available for other uses by the Department. If the tax proceeds pledged to the payment of principal of and interest on the Bonds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose.

The Department, in its discretion, is allowed to issue bonds without a debt service reserve component and to deposit in the statutory sinking fund only the amount as may be required to pay the principal of and interest on such bonds as and when due. Pursuant to that authority, the Department has determined to issue the Bonds without a debt service reserve component and to deposit in the statutory sinking fund for the Bonds only the amounts required from time to time to pay the principal of and interest on the Bonds as and when due.

The Bonds will be of equal priority with previously issued and outstanding Consolidated Transportation Bonds (the "Outstanding Bonds") except as described herein, and any additional Consolidated Transportation Bonds hereafter issued (the "Additional Bonds") as discussed below.

CONTINUING DISCLOSURE — The Department will provide annual financial and other information, including notice of certain events, in order to assist the successful bidder in complying with United States Securities and Exchange Commission Rule 15c2-12(b)5 ("Rule 15c2-12"). See "FORM OF CONTINUING DISCLOSURE AGREEMENT" in Appendix D.

ESTIMATED DEBT SERVICE COVERAGE — Maximum annual principal and interest requirements on the Bonds and the Outstanding Bonds after issuance of the Bonds and the refunding of the Refunded Bonds total $320,229,761 in the fiscal year ending June 30, 2018. Net unaudited receipts under the first test described herein under "ADDITIONAL BONDS" for the fiscal year ended June 30, 2016 would be 3.77 times maximum principal and interest requirements on such debt. Total unaudited proceeds from pledged taxes under the second test described herein under "ADDITIONAL BONDS" for the fiscal year ended June 30, 2016, would be 6.01 times maximum annual principal and interest requirements on such debt.

ADDITIONAL BONDS — In accordance with certain provisions of the Act (as defined in the "INTRODUCTION" on Page 1) the aggregate principal amount of Consolidated Transportation Bonds that may be outstanding is $4,500,000,000. In addition, the Act provides that the General Assembly shall establish in the budget for any fiscal year the maximum outstanding aggregate amount of these bonds as of June 30 of the respective fiscal year that does not exceed $4,500,000,000. As established in the budget for fiscal year 2017, the maximum aggregate amount of Consolidated Transportation Bonds that may be outstanding as of June 30, 2017 is $2,773,900,000.

Consolidated Transportation Bonds in the principal amount of $2,498,170,000 will be outstanding upon issuance of the Bonds and the refunding of the Refunded Bonds.

Under the terms of the resolution authorizing the issuance of the Bonds, Additional Bonds which are of equal priority with the Bonds and any Outstanding Bonds, with the exception as described herein under "SECURITY", may be issued provided, among other conditions, that (i) total receipts (excluding federal grants 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 shall equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued and that (ii) total proceeds from pledged taxes for the preceding fiscal year shall equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

CONTINGENT SUBORDINATE INDEBTEDNESS — As discussed further herein, when the Department or the Maryland Transportation Authority (the "Authority") makes a pledge of or uses existing or anticipated federal funds for the payment of special transportation project revenue bonds or Authority bonds, respectively, and such future federal aid is insufficient to pay the principal of and interest on such bonds, the taxes levied under the Act (defined herein) and irrevocably pledged to the principal of and interest on the Bonds are irrevocably pledged to the payment of the principal of and interest on such special transportation project revenue bonds or such bonds of the Authority; provided, however, that the statutory lien and pledge created for the benefit of such special transportation project revenue bonds or such bonds of the Authority shall at all times be subordinate to the pledge and lien for the Bonds and for other Consolidated Transportation Bonds. The Authority has issued such subordinated bonds. See "THE TRANSPORTATION TRUST FUND — Maryland Transportation Authority Debt Secured by Federal Aid" for additional details.

OFFICIAL STATEMENT
OF THE
DEPARTMENT OF TRANSPORTATION OF MARYLAND
RELATING TO
$385,000,000
CONSOLIDATED TRANSPORTATION BONDS, SERIES 2016
and
$242,525,000
CONSOLIDATED TRANSPORTATION BONDS, REFUNDING SERIES 2016

INTRODUCTION

This Official Statement, including the cover page and Appendices attached hereto, sets forth information concerning the State of Maryland (the "State"), the Department of Transportation of Maryland (the "Department"), the Department's $385,000,000 Consolidated Transportation Bonds, Series 2016 (the "Construction Bonds"), the Department's $242,525,000 Consolidated Transportation Bonds, Refunding Series 2016 ("the Refunding Bonds", and together with the Construction Bonds, the "Bonds"), and the Department's other outstanding Consolidated Transportation Bonds. The Bonds are obligations of the Department authorized to be issued by Sections 3-101 to 3-217, inclusive, of the Transportation Article of the Annotated Code of Maryland (2015 Replacement Volume as amended and supplemented from time to time) (the "Act"), Section 8-209 of the State Finance and Procurement Article of the Annotated Code of Maryland (2015 Replacement Volume, as amended and supplemented), by resolutions of the Board of Public Works of Maryland (the "Board of Public Works") adopted on September 7, 2016 and by a resolution of the Secretary of Transportation dated as of October 3, 2016 (the "Resolution").

THE BONDS

General

The Bonds are dated as of the date of their delivery, expected to occur on or about November 10, 2016 and will mature on the dates and in the principal amounts and will be paid at the rate or rates as shown on the inside cover of this Official Statement. (Interest is computed on the basis of a 360-day year composed of twelve 30-day months.)

The Construction Bonds, in the aggregate principal amount of $385,000,000, shall accrue interest from the date of issuance and delivery and will be payable commencing on May 1, 2017 and semiannually thereafter on each November 1 and May 1 (the "Construction Bond Interest Payment Dates") until maturity unless redeemed prior to maturity as provided herein under "Redemption Provisions".

The Refunding Bonds, in the aggregate principal amount of $242,525,000, shall accrue interest from the date of issuance and delivery and will be payable commencing on March 1, 2017 and semiannually thereafter on each September 1 and March 1 (the "Refunding Bond Interest Payment Dates and together with the Construction Bond Interest Payment Dates, the "Interest Payment Dates") until maturity.

If an Interest Payment Date is not a Business Day (herein defined), then the interest will be paid on the next succeeding Business Day to the owner in whose name the Bonds are registered at the close of business on the fifteenth day of the month immediately preceding the Interest Payment Date. "Business Day" means a day other than a Saturday, Sunday or day on which banking institutions in the State are authorized or obligated by law or required by executive order to remain closed. The principal of the Bonds will be payable upon presentation and surrender of the Bonds at the principal office of the Paying Agent or at the principal office of any other Registrar/Paying Agent designated by the Secretary, on the date the principal is payable or, if that date is not a Business Day, on the next succeeding Business Day. So long as the Bonds are maintained in book-entry form, interest on the Bonds will be paid by electronic funds transfer on the Interest Payment Date.

The Bonds will be issued in fully registered form in the denominations of $5,000 each, or any integral multiple thereof. The Bonds will initially be maintained under a book-entry system. Individual purchasers ("Beneficial Owners") shall have no right to receive physical possession of the Bonds, and any payment of the principal or redemption price of, and interest on the Bonds will be made as described in Appendix E — "BOOK-ENTRY ONLY SYSTEM-GENERAL". So long as the Bonds are maintained under a book-entry only system, the Department will initially serve as the Bond Registrar and Paying Agent (the "Registrar/Paying Agent").

The Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Beneficial Owners of the Bonds will not have physical possession of bond certificates and their interest in the Bonds will be made through DTC.

Use of Proceeds

Construction Bonds: The Department is issuing the Construction Bonds to provide a portion of the capital funds needed for the Consolidated Transportation Program (the "CTP") developed by the Department to provide comprehensive planning and coordinated implementation for the highway, transit, port and aviation activities of the State and to pay certain issuance expenses of the Construction Bonds. See "CONSOLIDATED TRANSPORTATION PROGRAM" and "TRANSPORTATION FACILITIES AND PROGRAMS" for additional information.

Refunding Bonds: The Department is issuing the Refunding Bonds to provide funds sufficient, together with other available moneys, and interest earnings thereon, to refund in advance of their maturities certain bonds previously issued to finance certain transportation projects in order to realize savings on debt service costs, to pay interest due on the Refunded Bonds and to pay certain issuance expenses of the Refunding Bonds. The bonds to be refunded in advance of their maturities (the "Refunded Bonds") consist of the following:

Issue	Maturity	Par Amount	Call Date	Call Price	CUSIP #
Series 2008 2nd	9/1/2019	22,400,000.00	9/1/2018	100.00	574204UV3
Series 2008 2nd	9/1/2020	28,000,000.00	9/1/2018	100.00	574204UW1
Series 2008 2nd	9/1/2021	30,800,000.00	9/1/2018	100.00	574204UX9
Series 2009	5/15/2020	8,800,000.00	5/15/2019	100.00	574204VS9
Series 2009	5/15/2021	11,000,000.00	5/15/2019	100.00	574204VT7
Series 2009	5/15/2022	12,100,000.00	5/15/2019	100.00	574204VU4
Series 2009	5/15/2023	13,200,000.00	5/15/2019	100.00	574204VV2
Series 2009	5/15/2024	14,300,000.00	5/15/2019	100.00	574204VW0
Series 2012	6/1/2024	9,660,000.00	6/1/2020	100.00	574204XA6
Series 2012	6/1/2025	10,145,000.00	6/1/2020	100.00	574204XB4
Series 2012	6/1/2026	10,650,000.00	6/1/2020	100.00	574204XC2
Series 2012	6/1/2027	11,180,000.00	6/1/2020	100.00	574204XD0
Series 2013	2/15/2024	12,815,000.00	2/15/2021	100.00	574204XN8
Series 2013	2/15/2025	13,455,000.00	2/15/2021	100.00	574204XP3
Series 2013	2/15/2026	14,125,000.00	2/15/2021	100.00	574204XQ1
Series 2013	2/15/2027	14,835,000.00	2/15/2021	100.00	574204XR9
Series 2013	2/15/2028	15,575,000.00	2/15/2021	100.00	574204XS7

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Estimated Sources and Uses of Funds

Construction Bonds

Sources:	
Par Amount	$385,000,000.00
Net Original Issue Premium	54,767,433.20
Total Sources	**$439,767,433.20**
Uses:	
Deposit to the Transportation Trust Fund	$437,609,519.45
Costs of Issuance[1]	300,000.00
Underwriter's Discount	1,857,913.75
Total Uses	**$439,767,433.20**

Refunding Bonds

Sources:	
Par Amount	$242,525,000.00
Net Original Issue Premium	35,958,111.65
Accrued Interest on Refunded Bonds	3,340,033.61
Total Sources	**$281,823,145.26**
Uses:	
Securities Purchase in Escrow Deposit Fund	$279,762,874.00
Cash Deposit in Escrow Deposit Fund	1,188,001.54
Costs of Issuance[1]	204,144.87
Underwriter's Discount	668,124.85
Total Uses	**$ 281,823,145.26**

[1]Estimated. Includes fees for legal, rating agency, financial advisory services and other miscellaneous expenses.

Deposit to Escrow Deposit Fund

On the day of delivery of the Refunding Bonds, a portion of the Refunding Bond proceeds will be applied to the purchase of debt obligations of, or obligations for which the timely payment of principal and interest is unconditionally guaranteed by, the Unites States of America (the "Federal Securities"), which will be held by ZB, National Association (the "Escrow Agent") in the Escrow Deposit Fund established under the Escrow Deposit Agreement dated as of the date of issuance and delivery of the Refunding Bonds by and between the Department and Escrow Agent (the "Escrow Deposit Agreement"). The Federal Securities on deposit in the Escrow Deposit Fund will mature at stated fixed amounts as to principal and interest at such times as will be sufficient, together with other available moneys, to pay interest when due on the Refunded Bonds and to redeem the principal amount of the Refunded Bonds on the respective call date set forth above. The Federal Securities will be pledged only to the payment of the Refunded Bonds and are not available for the payment of principal of, premium, if any, or interest on the Refunding Bonds.

Verification of Mathematical Computations

Prior to the delivery of the Bonds, Integrity Public Finance Consulting LLC (the "Verification Agent") will deliver to the Department a verification report (the "Verification Report") indicating that the Verification Agent has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the arithmetic accuracy of the schedules prepared by the Department's Financial Advisor with respect to (a) the mathematical computations of the adequacy of the cash and the maturing principal amounts of the obligations held in the Escrow Deposit Fund for the payment of principal of, premium, if any, and interest on the Refunded Bonds and (b) the mathematical computations required by Bond Counsel to support its conclusion that the interest on the Bonds is exempt from federal taxation. The terms and conditions of the Verification Agent engagement are such that it has no obligation to update its report because of events occurring or data or information coming to their attention subsequent to the date of such report.

Redemption Provisions

The Construction Bonds maturing on or after November 1, 2025 are subject to redemption on or after November 1, 2024 as a whole or in part at any time at the option of the Secretary, on behalf of the Department, on at least 20 days' prior notice and, if in part, in any order of maturity at the option of the Secretary, at the redemption price of par (100%), plus accrued interest thereon, if any, to the date fixed for redemption.

The Refunding Bonds are not subject to redemption prior to their stated maturities.

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC, Moody's Investors Service, Inc., and Fitch Ratings have given the Bonds ratings of AAA, Aa1 and AA+, respectively. An explanation of the significance of each rating may be obtained from the rating agency furnishing it. The Department furnished to such rating agencies certain materials and information about the Bonds and the Department. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. It should be noted that the ratings may be changed at any time and that no assurance can be given that they will not be revised downward, suspended or withdrawn by any or all rating agencies, if in the judgment of any or all, circumstances should warrant such actions. Any downward revision, suspension or withdrawal of any of the ratings could have an adverse effect on the market prices for the Bonds.

SALE AT COMPETITIVE BIDDING

The Bonds were offered by the Department at a competitive sale on October 26, 2016. The interest rates shown on the inside front cover of this Official Statement are the interest rates that resulted from the award of the Bonds at the competitive sale. The initial prices or yields shown on the inside front cover of this Official Statement are based on the information supplied to the Department by Merrill Lynch, Pierce, Fenner & Smith Incorporated, the successful bidder for the Construction Bonds, and J.P. Morgan Securities LLC, the successful bidder for the Refunding Bonds. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidders and not from the Department.

SECURITY

The principal of and interest on the Bonds are payable from the proceeds of certain taxes that are levied by statute and irrevocably pledged to that exclusive purpose before being available for other uses. As provided in the Act, as amended by legislation enacted by the General Assembly at its 2013 session (Chapter 429, Laws of Maryland, 2013) ("Chapter 429"), the taxes so pledged beginning July 1, 2013 are: (i) the motor fuel tax revenue at the Base Tax Rate (as described under "THE TRANSPORTATION TRUST FUND — Taxes and Fees"), less 2.3% which is distributable to the Chesapeake Bay 2010 Trust Fund, less .5% which is distributable to the Waterway Improvement Fund, and less 9.6% of the remainder which is distributable to the political subdivisions of the State; (ii) the motor fuel tax revenue derived from increases in the tax rate above the Base Tax Rate based on annual changes in the Consumer Price Index; (iii) the motor fuel tax revenue attributable to the sales and use tax equivalent rate based upon the product of the average annual retail price, less state and federal taxes, and specified percentage rates; (iv) a portion of the revenues from the collection of the corporation income tax, less 9.6% which is distributable to the political subdivisions of the State (see discussion on Chapter 397 revisions herein); (v) 90.4% of 2/3 of the excise tax on the fair market value of motor vehicles, excluding trade in allowance, for which title certificates are issued, plus 100% of 1/3 of such excise tax (with the remaining 9.6% of 2/3 of such tax distributable to the political subdivisions of the State); and (vi) 90.4% of 4/5 of the 45% of the revenues from the collection of the sales and use tax on short-term vehicle rentals, plus 100% of 1/5 of the 45% of these sales and use tax revenues (with the remaining 9.6% of 4/5 of 45% of such tax revenues distributable to the political subdivisions of the State).[1] See "THE TRANSPORTATION TRUST FUND – Taxes and Fees" for a more detailed description of pledged taxes.

In addition, other receipts of the Department (excluding federal grants for capital projects, bond and note proceeds, or other receipts not available for debt service) are available to meet debt service if the pledged tax proceeds should become insufficient. See "THE TRANSPORTATION TRUST FUND — Taxes and Fees" for additional detail.

Chapter 397, Laws of Maryland 2011 enacted in the 2011 legislative session of the General Assembly ("Chapter 397") reduced the percentage of the State's corporation income tax pledged to the payment of debt service on Consolidated Transportation Bonds. Prior to July 1, 2012, the percentage of such tax pledged was 24%, after required distributions to the General Fund. Under Chapter 397, beginning July 1, 2012, the percentage of such tax pledged was reduced to 9.5%, less the distribution to the political subdivisions of the State.[2] For fiscal years 2014 through 2016 (i.e. from July 1, 2013 through June 30, 2016) the percentage of the corporation income tax that was pledged had been 19.5%, less the distribution to the political subdivisions of the State. For fiscal years 2017 and beyond, beginning July 1, 2016, the percentage of corporation income tax that is pledged will be 17.2%, less the distribution to the political subdivisions of the State.

In addition, Chapter 397 eliminated the percentage distribution of the pledged revenues to the General Fund under prior law and reduced the percentage of distributions to political subdivisions of the State from 10% in fiscal year 2013 to 9.6% in fiscal year 2014.

Chapter 397 also provided that, beginning July 1, 2012, except for distributions to the political subdivisions, funds could not be transferred from the Transportation Trust Fund to the General Fund unless legislation was first enacted to provide for the repayment of the funds within five years of the transfer. Chapter 429 broadens this protection to include any transfers to a special fund or the General Fund and establishes a specific five year repayment schedule for the funds, in lieu of the prior legislation requirement in Chapter 397. Chapter 429 provides additional Transportation Trust Fund protections by requiring in general that transfers from such fund to the General Fund or special fund be approved by a three-fifth majority of specified full standing committees of both houses of the General Assembly. In the 2013 session, the General Assembly enacted Chapter 422, Laws of Maryland 2013 ("Chapter 422"), amending the Maryland Constitution to further restrict use of funds in the Transportation Trust Fund to debt service on bonds and any lawful purpose related to the State's transportation system unless the Governor declares a fiscal emergency exists and the General Assembly concurs, by 3/5 of all elected members, with the use of funds. Chapter 422 was adopted by a statewide referendum vote on the State ballot in November 2014.

The tax proceeds and other revenues credited to the Transportation Trust Fund (except for passenger facility charge revenues, certain Maryland Aviation Administration parking garage revenues and certain rental car customer facility charge revenues) that are pledged to or otherwise available for debt service on Consolidated Transportation Bonds are further described under the heading "THE TRANSPORTATION TRUST FUND".

By the terms of the Act, the part of the taxes that are retained to the credit of the Department after distributions to the political subdivisions of the State and that are pledged to the payment of debt service on the Bonds may not be repealed, diminished or applied to any other purpose until the Bonds and the interest on them have been fully paid or adequate and complete provision for such payment has been made, but there is no obligation or undertaking required to increase the rate of the pledged taxes, or other receipts of the Department available for the payment of debt service, should the proceeds become insufficient for that purpose in the future.

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[1] Under previous law, effective July 1, 2008 through June 30, 2013 (i) 45% of the sales and use tax revenues on short-term vehicle rentals (after certain required distributions) and (ii) 5.3% of the remaining sales and use tax revenues after certain required distributions were pledged to the payment of debt service on Consolidated Transportation Bonds. However, pursuant to Chapter 397, the 5.3% of the remaining sales and use tax revenues (described in (ii) above) are not pledged to the payment of debt service on the Bonds or any other Consolidated Transportation Bonds issued after July 1, 2011, but remain pledged to the payment of debt service on Consolidated Transportation Bonds issued prior to July 1, 2011.

[2] Pursuant to Chapter 397, 24% of the corporation income tax, after required distributions, will continue to be pledged to the payment of debt service on Consolidated Transportation Bonds issued prior to July 1, 2011.

FROM TIME TO TIME, THERE ARE LEGISLATIVE PROPOSALS IN THE GENERAL ASSEMBLY THAT, IF ENACTED, COULD ALTER THE DEPARTMENT'S SHARE OF THE TAXES.

The Department or the Maryland Transportation Authority (the "Authority") may pledge or use existing and anticipated federal funds for the payment of special transportation project revenue bonds or Authority bonds, respectively. The Authority has issued such bonds. See "THE TRANSPORTATION TRUST FUND — Maryland Transportation Authority Debt Secured by Federal Aid" for additional detail. If future federal aid is insufficient to pay the principal of and interest on such special transportation project revenue bonds or such Authority bonds, the taxes levied under the Act will be irrevocably pledged to the payment of the principal and interest on debt secured by federal aid as it becomes due and payable, provided that the statutory lien and pledge created for the benefit of such special transportation project revenue bonds or such Authority bonds shall at all times be subordinate to the pledge and lien for the Bonds and for other Consolidated Transportation Bonds.

The Bonds are obligations of the Department only and, according to the provisions of the Act, are not and shall not be deemed to constitute a debt or pledge of the faith and credit of the State of Maryland. In *Secretary v. Mancuso* 278 Md. 81, 359 A.2d 79 (1976), the Court of Appeals of Maryland held that Consolidated Transportation Bonds are subject to the following limitations of Section 34 of Article III of the Maryland Constitution:

> "No debt shall be hereafter contracted by the General Assembly unless such debt shall be authorized by a law providing for the collection of an annual tax or taxes sufficient to pay the interest on such debt as it falls due, and also to discharge the principal thereof within fifteen years from the time of contracting the same; and the taxes laid for this purpose shall not be repealed or applied to any other object until the said debt and interest thereon shall be fully discharged."

The Bonds will be of equal priority with previously issued and outstanding Consolidated Transportation Bonds (the "Outstanding Bonds") and any additional Consolidated Transportation Bonds hereafter issued (the "Additional Bonds"), with the exception as described above in footnotes 1 and 2 under "SECURITY" and below in "ADDITIONAL BONDS", as to the pledge of tax proceeds and other revenues of the Department for payment of debt service.

In accordance with the Act, the Department has determined to issue the Bonds without a debt service reserve component and to deposit in the statutory sinking fund for the Bonds only the amounts required to pay the principal of and interest on the Bonds as and when due.

ADDITIONAL BONDS

In the Resolution, the Department has provided that Additional Bonds may be issued from time to time at the direction of the Secretary. Such Additional Bonds shall be equally and ratably secured by the revenues pledged to the payment of Consolidated Transportation Bonds then outstanding, including the Bonds except that certain series of Consolidated Transportation Bonds issued prior to July 1, 2011 shall be equally and ratably secured by additional revenues pledged to their repayment which are not pledged to the Bonds and other series of bonds issued after July 1, 2011, and provided further that Additional Bonds may be issued only if (1) the total receipts of the Department (excluding federal grants for capital projects, bond and note proceeds, and other receipts not available for debt service), adjusted to reflect the pro forma effect of any tax changes, less administration, operation and maintenance expenses for the past fiscal year, are equal to at least two times maximum debt service for the current or any future fiscal year on all Outstanding Bonds and the Additional Bonds to be issued, and (2) total proceeds from taxes pledged to debt service, adjusted to reflect the pro forma effect of any tax changes, for the past fiscal year are equal to at least two times such maximum debt service. See "THE TRANSPORTATION TRUST FUND — Consolidated Transportation Bonds" for ratios using the Department's June 30, 2016 unaudited fiscal year revenue. Final audited financial statements for the fiscal year ending June 30, 2016 are expected by January 2017.

THE DEPARTMENT

The Department was established as a principal department of the State government in 1971. The head of the Department is the Secretary of Transportation (the "Secretary") who is appointed by the Governor with the advice and consent of the Senate.

The Department has the responsibility for most State-owned transportation facilities and programs, exclusive of toll facilities. This responsibility includes the planning, financing, construction, operation and maintenance of various modes of transportation and carrying out various related licensing and administrative functions. The statutorily created transportation agencies, which are encompassed by the Department, are the Maryland Aviation Administration (the "MAA"), the Maryland Port Administration (the "MPA"), the Maryland Transit Administration (the "MTA"), the Motor Vehicle Administration (the "MVA"), and the State Highway Administration (the "SHA" and together with the MAA, the MPA, the MTA and the MVA, the "Administrations").

The Secretary is empowered, on behalf of the Department, to exercise or perform any power or duty that any of the Administrations may exercise or perform. These powers and duties involve, among others, the operation of the Baltimore/Washington International Thurgood Marshall Airport ("BWI Marshall Airport"), including the power to set landing fees and to rent space to airlines and concessionaires; the operation of various State-owned buildings and marine terminals in the Port of Baltimore, including the power to fix and collect rental and other fees for the use of these facilities; the construction and maintenance of the State's highway system; the operation of all mass transit facilities in the Metropolitan Transit District, including the operation of the bus and rail systems in this district, and the power to fix and collect the fares for these systems; the operation of the MARC (defined herein) commuter rail system by contract with Amtrak and CSX railroad companies, including the power to fix and collect the fares for this system; the licensing and registration of all motor vehicles and motor vehicle operations in the State; and the power to acquire any property by purchase or condemnation that is necessary to exercise or perform these powers and duties.

Certain transportation facilities, which are not part of the Department, are operated as toll facilities by the Authority. The Authority consists of eight members, who are appointed by the Governor, and the Secretary, who is the *ex officio* Chairman of the Authority. Although the Authority acts on behalf of the Department, none of the tolls and other revenues received from these facilities are initially credited to the Transportation Trust Fund (see "THE TRANSPORTATION TRUST FUND — Transfers from the Maryland Transportation Authority"). These facilities include the Chesapeake Bay Bridges, the Fort McHenry Tunnel, the Baltimore Harbor Tunnel, the Francis Scott Key Bridge, the John F. Kennedy Memorial Highway (including the I-95 Express Toll Lanes), the Potomac River Bridge, the Susquehanna River Bridge, and the Intercounty Connector ("ICC"). The Authority also developed an intermodal container transfer rail yard which is managed by the MPA. See "TRANSPORTATION FACILITIES AND PROGRAMS" for further description of the project.

CONSOLIDATED TRANSPORTATION PROGRAM

The Department annually prepares a State Report on Transportation, consisting of the Maryland Transportation Plan (the "MTP") and the CTP. The MTP is a 20-year vision for transportation in the State and identifies the objectives of the Department and its Administrations, discusses accomplishments, current activities and future plans, and highlights issues that require attention. The Department updates the MTP every five years. The CTP is developed within the framework of and is consistent with the MTP. As revenue estimates are revised during the year, the Department adjusts the capital program as necessary.

The CTP is updated annually by the Department and is submitted to the General Assembly on the third Wednesday of January of each year. View the entire CTP at www.mdot.maryland.gov. The CTP contains estimates of expenditures for operating, constructing and improving transportation facilities during the current year, budget request year and the succeeding four-year period. Each year the CTP is developed in accordance with the current projection of six-year financial resources. Appropriations for the first fiscal year of each CTP are made by the General Assembly at its immediately preceding regular session as part of its review and approval of the State Budget. See "STATE GOVERNMENT – Budget" for a discussion of the State's and the Department's budgetary practices.

Financial forecasts used in the CTP are based on currently available estimates of the Department's revenues; administrative, operating and maintenance expenditures; capital expenditures by the Department and its major grant recipients; and receipts of related federal funding. Twelve-month forecasts of all cash receipts and expenditures of the Department are updated quarterly, while six-year forecasts are updated semiannually.

The fiscal years 2017-2022 CTP as presented in the "TRANSPORTATION FACILITIES AND PROGRAMS" section, below, is in draft form. In accordance with Maryland law, the Department will visit each county of the State to give local governments and legislative delegations an opportunity to comment on the proposed CTP. It is not expected that material changes will be made to the draft CTP as a result of this tour.

TRANSPORTATION FACILITIES AND PROGRAMS

A capital program summary of the fiscal years 2017–2022 draft CTP is presented below (in millions):

Expenditures	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**TOTAL**
The Secretary's Office	$ 129.4	$ 35.5	$ 33.2	$ 20.1	$ 14.3	$ 14.0	$ 246.5
Motor Vehicle Administration	26.2	28.3	24.1	16.9	14.5	15.1	125.1
Maryland Aviation Administration	173.2	118.9	29.8	30.7	29.1	30.6	412.3
Maryland Port Administration	124.4	107.4	250.7	176.3	110.5	82.9	852.2
Maryland Transit Administration	854.5	804.8	613.7	427.7	352.2	567.4	3620.3
Washington Metro Area Transit	225.2	255.8	265.3	273.4	284.1	279.9	1583.7
State Highway Administration	1,565.0	1,549.4	1,309.8	1,197.4	1,107.8	876.4	7,605.8
Total	$ 3,097.9	$ 2,900.1	$ 2,526.6	$ 2,142.5	$ 1,912.5	$ 1,866.3	$14,445.9
Sources							
Special Funds [1]	$ 1,822.4	$ 1,759.2	$ 1,513.7	$ 1,214.5	$ 1,067.2	$ 1,020.2	$ 8,397.2
Federal Funds	1,053.0	948.4	829.0	755.8	728.9	653.3	4,968.4
Other [2]	222.5	192.4	183.8	172.2	116.5	192.7	1,080.1
Total	$ 3,097.9	$ 2,900.1	$ 2,526.6	$ 2,142.5	$ 1,912.5	$ 1,866.3	$14,445.9

Note: Totals may not add due to rounding

[1] Includes bond sales

[2] Other funding not received through the Trust Fund. Includes some funds from Customer Facility Charges, Passenger Facility Charges, County contributions, etc. and federal funds received directly by WMATA (defined herein) that are not included in the MDOT budget.

State Highway Administration

The State highway system, totaling 5,152 miles, or nearly 14,800 lane miles, of roadway and more than 2,566 bridges, consists of the interstate, primary and secondary highway systems excluding Authority and locally owned facilities. The interstate and primary highway systems serve the major interstate and intrastate travel flows. The secondary highway system provides a network of routes for local travel.

The SHA is responsible for project development, construction and maintenance of the State Highway System. The State is divided into seven engineering districts, with each district responsible for its own routine physical maintenance, traffic services and construction supervision. Specialized activities are assigned to statewide operating divisions and sections.

The majority of federal funding for highway construction is apportioned to the states based upon formulas in federal law. Within the limits of those apportionments, projects are generally eligible for 80% federal participation, except for interstate maintenance, which is eligible for 90% federal participation. See "THE TRANSPORTATION TRUST FUND: Federal Aid" for further information on federal aid to the Department.

The allocation of funds to the SHA's highway capital program (excluding highway maintenance costs, which are accounted for as operating expenditures) is $7,605,811,000 for the CTP period. The CTP anticipates that $2,791,456,000 will be provided by federal grants and $4,723,741,000 will be provided from other resources of the Department and $90,614,000 from non-Federal, non-Departmental sources.

Maryland Transit Administration

The mission of the MTA is to provide a State-wide system of safe, efficient, and appealing transportation services that responds to the needs of residents, visitors, employees, and transit partners in an environment that promotes innovation, accountability, accessibility, and respect. To achieve this, the MTA operates local and commuter buses, light rail, subway, Maryland Area Regional Commuter ("MARC") train service, and a comprehensive Mobility/Paratransit system. The combined ridership for these services in fiscal year 2016 was just over 111 million, which was a decrease from fiscal year 2015 due to closures for winter weather conditions. Additionally, MTA directs funding and state-wide assistance to locally operated transit systems in each of Maryland's 23 counties, Baltimore City, Annapolis and Ocean City.

Capital allocations for the MTA in the CTP total $3,620,285,000, of which $2,083,800,000 is expected from federal grants, $1,211,327,000 from other resources of the Department and $325,158,000 from non-federal, non-Departmental sources.

Public Bus and Rail Transit Service in the Baltimore and Washington Areas

Bus Service - At present, MTA provides bus services with 744 MTA-owned fixed route buses for service in the Baltimore region. MTA contracts with private operators to provide commuter bus service from Anne Arundel, Calvert, Charles, Howard, Queen Anne's and St. Mary's Counties to Washington, D.C., and from Frederick and Washington Counties to Montgomery County. Additional contract service is provided from Baltimore, Harford and Howard Counties to Baltimore City. The MTA also contracts service on the ICC corridor, serving Frederick, Montgomery, Prince George's and Anne Arundel Counties. These services collectively comprise the "Commuter Bus Program." The Commuter Bus Program is run with approximately 220 contractor-provided over-the-road style coaches, of which 66 are MTA-owned. The combined ridership for the Baltimore region and commuter bus services in fiscal year 2016 exceeded 79.8 million. The CTP provides for core bus system improvements in the Baltimore area totaling $535,600,000 including the annual purchase of replacement buses, information technology upgrades, communication equipment and other bus-related improvements and equipment. The federal government is expected to contribute $309,133,000 and the Department is expected to provide the remaining $226,467,000 for these improvements.

Student Service - Baltimore City Public School students also use the MTA's services. The MTA is reimbursed for such student usage pursuant to an agreement with the Baltimore City Public Schools.

Baltimore Central Light Rail Line - The MTA operates a 29.5-mile light rail line which provides transit service from Hunt Valley north of Baltimore City, through the City to Cromwell Station south of the City, with spurs to Penn Station in Baltimore and BWI Marshall Airport. Fifty-three light rail cars currently operate on the entire system. The fiscal year 2016 light rail ridership was approximately 7.5 million. The CTP includes $226,835,000 for rolling stock rehabilitation as well as track and other improvements including electrical systems, stations, parking, maintenance facilities, and preservation and enhancement studies. The federal government is expected to contribute $96,705,000 and the remaining $130,130,000 is expected to be provided from other resources of the Department.

Baltimore Metro Subway - The MTA operates a rapid transit system with 100 rapid rail cars on 15.4 miles of subway line in Baltimore City and Baltimore County (the "Baltimore Metro"). The fiscal year 2016 Baltimore Metro ridership was approximately 12.2 million. The CTP includes $574,655,000 for rolling stock rehabilitation as well as rail system construction and preservation of which the federal government is expected to contribute $319,993,000, with the Department providing the remaining $254,662,000.

Mobility/Paratransit Service - The Mobility/Paratransit service is for citizens who are unable to use local bus, subway or light rail service. This service is provided by the MTA via contracts with Veolia Transportation and MV Transportation. The CTP includes $68,123,000, primarily for vehicle procurement and rehabilitation. The federal government is expected to contribute $37,884,000, with the remaining $30,239,000 provided from other resources of the Department.

New Starts - The MTA has awarded a contract for the design, financing, construction and operation of a 16-mile line in Prince George's and Montgomery Counties (the "Purple Line") and expects to sign a Fully Funded Grant Agreement with the federal government in fiscal year 2017. Also, a locally preferred alternative has been selected for a 9-mile rapid bus transitway, the "Corridor Cities Transitway", in Montgomery County. Federal funding for these projects is being pursued through the Federal Transit Administration ("FTA") New Starts process. The new lines would link key employment, entertainment, commercial and residential areas. For additional information on new transit projects visit http://mta.maryland.gov/transit-projects. The CTP includes $1,258,329,000 for these projects. Of this amount, $63,170,000 will be provided by resources of the Department, $878,891,000 from federal grants and $316,268,000 from non-federal, non-Departmental sources.

Agency-wide - The CTP includes agency-wide preservation and enhancement projects across facilities, joint development projects and community enhancement projects. The CTP includes $403,151,000 for this work. The federal share for this amount is $60,380,000, with $340,171,000 provided from other resources of the Department and $2,600,000 from non-federal, non-Departmental sources.

Information Technology - The MTA is working on many security and information technology initiatives, which total $1,017,000. The Department expects to fund this entire amount.

Commuter Rail

The MTA operates the MARC rail service on the Penn, Camden and Brunswick lines through contracts with Amtrak and Bombardier (operating on CSX railroad company lines). Amtrak operates commuter rail service from Perryville in Cecil County to Washington, D.C. Bombardier operates commuter rail service from Baltimore City, Frederick, Maryland, and Martinsburg, West Virginia to Washington, D.C. MARC ridership exceeded 8.9 million in fiscal year 2016.

Passenger rail capital allocations for the CTP period are $348,304,000, of which $248,240,000 is expected to be provided by federal grants, $100,064,000 from other resources of the Department.

Freight

The Department supports the operations of certain rail freight lines through direct subsidies to short line rail operations and rehabilitation of components of these lines.

Allocations for the rail freight capital program for the CTP period are $23,296,000. The Department expects to fund this entire amount.

Statewide Grants

Department aid is available to qualifying local public and non-profit agencies for the planning, capital and operating costs of public transportation projects. Where federal grants are available for planning and capital costs, the Department will provide up to 80% of the non-federal share of approved costs.

Allocations for statewide public transit grants for the CTP period total $180,975,000, of which $132,574,000 is expected from federal grants, $42,111,000 from the Department and $6,290,000 from non-federal, non-Departmental sources.

Washington Metropolitan Area Transit Authority Grants

Washington Suburban Transit District

The Department provides financial aid for the construction and operation of the regional rail and bus system of the Washington Metropolitan Area Transit Authority ("WMATA") serving Montgomery and Prince George's Counties in Maryland, the District of Columbia, and the local jurisdictions in Virginia which participate in the Northern Virginia Transportation Commission. Prince George's and Montgomery Counties in Maryland comprise the Washington

Suburban Transit District ("WSTD"). The Washington Suburban Transit Commission ("WSTC"), created by State law to manage and control the functions and affairs of the WSTD, is empowered to provide funds to meet the WMATA obligations allocated to WSTD. The Department provides funds for the WMATA system through grants-in-aid to the WSTC.

The Department provides (1) grants to meet the WSTD's share of the capital costs of the adopted regional rail system, (2) grants to the WSTD in an amount equal to 100% of the WSTD's share of the operating deficits of the regional transit system (operating deficits are defined as operating costs less (a) the greater of operating revenues or 50% of operating costs, and (b) all federal operating assistance), and (3) grants equal to 100% of the WSTD's portion of the net debt service on revenue bonds issued by WMATA for which payments were completed in fiscal year 2014.

WMATA Capital Improvement Program - The Capital Improvement Program includes both the former Infrastructure Renewal Program ("IRP") and the System Access Plan ("SAP"). A new capital agreement was executed in June 2010 that will fund the IRP and SAP on an ongoing basis. Projects include all system infrastructure, rolling stock, vehicles and equipment. The FY 17-22 CTP provides for an estimated expenditure of $1,583,711,000 including $599,220,000 in federal funds received by WMATA directly.

Operating Deficit Assistance – The Department estimates that its share of the WSTD's portion of the transit operating deficits for fiscal years 2017-2022 will be $2,112,000,000 of which $323,000,000 is required for fiscal year 2017. The amount estimated for fiscal year 2018 is $346,000,000.

Debt Service Assistance – Over the six-year FY 2017-2022 CTP, the Department will contribute $62,700,000 for debt repayment on long term bonds issued for the Metro Matters Program, a regionally funded program for capital improvements completed primarily during fiscal years 2005 through 2010.

Maryland Port Administration

The Port of Baltimore is served by highway and major railroad systems and offers two distinct water approach routes to or from the Atlantic Ocean: from the south through the Virginia Capes and from the north through the Chesapeake and Delaware Canal.

The MPA has constructed and currently operates marine terminals in the Port of Baltimore. The CTP includes major projects for the improvement and expansion of some of these terminals at a six-year cost of $612,949,000. The cost of these capital improvements to port facilities is funded with resources of the Department. Major project expenditures related to dredging, including dredged material containment site-work, are projected to be $501,385,000 for the six-year period. Minor projects (i.e. rehabilitation and system preservation) at the MPA's various marine terminals (Dundalk, Clinton Street, Locust Point, etc.) are also included in the CTP at a cost of $208,757,000. The total six-year program for the MPA is $852,120,000.

The Authority constructed a three-berth container facility at Seagirt Marine Terminal and an intermodal container transfer yard. Although this project was not funded by the Department's Transportation Trust Fund, it is nevertheless a significant port development. Until January 2010, the MPA served as the agent for the Authority and oversaw the operation of Seagirt Marine Terminal.

In December 2009, the MPA signed a long-term lease with Ports America valued at $1.3 billion. The lease allows Ports America to operate Seagirt Marine Terminal for the next 50 years. Ports America's subsidiary, Ports America Chesapeake, constructed a 50-foot deep berth at the Seagirt Marine Terminal that accommodates larger ships from Asia that call on East Coast ports since the expansion of the Panama Canal was completed in 2016. Ports America added four cranes to the new berth capable of handling container ships which are higher and wider than those calling at the Port of Baltimore prior to the Panama Canal expansion. As part of the agreement, Ports America will invest more than $600 million in port-related infrastructure improvements over the 50-year lease life. The lease required Ports America to make an upfront payment of $140 million to fund other Authority projects which allowed MPA to take ownership of Seagirt Marine Terminal.

In April 1998, the Authority financed a $20,000,000 Masonville Automobile Handling Facility for the MPA. The agreement between the Authority and the MPA provides for annual payments including interest, over a 20-year period maturing May 2020, by the MPA to the Authority to amortize its investment in this facility. The lease was terminated on August 25, 2016.

In June 2006, the Department entered into a $26,530,000 conditional purchase agreement to construct a 215,000-square-foot warehouse facility at the MPA South Locust Point Terminal. The project included demolition, land preparation, constructing a roll-on/roll-off ramp at the dock, and extending railroad tracks to the warehouse. The warehouse accommodates and stores imported forest products, especially paper, and provides adequate capacity to store paper previously housed at the North Locust Point Terminal. In accordance with provisions of the conditional purchase agreement, forest product revenue at the South and North Locust Point Terminals currently covers the debt service payments. A refunding of the 2006 MPA conditional purchase agreement for the warehouse is planned for late fall of 2016.

Maryland Aviation Administration

Baltimore/Washington International Thurgood Marshall Airport

BWI Marshall Airport, operated by the MAA, is located on a 3,200-acre site in Anne Arundel County, 10 miles south of Baltimore and 30 miles north of Washington, D.C. More than 20 scheduled airlines, including commuter and cargo air carriers, serve BWI Marshall Airport and currently provide 300 domestic and international departures daily. During fiscal year 2016 approximately 24.7 million passengers used BWI Marshall Airport.

The CTP six-year program total of $412,274,000 includes $194,868,000 in major improvements at BWI Marshall Airport consisting of parking revenue control system replacement, noise mitigation, airfield runway safety area, standards and pavement improvements, life-safety and security systems, and terminal improvements. Under MAA's Terminal Improvement Program, improvements to Terminals D and E are included in the CTP. This project includes relocation of the passenger security screening checkpoint, widening of corridors and adding a secure-side connector.

Revenue Bonds issued by the Maryland Economic Development Corporation ("MEDCO") and Passenger Facility Charge ("PFC") Revenue Bonds issued by the Authority were used to complete the Concourses A and B expansion, the construction of the daily garage, and improvements to the terminal and access roadwork. Additional PFC bonds were issued by the Authority in April 2012 and used along with PFC revenues and federal grants to finance improvements to Concourse C. More PFC bonds were issued by the Authority in December 2012 to finance construction of airfield improvements to meet federal standards and make improvements to runway and connective airfield pavement. The Department issued additional PFC bonds in December 2014 for improvements to Concourses D and E. See "LEASE AND CONDITIONAL PURCHASE FINANCINGS" and "OTHER LONG-TERM LIABILITIES" for summaries of these bond financings.

The Aviation Safety and Capacity Expansion Act of 1990 (the "1990 Safety Act"), enacted by the United States Congress ("Congress"), allows a public agency to impose an airport 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 (the "FAA"). The MAA received FAA approval in July 1992 to collect PFCs for four projects. The MAA amended its PFC program in April 1994 to increase the total to six projects. In 1994, the Authority issued special obligation revenue bonds secured by PFCs to construct the International Terminal at BWI Marshall Airport and provide for other landside and airside facilities. These bonds were defeased during fiscal year 2003.

The Aviation Investment and Reform Act for the 21st Century, enacted by Congress in April 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 PFC approved projects in 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 PFC approved projects. PFC collections not needed for debt service are used for PFC approved paygo projects. The FAA approved additional applications for PFC eligible projects in June 2006, February 2007, February 2008, September 2010, March 2012, September 2012, October 2014 and August 2016..

The CTP also anticipates expenditures of $179,206,000 for airport planning and preservation of both BWI Marshall Airport and Martin State Airport, of which $22,237,000 is expected from federal grants, $6,054,000 from non-Department revenue sources and $150,915,000 from other resources of the Department.

Other Aviation Facilities and Programs

Martin State Airport is located northeast of Baltimore in Baltimore County, and provides facilities for general aviation and the Maryland Air National Guard. Improvements amounting to an estimated $1,656,000 are allocated during the CTP period to Martin State Airport. It is estimated that $1,237,000 would be provided by federal grants and $419,000 from other resources of the Department.

In 2008 MAA updated the Maryland Aviation System Plan (the "MASP"), a comprehensive review of Maryland's airport system including the small privately-owned public-use airports. The MASP is a planning document to preserve and expand a safe and efficient system of airports. A grant program to aid general aviation and commercial airports throughout the State, in keeping with the MASP, is expected to require an estimated $14,750,000 during the CTP period.

Motor Vehicle Administration

The MVA is responsible for supplying motor vehicle services to the citizens of the State. These services include licensing all eligible and qualified drivers, issuing photo identification cards for non-driver residents, registering and titling vehicles, issuing tags and permits for persons with a disability, regulating motor vehicle dealerships and salespersons, administering the compulsory insurance compliance program, managing the Vehicle Emissions Inspections Program ("VEIP"), and conducting driver safety programs. The MVA serves its customers through a network of 24 MVA offices, a mobile service center, a suite of electronic services (self-service kiosks, internet, and telephone customer service center), U.S. Postal Mail, County Treasurer offices, 18 VEIP stations, motorcycle safety training centers, Electronic Registration and Titling System participants and licensed title service agencies. Overall, the MVA manages more than 11 million driver and vehicle records. During fiscal year 2016, more than 1.3 million new and renewal driver's licenses and identification cards, almost 4.3 million new and renewal vehicle registrations, and approximately 1.2 million new titles were issued. MVA customers currently complete 57% of core service transactions by using U.S. mail, telephone, internet, kiosk, mobile office or County Treasurer office, with the remaining transactions conducted at an MVA customer facility.

The 2017-2022 CTP has $125,068,000 programmed for MVA capital projects, of which $84,911,000 is allocated to preserve and develop the MVA's information technology ("IT") infrastructure, and the remaining $40,157,000 will allow for the preservation and improvement of customer service offices. While IT infrastructure is critical to how a growing number of customer transactions are completed at the MVA, customer service facilities continue to be an important part of service distribution. In addition to preserving and improving existing IT systems, such as the driver licensing system, there are two major IT projects planned: Project Core and Document Information, and Workflow System Upgrade. These IT projects resolve to modernize, standardize and integrate an aging MVA IT infrastructure. MVA facilities require ongoing investment to keep them safe, secure and publicly compliant. Some customer service offices and many VEIP stations have reached an age whereby investments need to be made in the building structure, site, and mechanical and electrical systems.

The Secretary's Office

Capital projects funded in the Secretary's Office largely consist of Department-wide projects to improve air quality, promote bicycling as a mode of transportation and facilitate transit-oriented development. The Secretary's Office includes multi-modal planning efforts and grants either given from the Secretary or received by the Department for key projects around the state including High Speed/Intercity Rail grants for two North East Corridor rail improvements.

On June 27, 2002, MEDCO issued lease revenue bonds on behalf of the Department in the amount of $36,000,000 (the "2002 Lease Revenue Bonds") for the acquisition, construction and equipping of a new Department headquarters building. The Bonds are secured by the Department's semiannual lease payments to MEDCO. On May 25, 2010, MEDCO partially refunded the 2002 Lease Revenue Bonds.

THE TRANSPORTATION TRUST FUND

The Transportation Trust Fund (the "TTF") was established in 1971 by Chapter 526 of the Laws of Maryland of 1970. The TTF is credited with taxes, fees, charges, bond proceeds, federal grants for transportation purposes and other receipts (excluding PFC and rental car customer facility charges and, to the extent required for debt service on obligations issued on behalf of the Department by the Authority, certain parking revenues) of the Department. All expenditures of the Department are made from the TTF. The Department may use funds in the TTF for any lawful purpose related to the exercise of its powers, duties and obligations, after meeting its debt service requirements. Unexpended funds remaining in the TTF at the close of each fiscal year do not revert to the General Fund but remain in the TTF.

Under existing law, the following sources of funds are available to the TTF.

Taxes and Fees

Highway User Revenues – Within the TTF there is a Gasoline and Motor Vehicle Revenue Account wherein Highway User Revenues ("HUR") are collected. HUR include the following taxes and fees after the deduction of certain programmatic expenses provided by law:

1. Motor Vehicle Fuel Tax and Fees ("Base Tax Rate") — these taxes and fees that are a component of HUR consist of the following:

    (a) The 23 1/2¢ on each gallon other than aviation gasoline and 24 1/4¢ on each gallon of special fuels other than turbine fuel after deductions for certain refunds and collection costs, a 2.3% distribution to the Chesapeake Bay 2010 Trust Fund and/or the General Fund and a .5% distribution to the Waterway Improvement Fund; and

    (b) The fee for a 15-day trip permit for a commercial vehicle at an amount equal to the tax rate on special fuel other than turbine fuel, in effect at the time the permit is issued, and payable on 174 gallons of motor vehicle fuel.

2. Motor Vehicle Titling Tax — two-thirds of the excise tax imposed at the rate of 6% of the fair market value, excluding trade in allowance, of certain motor vehicles for which certificates of title are issued.

3. Motor Vehicle Registration Fees — a registration fee on all motor vehicles that ranges from $2.50 to $1,800.00 per vehicle.

4. Corporation Income Tax — a percentage of the revenues derived from the State's 8.25% corporation income tax after certain General Fund reductions. For fiscal years 2014 through 2016, the percentage distribution will be 19.5%. For fiscal year 2017 and future fiscal years, the percentage distribution will be 17.2%.

5. Sales and Use Tax on Short-Term Vehicle Rentals — 80% of 45% of the revenues from the collection of the sales and use tax on short-term vehicle rentals.

Allocation of Highway User Revenues — Pursuant to Chapter 397, which became effective on July 1, 2011, the allocation of total HUR for fiscal year 2014 and all fiscal years thereafter is 90.4% to the Department and 9.6% to pay allocations to the counties, municipalities and Baltimore City.

Additional Transportation Trust Fund Revenue — The following revenues of the Department are not HUR:

1. Motor Vehicle Titling Tax — One-third of the excise tax imposed at the rate of 6% of the fair market value, excluding trade in allowance, of certain motor vehicles for which certificates of title are issued. (see "*Highway User Revenues* – 2. Motor Vehicle Titling Tax")

2. Motor Vehicle Fuel Tax — The following increases to the motor fuel tax were enacted under Chapter 429:

(a) Effective July 1, 2013, there is an annual adjustment to the motor fuel tax in excess of the Base Tax Rate. The increases in the tax are indexed to the Consumer Price Index (the "CPI"), compounding with each adjustment. The annual increase may not be greater than 8%. While the Base Tax Rate is part of HUR, the adjustments are not.

(b) Effective July 1, 2013, there was an increase in the motor fuel tax attributable to a sales and use tax equivalent on motor fuel based upon the product of the average annual retail price of motor fuel, less state and federal taxes, multiplied by specified percentage rates. The percentage beginning July 1, 2013 was 1%, and increased to 2% on January 1, 2015 and 3% on July 1, 2015. Effective December 1, 2015, the percentage increased to 4% on January 1, 2016 and 5% on July 1, 2016.

3. Sales and Use Tax Revenues on Short-Term Vehicle Rentals — The Department receives 20% of 45% of the sales and use tax revenues on short-term vehicle rentals.

4. Operating Revenues — Revenues of the TTF are produced by operations of the MPA, the MTA and the MAA. Under legislation enacted in the 2008 Session of the General Assembly, the MTA must recover from fares and other operating revenues at least 35% of the total operating costs for the MTA's bus, light rail and Metro railway services in the Baltimore Region and all MARC passenger railroad services provided under contracts with CSX and Amtrak. For fiscal year 2016 the bus, light rail and subway systems combined achieved a 26% fare box recovery. The MARC fare box recovery for fiscal year 2016 is 44%. Beginning with 2015, MTA is required to increase base fare prices at specified intervals based on the change in the CPI.

5. Other Revenues — All other revenues include other taxes, fees, charges, and revenues of every kind collected or received by, paid or appropriated to, or to be credited to the TTF for the Department in the exercise of its rights, powers, duties, obligations or functions.

See "Taxes Pledged to Bonds and Net Revenues as Defined for Purposes of the Bond Coverage Tests" in Appendix A.

Federal Aid

Federal aid, representing 19 percent of the total funding in the Department's TTF, supports the multimodal investments in the fiscal years 2017 – 2022 draft CTP. The continued support of the Federal Highway Trust Fund is critical to the Department's ability to enhance, improve, and rebuild State infrastructure to compete in a modern economy.

The fiscal years 2017 – 2022 draft CTP is based on the spending levels and contract authority under the federal highway program enacted in December 2015 entitled Fixing America's Surface Transportation Act ("FAST Act"). Federal highway program funds authorized and apportioned to the states are subject to annual ceilings, which determine how much of the authorized money can be obligated in any given year. This ceiling is referred to as Obligational Authority ("OA") and is imposed by the U.S. Congress ("Congress") annually in response to prevailing economic policy. Since fiscal year 2004, the Department's OA has ranged from 84 percent to 95 percent. The OA level received in fiscal year 2016 was 94 percent. For fiscal year 2017 the CTP assumes an OA level of 94 percent, for fiscal year 2018 an OA level of 92 percent and for fiscal years 2019-2022 the CTP assumes an OA level of 90 percent throughout the period.

Under the FAST Act, the Department receives federal aid for the highway program, primarily for interstate, primary, secondary and urban systems, bridge replacement, highway safety, and congestion mitigation/air quality improvement. All available federal aid is utilized and no federal aid will be lost for lack of State match.

The FTA provides transit operating and capital assistance for bus, metro, light rail, and commuter rail. Federal grants are also provided for rural areas as well as elderly and handicapped persons.

Federal entitlement and discretionary funding for airport projects are provided by the FAA through the Airport Improvement Program.

In addition, the Department was awarded federal funds under the Transportation Investment Generating Economic Recovery ("TIGER") competitive grant program for various port and road projects. TIGER is a discretionary grant program administered by the U.S. Department of Transportation for road, rail, transit and port projects that achieve national multi-modal objectives.

Lastly, the Department receives federal funding from the U.S. Department of Homeland Security for various transit, port and driver services security projects. Federal Emergency Management Administration manages several grant programs that award funding to improve security and disaster preparedness across the state transportation network.

The major federal fund receipts for the capital program including federal funds for local governments in fiscal year 2016 were $722,764,661. Projected receipts for fiscal year 2017 are $1,053,021,000**.**

The Department has three high-speed intercity passenger rail grants for a total of $91.4 million to examine the replacement of Amtrak's Baltimore & Potomac rail tunnel and Amtrak's Susquehanna railroad bridge, upgrading the BWI Marshall Airport MARC/Amtrak station, and adding an additional track in the area.

The subsidy for the Department's Consolidated Transportation Bonds, Series 2010 B (Federally Taxable – Issuer Subsidy – Build America Bonds) was reduced by 6.8% in federal fiscal year ("FFY") 2016 and will be reduced by 6.9% in FFY 2017.

Consolidated Transportation Bonds

In accordance with certain provisions of the Act, the aggregate principal amount of Consolidated Transportation Bonds that may be outstanding is $4,500,000,000, which amount was increased from $2,600,000,000 pursuant to Chapter 429. In addition, provisions of the Act provide for the General Assembly to establish in the budget for any fiscal year a maximum outstanding aggregate amount of these bonds as of June 30 of the respective fiscal year that does not exceed $4,500,000,000. As established in the budget for fiscal year 2017, the maximum aggregate amount of Consolidated Transportation Bonds that may be outstanding as of June 30, 2017 is $2,773,900,000.

Special Revenue Bonds

The General Assembly enacted legislation in 2002, which was amended in 2004 and 2005, to give the Department authority to issue special transportation project revenue bonds. The Department may pledge or use existing and anticipated federal funds for the payment of special transportation project revenue bonds, provided that the Department complies with the limitations set forth in Title 3, Subtitle 6 of the Transportation Article which states that (1) the aggregate principal amount of debt issued and secured by a pledge of future federal aid may not exceed $750 million; and (2) the date of maturity may not be later than 12 years after the date of issue.

If future federal aid is insufficient to pay the principal of and interest on the special transportation project revenue bonds, the taxes levied under the Act and irrevocably pledged to the payment of the principal of and interest on the Consolidated Transportation Bonds but not needed for such payment are pledged and will be available to pay the special transportation project revenue bonds. The statutory lien and pledge created for the benefit of the special transportation project revenue bonds is at all times subordinate to the pledge and lien for the payment of the principal of and interest on the Bonds and other Consolidated Transportation Bonds.

In 2014, the General Assembly enacted legislation allowing the Department to issue transportation project revenue-backed bonds and pledge and use a dedicated revenue source, which may include revenues attributable to the facilities being financed, for the payment of the debt service on these bonds. The taxes pledged to the payment of the Bonds and other Consolidated Transportation Bonds under Section 3-215 may not be used to support directly or indirectly the payment of the interest and principal of the revenue-backed bonds.

The Department has no current plans as of the date of this offering to issue special transportation project revenue bonds with pledged revenues of either existing or anticipated federal funds or with revenues from a dedicated revenue source attributed to the facilities financed.

Maryland Transportation Authority Debt Secured by Federal Aid

The State substantially completed construction of the ICC through the combined efforts of the SHA and the Authority. The SHA managed the design and construction of the ICC, and, as federal grant recipient for the project, was responsible for federal aid management. The Authority provided financing for the project, including bond financing, and owns and operates the ICC. In June 2007, the Authority issued $450,000,000 Maryland Transportation Authority Grant and Revenue Anticipation Bonds, Series 2007 ("2007 GARVEE Bonds"), and in December 2008, the Authority issued its final series of Grant and Revenue Anticipation Bonds, Series 2008 (together with the 2007 GARVEE Bonds, the "GARVEE Bonds") in the amount of $425,000,000 in accordance with the ICC financing plan. Under current law no additional GARVEE Bonds may be issued.

The GARVEE Bonds are primarily secured by a portion of Maryland's future federal highway aid. Section 4-320 of the Transportation Article establishes priorities in the event of a shortfall in federal aid to pay debt service requirements on the GARVEE Bonds. If such federal aid is insufficient to pay the principal of and interest on the GARVEE Bonds when due, the taxes levied pursuant to Section 3-215 of the Act are irrevocably pledged to the payment of the debt service on the GARVEE Bonds. However, the statutory lien and pledge created for the benefit of the GARVEE Bonds is at all times subordinate to the pledge and lien of taxes for the payment of principal of and interest on the Consolidated Transportation Bonds. GARVEE Bonds outstanding as of June 30, 2016 were $279,780,000; and annual debt service thereon is approximately $87.5 million.

Transfers from the Maryland Transportation Authority

The tolls and other revenues received from the transportation facilities projects owned and operated by the Authority are pledged as security for revenue bonds of the Authority issued under and secured by a Second Amended and Restated Trust Agreement dated as of September 1, 2007, as further supplemented and/or amended from time to time (the "Trust Agreement"). None of these tolls and other revenues are initially credited to the TTF. However, under the terms of the Trust Agreement and in accordance with legislation enacted by the General Assembly in 1978, moneys not needed for obligations of the Authority may be subsequently transferred to the TTF to be used as appropriated by the General Assembly for any lawful purpose unless prohibited by any applicable resolution or trust agreement of the Authority. Such a transfer may be made only upon the recommendation of the Secretary and after the approval of the Board of Public Works. The last such transfer occurred in fiscal year 2007.

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PLEDGED TAXES AND NET REVENUES

As described above under "SECURITY", portions of the corporation income tax, motor fuel tax, motor vehicle titling tax and sales and use tax on short-term rental vehicles are irrevocably pledged to payment of debt service on the Department's bonds. Consolidated Transportation Bonds issued prior to July 1, 2011 have additional security (see note 1 under "SECURITY"). See "SECURITY" for a discussion of all changes to TTF revenues enacted by the General Assembly. **From time to time, there are legislative proposals in the General Assembly that, if enacted, could alter the Department's share of the taxes.**

The following table lists the total amount of such taxes credited to the TTF for the past five fiscal years, unaudited numbers for fiscal year 2016 and estimates for fiscal year 2017 (in thousands). These taxes would be the amounts upon which the Additional Bonds test relating to total proceeds from pledged taxes would be based. (See "FINANCIAL AND ACCOUNTING SYSTEM" for a general description of the budgetary basis.)

Taxes Pledged to Bonds	2012	2013	2014	2015	2016 [1]	2017 [2]
Corporation Income Tax	$ 143,370	$ 68,503	$ 146,113	$ 148,949	$ 167,957	$ 144,000
Fuel Tax	567,431	651,196	723,249	827,830	923,216	964,000
Titling Tax	547,198	639,011	693,422	744,597	805,348	833,000
Sales and Use Tax	19,770	23,425	27,983	28,424	28,416	30,000
Total Pledged Taxes	$ 1,277,769	$ 1,382,135	$ 1,590,767	$ 1,749,800	$ 1,924,937	$ 1,971,000

[1]Unaudited for fiscal year 2016- Final audited financials are expected by January 2017
[2] Projection for fiscal year 2017 based on September 2016 draft financial plan

Note: Totals may not add due to rounding

To the extent needed, other revenues credited to the Department are available for payment of debt service on the Department's bonds. These will be the amounts upon which the Additional Bonds test relating to net available revenues will be based. The following table lists the total of the two categories of revenues available for debt service on the Department's bonds, the Department's administration, operation and maintenance expenses paid from the TTF and net revenues (in thousands).

	2012	2013	2014	2015	2016 [1]	2017 [2]
Total Pledged Taxes	$ 1,277,769	$ 1,382,135	$ 1,590,767	$ 1,749,800	$ 1,924,937	$ 1,971,000
Fees:						
Motor Vehicle Registrations	256,350	298,071	305,525	310,385	312,771	322,000
Other	219,211	274,823	280,989	293,315	298,488	300,000
Total Taxes and Fees	1,753,330	1,955,029	2,177,281	2,353,500	2,536,196	2,593,000
Operating Revenues:						
MPA	57,302	49,030	52,841	49,759	49,999	50,000
MTA	136,194	138,400	139,821	142,414	156,579	158,000
MAA	208,560	219,757	217,290	222,117	229,993	232,000
Total Operating Revenue	402,056	407,187	409,952	414,290	436,571	440,000
Other Revenue	40,015	30,808	29,139	47,307	59,609	69,000
Investment Income	2,750	758	2,154	2,090	3,819	2,000
Total Revenues	2,198,151	2,393,782	2,618,526	2,817,187	3,036,195	3,104,000
Administration, Operation and Maintenance Expenditures …….	1,479,444	1,566,010	1,752,218	1,769,681	1,830,146	1,843,000
Net Revenues	718,707	827,772	866,308	1,047,506	1,206,049	1,261,000

[1] Unaudited for fiscal year 2016- Final audited financial statements are expected by January 2017
[2] Projection for fiscal year 2017 based on September 2016 draft financial plan

Note: Totals may not add due to rounding

Certain of the fluctuations in the above tables are caused by institution of new programs and responsibilities of the Department, changes in tax and fee structures (See “THE TRANSPORTATION TRUST FUND”), and the influence of economic trends.

The financial statements contained herein should be read to obtain further details. See “Taxes Pledged to Bonds and Net Revenues as Defined for Purposes of the Bond Coverage Test” in the Statistical Section of Appendix A for additional historical detail.

Although growth has been uncharacteristically slow for a period of economic recovery, Maryland’s economy continues to grow at a slow but steady pace. Based on an analysis of current economic projections, employment growth is forecasted to average 1% through 2020, while personal income is forecasted to grow at 4.6% over the same time period. While not as robust as what has been seen in past recoveries, this plodding growth should enable the Department to continue to address critical capital needs. The general ongoing federal policy uncertainty continues to restrain growth in Maryland and the region.

OUTSTANDING INDEBTEDNESS

As shown in the table below, Consolidated Transportation Bonds in the aggregate principal amount of $2,498,170,000 will be outstanding upon issuance of the Bonds and the refunding of the Refunded Bonds. See also “THE TRANSPORTATION TRUST FUND — Consolidated Transportation Bonds” for a discussion of the limit on the maximum outstanding aggregate principal amount of Consolidated Transportation Bonds established by the budget.

Series 2002	$ 19,500,000
Series 2003	37,500,000
Series 2003 (Second Issue)	48,750,000
Series 2007	8,000,000
Series 2008	36,000,000
Series 2008 (Second Issue)	44,800,000
Series 2009	26,400,000
Series 2010B	117,600,000
Refunding Series 2011	108,050,000
Series 2012	58,770,000
Series 2013	83,040,000
Series 2013 (Second Issue)	225,000,000
Series 2014	100,000,000
Series 2015	265,535,000
Series 2015 (Second Issue)	136,000,000
Refunding Series 2015	255,700,000
Series 2015 (Third Issue)	300,000,000
Series 2016	385,000,000
Refunding Series 2016	242,525,000
Total	$ 2,498,170,000

DEBT SERVICE REQUIREMENTS AND ESTIMATED COVERAGES

The following table presents debt service requirements and estimated coverage ratios for all Consolidated Transportation Bonds upon the issuance and delivery of the Bonds and the refunding of the Refunded Bonds. Maximum annual debt service is $320,229,761 in fiscal year ending June 30, 2018. Unaudited net revenues under the first test described above under "ADDITIONAL BONDS" for the fiscal year ending June 30, 2016 would be 3.77 times maximum annual principal and interest requirements on such debt. Unaudited pledged taxes under the second test described above under "ADDITIONAL BONDS" for the fiscal year ended June 30, 2016 would be 6.01 times maximum annual principal and interest requirements on such debt. See "PLEDGED TAXES AND NET REVENUES" for detail on the Department's revenue. These coverage ratios are calculated on the basis of no further issuance of Consolidated Transportation Bonds. Final audited financial statements are expected by January 2017.

	Debt Service Requirements- Consolidated Transportation Bonds (in thousands)							**Debt Service Coverage Ratio Based Upon FY 2016 Revenue**	
	Outstanding Bonds [1, 2]	Series 2016 Construction Bonds		Series 2016 Refunding Bonds		Total	Pledged	Net
Fiscal Year	Principal & Interest	Principal	Interest	Principal	Interest	Debt Service Requirements	Tax Ratio [3]	Revenue Ratio [4]
2016	264,358	-	-	-	-	264,358	7.28	4.56
2017	293,217	-	7,667	-	2,991	307,215	6.27	3.93
2018	294,388	-	16,141	-	9,701	320,230	6.01	3.77
2019	261,558		16,141	-	9,701	287,400	6.70	4.20
2020	192,143	22,055	15,590	29,410	9,113	268,310	7.17	4.49
2021	193,193	23,185	14,459	37,180	7,781	275,797	6.98	4.37
2022	184,703	24,375	13,270	41,020	6,217	269,584	7.14	4.47
2023	209,163	25,620	12,020	12,625	5,144	264,571	7.28	4.56
2024	119,824	26,935	10,706	35,665	4,178	197,308	9.76	6.11
2025	120,482	28,320	9,324	22,840	3,008	183,975	10.46	6.56
2026	101,790	29,620	8,024	23,770	2,076	165,280	11.65	7.30
2027	102,246	30,825	6,661	24,960	1,101	165,793	11.61	7.27
2028	102,512	32,085	5,249	15,055	301	155,202	12.40	7.77
2029	102,685	33,395	4,106	-	-	140,186	13.73	8.60
2030	70,125	34,755	2,910	-	-	107,790	17.86	11.19
2031	29,668	36,175	1,672	-	-	67,515	28.51	17.86
2032		37,655	565	-	-	38,220	50.36	31.56
Total [5]	$ 2,642,053	$ 385,000	$ 144,503	$ 242,525	$ 61,313	$ 3,478,734		

(1) The general sales and use tax and corporation income tax affected by General Assembly changes in the 2011 Session are available to pay debt service on the Outstanding Bonds sold prior to July 1, 2011, if needed.
(2) Debt Service on Outstanding Bonds has been reduced for the Refunded Bonds.
(3) Pledged taxes were $ 1,924,937,000 for fiscal year 2016 – unaudited.
(4) Net revenues were $ 1,206,049,000 for fiscal year 2016- unaudited.
(5) Totals may not add due to rounding.

CONDITIONAL PURCHASE AND LEASE FINANCINGS

The Department has from time to time financed the construction and acquisition of various facilities through conditional purchase, sale-leaseback, and similar transactions. Such transactions are subject to approval by the Board of Public Works. Financings of this type are as follows:

Conditional Purchase Financings	Projects	Issuance Amount	Outstanding as of June 30, 2016
Project Certificates of Participation (MAA), Refunding Series 2010	BWI Marshall Airport Facilities	$ 19,610,000	$ 12,410,000
Project Certificates of Participation (MTA), Refunding Series 2010	MTA Rail Station Parking Garage at BWI Marshall Airport	13,070,000	9,475,000
Project Certificates of Participation (MPA), Series 2006	MPA South Locust Point Warehouse Construction	26,530,000	16,270,000
Project Certificates of Participation (MAA), Series 2004	BWI Marshall Airport Shuttle Bus Fleet	15,500,000	1,200,000
Total			$ 39,355,000

All of the lease payments under these conditional purchase financings are subject to annual appropriation by the General Assembly. In the event that such appropriations are not made, the Department may not be held contractually liable for the payments.

Capital Leases	Projects	Issuance Amount	Outstanding as of June 30, 2016
MEDCO Refunding Lease Revenue Bonds, Series 2010	Construction of the Headquarters Building for the Department	$ 22,715,000	$ 14,580,000
MEDCO Refunding Lease Revenue Bonds, Series 2010	Expansion and renovation of Piers A, B and Terminal Building At BWI Marshall	$ 199,555,000	$ 157,235,000
Total Outstanding Leases with MEDCO			$ 171,815,000

The Department's payments to MEDCO for debt service on all MEDCO Lease Revenue Bonds are subject to the General Assembly's annual appropriation.

In addition to the conditional purchase and lease financings described above as of June 30, 2016, the Department had a capital lease in the amount of $5,866,172 by virtue of an agreement with the Authority for financing the MPA Masonville Automobile Handling Facility. The lease was terminated on August 25, 2016.

The Department has entered into several lease agreements as lessee for the financing of various projects at the BWI Marshall airport. The Authority was the conduit issuer. Those financings are as follows:

Capital Leases	Projects	Issuance Amount	Outstanding as of June 30, 2016	Liability as of June 30, 2016
Maryland Transportation Authority Taxable Consolidated Rental Car Facility Series 2002	Acquisition, construction and equipping of a new rental car facility	$ 117,345,000	$ 90,900,000	$ 79,738,000
Maryland Transportation Authority Airport Parking Revenue Bonds Refunding Series 2012	Refunded Series 2002 original issue $264,075,000 used to construct a parking garage, make improvements to the Central Utility Plant, to public access, and to widen roads	190,560,000	148,055,000	136,455,000
Maryland Transportation Authority Passenger Facility Charge Revenue Bonds Series 2012A	Finance a portion of the costs to construct a passenger connector hall between the secured Concourses B and C, expansion of C, and expansion and relocation of security checkpoint	50,905,000	43,500,000	42,166,000
Maryland Transportation Authority Passenger Facility Charge Revenue Bonds Series 2012B	Finance a portion of the costs of runway safety improvements and paving	92,070,000	75,360,000	68,913,000
Maryland Transportation Authority Variable Rate Passenger Facility Charge Revenue Bonds Series 2012C	Finance a portion of the costs of runway safety improvements and paving	43,400,000	43,400,000	41,205,000
Maryland Transportation Authority Passenger Facility Charge Revenue Bonds Series 2014	Finance a portion of the costs of to construct a passenger connector hall between the secured Concourses D and E	40,000,000	37,985,000	36,229,000
Total Outstanding MAA Leases with the Authority			$ 439,200,000	$ 404,706,000

The estimated liability of $404,706,000 represents bonds outstanding less cash on hand in certain restricted accounts as of June 30, 2016. The revenues derived from airport parking, rental car customer facility charges and passenger facility charges are pledged to the payment of the bonds financing these projects, respectively, and no other TTF revenues are pledged as security for these bonds. With the exception of excess parking revenue, none of these revenues are available for debt service on the Bonds.

FINANCIAL AND ACCOUNTING SYSTEM

Accounting records for the Transportation Trust Fund are maintained by the Comptroller of the Treasury of the State of Maryland (the "Comptroller") and all cash and investments of the Transportation Trust Fund are held by the State Treasurer (the "Treasurer"), except for revolving cash accounts. Accounting records for the Transportation Trust Fund for operational and management purposes are maintained by the Department's Office of Finance. The Department's financial statements and notes thereto for the fiscal year ended June 30, 2015, the most recent fiscal year for which financial statements and notes are available, contained in Appendix A have been prepared in conformity with generally accepted accounting principles and have been audited by the firm of SB & Company, LLC, independent certified public accountants.

Although the accounts maintained by the Department on a budgetary basis conform in many respects to accounting principles generally accepted in the United States, there are certain departures from these principles which are dictated by statutory requirements and historical practices. The principal departures are the classification of principal funds and the timing of recognition of certain revenues, expenditures, and expenses. See Note 1 of "Notes to Financial Statements," for information concerning the significant accounting policies employed by the Department in preparing its financial statements in accordance with generally accepted accounting principles.

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its comprehensive annual financial reports for fiscal years 2000 through 2015. In order to be awarded a Certificate of Achievement, a governmental unit must publish a comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

In accordance with generally accepted accounting principles, the Department's basic financial statements include Management's Discussion and Analysis, which provides a narrative overview and analysis of the Department's financial activities. Furthermore, they include government-wide financial statements (i.e., the statement of net position and the statement of activities), which provide both short-term and long-term information about the Department's financial position. The statement of activities demonstrates the degree to which the direct expenses of a given function of the Department's activities are offset by its program revenues. Included with these statements are reconciliations between the government-wide statements, prepared on the full accrual basis, and the fund level statements prepared on the modified accrual basis. In addition, there are reconciliations between the fund level and budgetary statements. Detailed information on the reporting model is provided in the Management's Discussion and Analysis section and in Note 1 of the "Notes to the Financial Statements."

State law requires an audit of every unit of State government be conducted by the Legislative Auditor at an interval ranging from three to four years unless the Legislative Auditor determines, on a case by case basis, that more frequent audits are required. The Legislative Auditor is required to be a certified public accountant. These audits generally are of a compliance nature, and are not for purposes of reporting upon financial statements as a whole. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

LITIGATION

There is no litigation pending which in any manner will affect the validity of the Act or the Bonds.

The Department and its Administrations, officials and employees are parties to various legal proceedings before the courts, many of which occur in the normal course of the Department's operations. 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. In addition, certain of the Administrations are party to legal proceedings before the Maryland State Board of Contract Appeals, which hears and decides bid protests and contract disputes. At any one time, one or more of these claims may exceed $1 million. Cases such as these generally involve disputes over alleged differing site conditions, changes, delays and disruptions. 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.

INSURANCE

The operations of the MAA, the MPA and the MTA are covered by liability insurance policies and many suits are handled by the Department's insurance carriers.

The MAA's two facilities, BWI Marshall Airport and Martin State Airport, are covered by liability insurance policies totaling $750 million. These policies cover liability for both bodily injury and property damage.

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

MTA's operations are covered by a $495 million excess liability insurance policy over and above the MTA's $5 million self-insured retention. Bombardier and Amtrak are contractors hired to provide MTA's commuter rail service known as MARC. In addition, 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 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 million. All other MTA operations insurance coverage provides excess liability limits up to $200 million. This includes a shared self-insured retention of $5 million. Claims under $5 million are self-insured by 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 Department takes the position that the purchase of liability insurance does not act as a waiver of the tort immunity defense in all cases. Under the Maryland Tort Claims Act (the "Tort Claims Act"), the immunity of the State and its units is waived as to any tort action, in a court of the State, up to an amount not to exceed $200,000 per single claimant for injuries arising from a single incident or occurrence. Immunity is not waived under the Tort Claims Act for punitive damages, interest before judgment, claims related to the State militia, any tortious act or omission by State personnel that is not within the scope of their public duties or is made with malice or gross negligence, or claims otherwise prohibited by law. The waiver of tort immunity by the MTA is not governed by the Tort Claims Act, but by a separate statutory provision.

EMPLOYEE RELATIONS

As of July 1, 2016, the Department had 9,107.5 authorized employee positions.

Labor-Management Relations. States are exempt from the provisions of the National Labor Relations Act; thus, State employees may engage in collective bargaining only if specifically authorized. Since 1999, collective bargaining has been available to approximately 31,000 State employees. Eligible State employees are assigned to one of nine bargaining units. These bargaining units are represented by six certified exclusive bargaining representatives that are entitled to negotiate with the Governor or his designee(s) regarding wages, hours, and working conditions on behalf of bargaining unit employees. The negotiating parties execute a memorandum of understanding of not less than 1 year or more than 3 years' duration that incorporates all matters of agreement reached. Matters of agreement that require legislative approval or the appropriation of funds are subject to the approval of the General Assembly. Additionally, State employees may join employee associations, and the State permits the deduction of dues from employees' salaries for these associations. Approximately 36,200 employees, which includes non-union members that are required by law to pay dues, pay dues to 20 State employee associations, including the six certified exclusive bargaining representatives.

As of July 1, 2016, of the 3,389.5 authorized employees of the MTA, 2,681 were represented by the three separate unions. At the option of either party, any labor dispute involving the MTA and its unionized employees may be submitted to binding arbitration.

The contract with the union (OPEIU Local 2) representing 166 office employees has been ratified as of July 20, 2016 and will expire June 30, 2018. The contract with the union (AFSCME Local 1859) representing 189 security personnel expired December 31, 2015. MTA is currently in negotiations. The two-year contract with the union (ATU Local 1300) representing 2,326 operations and maintenance employees expired June 30, 2014. The contract has been ratified as of May 22, 2016 and expires June 30, 2018. Both Local 2 and Local 1300 contracts include for the first time a provision requiring union employees to contribute 2% of their gross pay to the MTA Pension Plan. This provision is also included in negotiations with Local 1859.

Although the State permits non-management employees of the MTA to engage in collective bargaining, these employees are not authorized to engage in any type of strike, slow-down or work action. Since the creation of the Department in 1971, there have been no work stoppages.

RETIREMENT PLANS

As of June 30, 2016, 5,522 employees of the Department were members of the Maryland State Retirement and Pension System (the "System"). See "STATE GOVERNMENT — Maryland State Retirement and Pension System" for detailed information. An additional 2,777 active Department employees were members of the MTA pension plans, discussed herein.

The Department's contribution to the System for its employees is appropriated annually from the Transportation Trust Fund. The Department's contribution to the System was $56.6 million in fiscal year 2016. The Department's budget for fiscal year 2017 is $67.9 million. The contribution is calculated using a percentage rate applied to the projected earnings of employees. The State's Department of Budget Management informs the Department of the percentage rate to be used in each budget year. (For additional information about the System, see Appendix A, Note 15.)

As disclosed in Appendix A Note 1E, GASB has issued Statement No. 68, Accounting and Financing Reporting for Pensions, ("GASB 68") effective for fiscal years beginning after June 30, 2014. As part of GASB 68, the Department will be required to record its share of the State's net unfunded pension liability (the "NPL"). The Department's share of the NPL will be calculated by dividing the Department's contribution to the System by the total contributions to the System multiplied by the System's NPL. The Department's fiscal year 2016 allocation of the NPL was $519.8 million.

The MTA provides pension benefits to union employees, former union members promoted to management positions, and to management personnel who were originally employed by the Baltimore Transit Company, a predecessor to the MTA. All other management employees hired after April 30, 1970 are members of the System. The MTA pension plan (the "MTA Plan") was pay-as-you-go until January 1, 1990, when provisions for advance funding of the benefits began. The union contracts recently ratified include, for the first time, a provision requiring union employees to contribute 2% of their gross pay to the MTA Plan (see *Labor-Management Relations*).

The MTA Plan provides retirement, death and disability benefits and is funded in compliance with collective bargaining agreements. Employees are vested after 5 years of service. Employee retirement benefits are based on years of service times an annual benefit multiplier of 1.4% to 1.6% of final average compensation. Generally, full service retirement benefits are based on 30 years of service or attainment of age 65.

The annual contribution to the MTA Plan is based upon a report of the consulting actuary (Bolton Partners Inc.). The Department's budget for fiscal year 2016 provided $40.9 million for the MTA Plan. The State has estimated the MTA's fiscal year 2016 allocation of the NPL to be $1,115 million.

The funded status of the MTA Plan, determined by the consulting actuary, as of June 30, 2016 was as follows:

Funded Status of the MTA Plan
($ in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Funded Ratio (Assets/Liab.)	Unfunded AAL (UAAL)	Covered Payroll (Active Members)	UAAL As a Percent of Payroll
6/30/2014	230,072	44.6	285,255	137,596	207.3%
6/30/2015	248,470	44.6	308,787	137,545	224.5
6/30/2016	268,413	40.0	402,115	137,427	292.6

For more detail on the MTA Plan, see http://www.mdot.maryland.gov/Office_of_Finance/index.html

Beginning July 1, 2005, MTA police officers were covered under the Maryland State Law Enforcement Officers' Pension System ("LEOPS"). The Department's budget for fiscal year 2017 provides $4.7 million for MTA LEOPS. Additionally, the Department's fiscal year 2017 budget provides $2.1 million and $132,277 for MAA and MVA LEOPS respectively.

In addition, some airport firefighters are members of Baltimore City's Fire and Police Retirement System. The Department's budget for fiscal year 2017 provides $859,887 for this plan.

STATE GOVERNMENT

Legislature

The State has a bicameral legislature, the General Assembly, composed of the Senate with 47 members and the House of Delegates with 141 members. The State is divided into 47 legislative districts, each with one senator and three delegates. All members are elected for four-year terms. The General Assembly meets annually for a 90-day session beginning on the second Wednesday in January. This regular session may be extended by the General Assembly or the Governor, and the Governor may call special sessions; however, no extended or special session may last longer than 30 days, except for the purpose of enacting the budget.

Constitutional Officers

The leadership of State government includes four constitutional officers elected by the voters on a statewide basis for four-year terms: the Governor, the Lieutenant Governor, the Comptroller and the Attorney General. The Treasurer is elected by joint ballot of the Senate and the House of Delegates for a four-year term.

The Governor is the chief executive officer of the State. The Lieutenant Governor has such duties as are delegated to him by the Governor, which may include any and all powers and duties of the Governor, and may serve as acting Governor during the absence or incapacity of the Governor. The Attorney General is legal counsel to the Governor, the General Assembly and all departments and units of the State government except the Public Service Commission and certain authorities.

Together, the Comptroller and the Treasurer constitute the Treasury Department. The Comptroller is required to exercise general superintendence over the fiscal affairs of the State, to prepare plans for the improvement and management of revenue and support of public credit, to keep the accounts of the State and its agencies, including the Transportation Trust Fund and the special accounts therein, to prescribe the form of completing and stating these accounts and to superintend and enforce the collection of all taxes and revenues. The Treasurer maintains custody of all deposits of State monies, invests the State's surplus funds, maintains custody of all securities, and is responsible for all disbursements of State funds, including payment of principal and interest on State debt. Among the State funds for which the Treasurer is responsible are the monies in the Transportation Trust Fund.

Board of Public Works

The Governor, the Comptroller and the Treasurer are the members of the Board of Public Works (the "Board"). The Constitution of Maryland, Article XII, §2, provides that a majority of the Board shall be competent to act. A constitutional body, the Board supervises the expenditure of all funds obtained by State general obligation bond issues, and all funds appropriated for capital improvements other than roads, bridges and highways. The Board must review and approve all contracts for such capital expenditures after review by the legislatively authorized control agency, principally, the Department, the Department of General Services, the Department of Budget and Management or the University System of Maryland. The Board considers, acts upon and authorizes all issues of State general obligation bonds, fixes the rate of the State property tax required for debt service, and administers through the Interagency Committee on School Construction, the State program for payments to the counties and Baltimore City for public school construction.

The Board approved the issuance of all Consolidated Transportation Bonds and approved the issuance of the Bonds on September 7, 2016.

Budget

The State has a strong executive system of government. Under the Maryland Constitution, Article III, §52, the Governor is responsible for the preparation and introduction of the State's annual budget, including a plan of proposed expenditures and estimated revenues for the Department. The Governor is required by the Maryland Constitution to submit a balanced budget, and in preparing the budget, the Governor is statutorily required to use revenue estimates reported by the Board of Revenue Estimates, whose members are the Comptroller, the Treasurer and the Secretary of Budget and Management, or explain the use of different estimates. Certain transportation revenue is estimated by the Department. The budget must include funds necessary to pay debt service on the Bonds (but with respect to the Bonds, only from the proceeds of pledged taxes and other revenues available for debt service on the Bonds).

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 strike out or reduce other appropriations submitted by the Governor. It must, however, enact a balanced budget. The General Assembly may authorize an appropriation apart from the budget, but it may only do so by a separate supplementary appropriation bill limited to a single object or purpose and providing for or levying a specific tax or taxes in that bill sufficient to fund the appropriation.

The Department's expenditures are made pursuant to appropriations in the annual budget as amended from time to time by 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. A budget amendment may not, however, increase the salary or salaries of any office or position, except in certain acute emergencies, or change any language or substantive provision in the budget. All amendments approved by the Governor are required to be reported by him to the next session of the General Assembly. By means of a constitutional amendment, the General Assembly is permitted to enact bills that may require the Governor to provide specific program funding in the annual budget.

State Demographic and Economic Data

See Appendix B.

Maryland State Retirement and Pension System

Introduction. The actuarial information provided in this section has been provided to the Maryland State Retirement and Pension System ("System") by the System's Actuary, Gabriel Roeder Smith & Company (the "Actuary"), which was retained by the Board of Trustees of the System pursuant to statute. As with all actuarial valuations and future projections, the actuarial valuations are based on actuarial assumptions that have been presented by the Actuary and adopted by the Board. One or more of these assumptions may prove to be inaccurate and may be changed in the future based on the future experience of the System.

Plan Description. The System was established in accordance with Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits in a defined benefit plan to State employees, teachers, police, judges, legislators and employees of participating governmental units. The System is administered by a 15-member Board of Trustees that has the authority to invest and reinvest the System's assets. The Board of Trustees is obligated to hold the assets of the System for the exclusive purposes of providing benefits to participants and for reasonable expenses of administration.

The Board of Trustees pays all benefits and expenses of the various plans in the System from the accumulation fund,[3] annuity savings fund,[4] and expense fund established for each plan. As additional security, if needed, the State is obligated to annually pay into the System at least an amount that, when combined with the System's accumulation funds, is sufficient to provide the allowances and other benefits payable under each plan during that fiscal year.

The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool." The "State Pool" consists of State agencies, boards of education, community colleges and libraries. The "Municipal Pool" consists of the participating governmental units that elect to join the System. For actuarial valuation and funding purposes, neither pool shares in each other's actuarial liabilities. Municipal Pool participants cost-share in the liabilities of only the Municipal Pool, which receives a separate annual actuarial valuation in order to determine the funding levels and actuarial liabilities of the Municipal Pool. The Municipal Pool covers employees of over 150 political subdivisions and other entities within the State.

For actuarial valuation and funding purposes, the State Pool comprises five distinct systems: Teachers' Retirement and Pension Systems (the "Teachers' Combined Systems"), Employees' Retirement and Pension Systems (the "Employees' Combined Systems"), State Police Retirement System, Judges' Retirement System, and Law Enforcement Officers' Pension System. As of June 30, 2015, the State's membership in the System included 168,034 active members, 45,923 vested former members, and 130,961 retirees and beneficiaries. Together, the Teachers' Combined Systems and the Employees' Combined Systems account for 98.1% of membership in the State Pool. In fiscal year 2015, State retirees and beneficiaries within the State Pool received benefit payments totaling $3.3 billion, with an average benefit of $23,610.

Plan Benefits Pre- and Post-Reform. During the 2011 Legislative Session, pension reform legislation was proposed by the Governor and enacted by the General Assembly to ensure the long-term sustainability of the System's defined benefit structure and the affordability of the State's contribution in future years (the "2011 Pension Reforms").

The 2011 Pension Reforms increased employee contributions from 5% to 7% of annual earnable compensation, decreased annual cost of living adjustments on benefits earned on or after July 1, 2011 for certain participants from a 3% cap to a 2.5% cap and linked the cap to the System's achievement of assumed annual return on investments. The cap is 2.5% if the assumed annual return is met or exceeded and 1% if the assumed return is not met. For most employees who become a member of the System after July 1, 2011, the 2011 Pension Reforms establish the pension benefit multiplier at 1.5% rather than 1.8%, calculate Average Final Compensation based on the five highest consecutive years of service rather than three years, allow vesting after 10 years of eligible service rather than five years, and establish more stringent requirements for early and full service retirement. Similar reforms were enacted for several of the systems in the State Pool.

Assumptions. By law, employer contribution rates are established by annual actuarial valuations using the individual entry age normal cost method and actuarial assumptions adopted by the Board of Trustees. Assets are valued for funding purposes by recognizing investment gains and losses over a five-year period. Each year's investment gain or loss is amortized on a straight-line basis over five years. The final actuarial value of assets is limited to not more than 120% or less than 80% of the market value of assets.

At its May 2015 meeting, the System's Board of Trustees adopted a revision to the economic assumptions for the System. The Board of Trustees voted to lower the assumed rate of return to 7.55% and the price inflation assumption to 2.7%.

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[3] The accumulation funds consist of employer contributions, interest on System assets, and retired members' previous contributions.

[4] The annuity savings funds consist of member contributions and statutory regular interest on members' accumulated contributions.

Based on the Actuary's actuarial experience study for fiscal years 2010 to 2014, the Board of Trustees adopted the following demographic assumptions:

- Retirement Rates: Decrease to overall rates based on experience.
- Withdrawal Rates: Maintain the service-based rates for the first 10 years of service and age-based rates thereafter.
- Mortality Rates: Change from the RP-2000 Mortality Tables, Combined Healthy Participant Mortality Table, with set-backs that vary by sex and system to the RP 2014 mortality tables with generational mortality improvements based on the MP-2014 2-dimensional mortality scale released by the Society of Actuaries (SOA) in which mortality rates are projected to improve based on birth year.
- Disability Rates: Decrease current disability rates for most systems and adjust the rates between ordinary and accidental disability to reflect observed experience.

Investments Allocations and Returns. The target asset allocation is set by the Board of Trustees, with no legal limits imposed by the General Assembly. The actual allocation takes into account that private market investments are made gradually in order to prudently reach the target level over multiple years. Amounts not yet invested in private markets are currently allocated to public equity and fixed income.

	Asset Allocation Actual Allocation as of 03/31/2016*	**Long-Term Target Allocation**
Public Equity	38.6%	37%
Rate Sensitive	21.7	20
Real Assets	12.8	15
Credit	8.7	9
Absolute Return	8.8	9
Private Equity	9.4	10
Total*	100%	100%

* Totals may not add due to rounding.

The historical rates of return on the System's investments are (as of March 31, 2016, unaudited):

	1 year	3 year	5 year	10 year	20 year	25 year
Annualized Returns (gross of fees)	-0.32%	5.03%	5.55%	4.56%	6.05%	7.13%

The System's rate of return on its investment portfolio was 2.68% for the fiscal year ending June 30, 2015.

Funding Policies. The employer contribution rate for the Law Enforcement Officers' Pension System, State Police Retirement System, and the Judges' Retirement System is equal to the sum of the normal contribution and the accrued liability contribution. Prior to July 1, 2013, the State's employer contribution to the Teachers' Combined Systems and Employees' Combined Systems was determined by the System's Actuary under a modified corridor funding method. This method effectively maintained the contribution rate in effect for the Teachers' Combined Systems and Employees' Combined Systems during the preceding fiscal year (as adjusted for any legislative changes in the benefit structure) as long as such plans remain between 90 percent and 110 percent funded. If either plan fell below 90 percent funded (i.e., below the corridor), then the contribution rate in effect for the subsequent fiscal year would be the rate in effect for the preceding fiscal year plus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. Conversely, if either system exceeded 110 percent funded (i.e., above the corridor), then the contribution rate in effect for the subsequent fiscal year would be the rate in effect for the preceding fiscal year minus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate.

In the 2013 Legislative Session, the General Assembly enacted legislation to phase out the modified corridor funding method for the Teachers' Combined Systems and Employees' Combined Systems over 10 years, and change the System's amortization policy so that unfunded pension liabilities will be amortized over a 25-year closed period. However, during the 2015 Legislative Session, the General Assembly enacted legislation that fully eliminated the corridor funding method for the Teachers' Combined Systems and Employees' Combined Systems beginning with fiscal year 2017. The legislation was effective on July 1, 2015 and is reflected in the System's fiscal year 2015 valuation, which will determine the employer contribution rates for fiscal year 2017. Under GASB Statement No. 67, these, and all future contributions will be based upon the "Actuarially Determined Employer Contribution" (ADEC).

The 2011 Pension Reforms also provided that the State's contributions to each system shall include an additional amount reflecting the difference between the State's required contribution under the corridor funding method for that fiscal year and the amount that would have been required had the 2011 Pension Reforms not been enacted ("supplemental contribution"). For fiscal year 2013, the State's supplemental contribution to the System was reduced by $120.0 million and the amount of the supplemental contribution made to the System was $190.8 million. Beginning in fiscal year 2014, a supplemental contribution representing the savings from the 2011 Pension Reforms, in the amount of $300.0 million, was to be made annually to the Teachers' Combined Systems, Employees' Combined Systems, State Police Retirement System, and Law Enforcement Officers' Pension System. However, during the 2015 legislative session, the General Assembly approved budget legislation that reduced the State's supplemental contribution to the System to $75.0 million in fiscal year 2016 and each fiscal year thereafter. The supplemental contribution terminates when the system is at least 85% funded. Additionally, the General Assembly authorized a "sweeper amendment" to the budget bill that allows for an additional State contribution to the System equal to one-half of any unappropriated general fund balance in excess of $10.0 million, up to a maximum of $50 million annually, through fiscal year 2020 budget. The fiscal year 2017 budget also includes an additional voluntary contribution to the System of $25.0 million above the actuarially determined employer contribution, the supplemental contribution, and the contribution from the pension sweeper.

Projected Impact of 2011 Pension Reforms, 2015 Actuarial Assumption Changes, 2015 Funding Policy Reforms, and 2015 Supplemental Funding Policy on Funded Ratios of State Pool

Valuation Fiscal Year	Based on 6/30/2011 Valuation[a]	Based on 6/30/2015 Valuation [b]
2013	63.7%	64.6%
2017	74.4	70.8
2021	81.3	74.8
2023	85.2	77.1
2025	89.8	79.5
2027	94.1	81.9
2030	101.9	85.9
2031	107.9	87.3
2037	123.4	96.6
2039	NA	100.0

[a] Based on previous corridor funding policy for the Teachers' Combined Systems and Employees' Combined Systems.

[b] Reflects the 2015 legislative action that eliminated the modified corridor policy, as well as the 2015 legislative action to alter the supplemental contribution policy established by the 2011 Pension Reforms (see above for description of 2013, 2014 and 2015 legislative actions).

Employer Contribution. In fiscal year 2015, utilizing the modified corridor funding method described above for the Teachers' Combined Systems and Employees' Combined Systems, the State paid $1,734.6 million of the employer annual required contribution ("ARC") of $1,983.7 million, or 87.4% of the actuarial required payment. Approximately $1,220.6 million was paid from the General Fund and this represented 7.7% of fiscal year 2015 General Fund expenditures. In the First Special Session of 2012, the General Assembly enacted legislation that requires local school boards to pay a portion of the fiscal year 2013 actuarially determined normal cost of local teachers' retirement. For the next three fiscal years, the payment increases until fiscal year 2016 when the local school boards will pay 100% of the fiscal year 2013 normal cost. Beginning in fiscal year 2017, the local school boards will pay 100% of the local teachers' normal cost as determined by the most recent valuation of the System. County governments are required to increase education funding by the additional pension costs during the phase in period.

The Department of Budget and Management estimates that the general fund portion of the employer contribution represents 7.8% of the fiscal year 2017 general fund budget. This percentage is anticipated to be at 7.3% in fiscal year 2018, and is then projected to decline in the out-years through fiscal year 2021 when it is projected to reach 6.9%. The following table presents estimates of the employer contribution relative to the general fund budget in fiscal years 2017 through 2021. These projections reflect the sharing of local teachers' retirement costs with county governments as discussed above. The projections also reflect the changes to the State's funding policy made during the 2013 Legislative Session (phasing out the corridor funding method over a 10-year period and changing the System's amortization policy affecting the fiscal year 2013 valuation and the fiscal year 2015 budget) as described in "Funding Policies". They reflect changes to the State's supplemental contribution made during the 2014 Legislative Session which lowered that amount to $100 million in fiscal year 2014 and fiscal year 2015 and raised it by $50 million increments starting in fiscal year 2016 until it reached $300 million in fiscal year 2019. Finally, they reflect further changes made to the State's funding policy during the 2015 Legislative Session to fully phase out the corridor funding method as of fiscal year 2017, but reduce the supplemental contribution to $75 million annually until the system reaches 85% funded. An additional supplemental contribution is required, equaling one-half of any unappropriated general fund balance in excess of $10.0 million be paid to the pension fund, up to a maximum of $50 million annually.

As with all future projections, the data in the following table are based on certain assumptions. One or more of these assumptions may prove to be inaccurate and may be changed in the future based on future experience.

Projected Employer Contributions as a Percent of the General Fund Budget

	Employer Contributions		
Fiscal Year	**State Employees**	**Local Teachers**	**Total***
2017	3.0%	4.9%	7.8%
2018	2.8	4.5	7.3
2019	2.8	4.4	7.1
2020	2.7	4.2	6.9
2021	2.7	4.2	6.9

* Due to data on general fund budget projections being unavailable, for fiscal year 2018 through fiscal year 2021, anticipated retirement expenditures were divided by projected general fund revenues to generate the percentage for those years. Totals may not add due to rounding.

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Funded Status. As reported in the System's annual Actuarial Valuation Report, the funded status of each plan in the "State Pool" as of June 30, 2015 was as follows:

Funded Status of the Plans within the "State Pool" Portion of the Maryland State Retirement and Pension System ($ in thousands) As of June 30, 2015

Plan	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Funded Ratio (Assets/ Liab.)	Unfunded AAL (UAAL)	Covered Payroll (Active Members)[a]	UAAL as a Percent of Payroll %[a]
Teachers' Retirement and Pension System......................	$38,934,459	$27,995,476	71.9%	$10,938,983	$6,470,706	169.1%
Employees' Retirement and Pension System......................	18,907,355	11,839,795	62.6	7,067,560	3,241,038	218.1
State Police Retirement System	2,103,134	1,314,315	62.5	788,819	91,050	866.4
Judges' Retirement System....	511,390	416,547	81.4	94,844	44,613	212.6
Law Enforcement Officers' Pension System......................	957,940	588,299	61.4	369,641	98,620	374.8
Total of All Plans *................	$61,414,278	$42,154,432	68.6%	$19.259,847	$9,946,027	193.6%

[a] The Covered Payroll and UAAL as a Percentage of Payroll results reported in the System's Actuarial Valuation Report were calculated using actual payroll data and differ slightly from the calculations shown in the State's Financial Statements which were calculated using projected payroll rather than actual payroll data.

* Totals may not add due to rounding.

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The following table presents information regarding the unfunded actuarial accrued liability of the System, including both the State Pool and the Municipal Pool for the years 2006 to 2015 as of June 30 valuation dates, derived from a report by the System's Actuary.

Historical Funding Progress
Maryland State Retirement and Pension System [(a)]
Actuarial Value of Assets
($ in thousands)

Valuation Date June 30	Actuarial Accrued Liability (AAL)	Actuarial Value Of Assets	Funded Ratio (Assets/Liab.)	Unfunded AAL (UAAL)	Covered Payroll (Active Members)	UAAL as a Percent of Payroll %
2006.........	43,243,492	35,795,025	82.8	7,448,467	9,287,576	80.2
2007[(b)]......	47,144,354	37,886,936	80.4	9,257,418	9,971,012	92.8
2008	50,244,047	39,504,284	78.6	10,739,763	10,542,806	101.9
2009[(c)]......	52,729,171	34,284,569	65.0	18,444,603	10,714,241	172.2
2010.........	54,085,081	34,688,346	64.1	19,396,735	10,657,944	182.0
2011.........	55,917,543	36,177,656	64.7	19,739,887	10,478,800	188.4
2012……	57,869,145	37,248,401	64.4	20,620,745	10,336,537	199.5
2013……	60,060,091	39,350,970	65.5	20,709,122	10,477,544	197.6
2014……	62,610,193	42,996,957	68.7	19,613,237	10,803,632	181.5
2015……	61,414,278	42,154,432	68.6	19,259,847	9,946,027	193.6

(a) Includes both the State Pool and the Municipal Pool accrued liabilities.
(b) Beginning July 1, 2006, the System changed its funding method from the Aggregate Entry Age Normal method to the Individual Entry Age Normal method.
(c) The Actuary's revaluation of the State's fiscal year 2009 contribution resulted in a recommended increase of $87.7 million. Due to timing of the recommendation, however, this amount was not included in the fiscal year 2009 Budget. It was included in the June 30, 2009 valuation and began to be amortized as a portion of the UAAL on July 1, 2010.

The following table presents information regarding the Asset Market Values of the System, including both the State Pool and the Municipal Pool for the years 2006 to 2015 as of June 30 valuation dates, derived from a report by the System's Actuary.

Historical Market Value of Assets
Maryland State Retirement and Pension System [(a)]
($ in thousands)

Valuation Date, June 30	Market Value of Assets	Valuation Date, June 30	Market Value of Assets
2006	34,370,819	2010	$37,592,752
2007	39,444,781	2012	37,178,726
2008	36,613,710	2013	40,363,217
2009	28,570,474	2014	45,363,217
2010	31,923,637	2015	45,789,840

(a) Includes both the State Pool and the Municipal Pool.

As of March 31, 2016, the System's market value of assets was $44.7 billion (unaudited).

Beginning in fiscal year 2015, Statement No. 68 of the Governmental Accounting Standards Board required changes to the State's pension accounting and reporting. The net pension liability (NPL) defined by the pronouncement, similar to the unfunded actuarial accrued liability, is reported as a liability on the government- wide statement of net position. It is a present value measure of benefits to be provided based on the employees' past service, and accordingly, recognizes the entire net pension expense, regardless of when this expense will be funded. It replaced the net pension obligation (NPO) currently reported as a liability. The NPO was the cumulative difference between required contributions to the pension plans to meet obligations as they came due and actual contributions, and therefore, measured the funding obligation only.

For the State Retirement and Pension System, a cost-sharing multiple-employer system, all cost-sharing employers are required to recognize a liability for their proportionate share of the NPL. In Maryland, the State funds the unfunded actuarial accrued liability applicable to local teachers' service, and therefore, the State records the NPL for the teachers' plan as a non-employer contributing entity.

For fiscal year 2015, the State's contribution to the System was $1.7 billion, and the total contribution to the System was $1.8 billion. The NPL for the System was calculated as $20.8 billion as of June 30, 2015 of which the State's share has been calculated to be $19.5 billion.

For a more detailed discussion of the System, see APPENDIX A, Note 15 to the Financial Statements and Required Supplementary Information. A copy of the System's Actuarial Valuation Report as of June 30, 2015 may be obtained online at http://www.sra.state.md.us/Agency/Downloads/Valuation/Actuarial_Valuation_reports.aspx.

Other Post-Employment Benefits ("OPEB")

State Employee and Retiree Health and Welfare Benefits Program. Retired State employees and their eligible dependents meeting certain qualifications may participate, on a subsidized basis, in the State Employee and Retiree Health and Welfare Benefits Program (the "Program"). As of June 30, 2015, the Program membership included 78,767 active employees, 3,329 vested former employees and 68,000 retirees and beneficiaries. The Program assesses a charge to retirees for post-employment health care benefits that is based on health care insurance charges for active employees. For the nine months ended March 31, 2016 retiree program members contributed $64.2 million and the State contributed $363.7 million for retiree health care benefits.

The State has adopted GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" ("GASB 45"), which addresses how state and local governments should account for and report costs and obligations related to post-employment health care and other post-employment non-pension benefits ("OPEB"). GASB 45 generally requires that the annual cost of OPEB and the related obligations and commitments be accounted for and reported in essentially the same manner as pensions. Annual OPEB costs typically will be based on actuarially determined amounts that, if paid on an ongoing basis, would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 do not require governments to fund their OPEB plans. GASB 45 establishes accounting standards including disclosure requirements for the post-employment plans, the funding policies, the actuarial valuation processes and assumptions, and the extent to which the plans have been funded over time.

The State's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

2011 Employee and Retiree Health Benefits Reforms. The 2012 Budget implemented changes to employee and retiree prescription drug and health benefits (the "2011 Health Benefit Reforms") that decreased the State's projection of OPEB liability from $15.9 billion prior to the 2011 Health Benefit Reforms to $9.2 billion after the 2011 Health Benefit Reforms, and decreased the corresponding State projection of ARC from $1.22 billion to $704.4 million. The 2011 Health Benefit Reforms increased employee and retiree prescription drug copayments and increased retiree premium payments and out of pocket maximums. For new employees hired after June 30, 2011, 10 years of service rather than 5 years will be required for eligibility for retiree health benefits, and 25 years of service rather than 16 years will be required in order to receive a full State subsidy. Retirees will be required to enroll in Medicare Part D effective July 1, 2020, after the Part D "coverage gap" is phased out.

OPEB Projections. As of June 30, 2015, the Actuary's projected actuarial accrued liability for benefits was $9.6 billion, and the actuarial value of assets was $275.3 million, resulting in a projected unfunded actuarial accrued liability ("UAAL") of $9.4 billion. The discount rate used was an unblended pay-go rate of 4.5%. The ratio of the actuarial value of assets to the actuarial accrued liability was 2.9%. The annual payroll of active employees covered (the "Covered Payroll") under the Program was $4.9 billion, and the ratio of the UAAL to the Covered Payroll was (190.1%).

The following table from the Actuarial Valuation Report as of July 1, 2015, prepared by the State's actuary, shows the components of the State's annual OPEB cost, the contribution to the Program and the State's net OPEB obligation for the fiscal years 2015 and as projected for fiscal year 2016:

State Employee and Retiree Health and Welfare Benefits Program
Annual OPEB Cost and Net OPEB Obligation
Fiscal Years 2015 and 2016
Projections as of July 1, 2015
($ in millions)

	2015	**2016 Projected**
Annual Required Contribution (ARC)	$574.4	$634.6
ARC adjustment	(154.9)	(164.5)
Interest on Net OPEB Obligation	188.3	179.3
Total Annual OPEB Cost (AOC)	607.8	649.4
Less: Contributions made	(449.8)	(484.9)
Increase in net OPEB obligation	158.0	164.5
Net OPEB obligation - beginning of year	3,694.7	4,122.8
Net OPEB obligation - end of year	$4,122.7	$4,287.3
Percentage of annual OPEB cost contributed	73.9%	74.9%

The State's General Fund has historically contributed approximately 60% of the annual pay-as-you-go costs of OPEB, with special and federal funds contributing the balance. Chapter 355 of the 2007 Laws of Maryland created the Postretirement Health Benefits Trust Fund (the "Health Benefits Trust Fund") as an irrevocable trust. Funds of the Health Benefits Trust Fund will be used to assist in financing the State's post-retirement health insurance subsidy. For the nine months ended March 31, 2016, the State did not allocate any funds to the Health Benefits Trust Fund. The net assets held in trust for post-retirement health benefits as of June 30, 2015 and June 30, 2016 were $273.2 million and $276.1 million, respectively. This balance also reflects the activity for investment earnings and administrative expenses during the periods.

Maryland Transit Administration. The MTA provides a retiree health care benefits plan (the "MTA OPEB") to all employees who are members of the MTA pension plan, except for transfers from union to management positions who are required to enroll in the State Employee and Retiree Health and Welfare benefits program described above. The annual funding of the MTA OPEB is based upon a report of the consulting actuary (Bolton Partners Inc.). The MTA OPEB is an unfunded pay-as-you-go plan.

As of June 30, 2016, the estimated actuarial liability for benefits was $640.5 million, and the estimated actuarial value of assets was $0, resulting in estimated UAAL of $640.5 million, based upon calculations by the consulting contractor. The discount was a blended rate of 4.25%. The ratio of the estimated actuarial value of assets to the estimated actuarial accrued liability was 0%. The estimated Covered Payroll under the MTA OPEB was $137.2 million in FY 2016, and the ratio of the estimated UAAL to the estimated Covered Payroll was 467%.

MTA's estimated annual OPEB cost is calculated based on the estimated annual required contribution of the employer, an amount actuarially determined in accordance with GASB 45. The following table shows the components of MTA's estimated annual OPEB cost, the estimated amount actually contributed and MTA's estimated net OPEB obligation as of June 30, 2016.

Maryland Transit Administration Pension Plan OPEB
Annual OPEB Cost and Net OPEB Obligation
Fiscal Year 2016
($ in millions)

Annual Required Contribution (ARC)	$72.6
ARC adjustment	(24.3)
Interest on Net OPEB Obligation	13.3
Total Annual OPEB Cost (AOC)	61.6
Less: Contributions made	(15.3)
Increase in net OPEB obligation	46.3
Net OPEB obligation - beginning of year	311.9
Net OPEB obligation - end of year	$358.2
Percentage of annual OPEB cost contributed	24.8%

Note: Numbers may not add due to rounding

For a more detailed discussion of MTA's OPEB, see Appendix A, Note 14 to the Department's Comprehensive Annual Financial report.

FINANCIAL ADVISORS

Public Financial Management, Inc. of Orlando, Florida is serving as financial advisor to the Department for the sale and delivery of the Bonds and other matters pertinent thereto. Public Financial Management is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiable instrument.

People First Financial Advisors of Landover, Maryland is also serving as a financial advisor in connection with the sale and delivery of the Bonds.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The General Purpose Financial Statements of the Department for the year ended June 30, 2015, included in Appendix A of this Official Statement, have been audited by SB & Company, LLC, independent certified public accountants, whose report is included therein.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including original issue discount treated as interest, if any) is excludable from gross income for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the Department with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Department has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel is further of the opinion that under existing law of the State of Maryland, the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations, or public agencies of any kind, except that no opinion is expressed as to such exemption from Maryland franchise taxes or estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, their transfer or the income therefrom.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Original Issue Premium

Certain maturities of the Bonds may be issued at an initial public offering price which is in excess of the stated redemption price of such Bonds at maturity (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax exempt obligations, such as the Bonds, is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Tax Law

From time to time, there are legislative proposals in the Congress and in the General Assembly that, if enacted, could alter or amend the federal and State tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

See Appendix C hereto for the proposed Form of Bond Counsel's Opinion.

CONTINUING DISCLOSURE

In order to enable the successful bidder for the Bonds to comply with the requirements of paragraph (b) (5) of the United States Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the Department will execute and deliver, on or before the date of issuance and delivery of the Bonds, a Continuing Disclosure Agreement, the form of which is attached as Appendix D. Potential purchasers should note that certain of the 14 events listed in Section 4 of the Continuing Disclosure Agreement have been included for purposes of compliance with the Rule but are not relevant for the Bonds, specifically those events relating to debt service reserves, credit enhancements and liquidity providers, and property or other collateral.

The Department believes it has complied in all material respects with its obligations under its previous continuing disclosure undertakings pursuant to Rule 15c2-12 during the last five years; however, the Department acknowledges that during such period, certain financial information, while publicly available and filed with EMMA and linked to CUSIPs assigned to the Department's outstanding bonds on EMMA, in some limited cases were not properly linked to certain outstanding CUSIPs on EMMA at the time of filing. MDOT believes it has taken corrective action to properly link all such informational filings with all relevant CUSIPs and has implemented procedures designed to assure proper linkage of filings in the future.

LEGAL MATTERS

The validity of the issuance of the Bonds will be passed upon, and is subject to the unqualified approving opinion of Kutak Rock LLP, Bond Counsel. The text of the approving opinion in its proposed form is attached hereto as Appendix C. Certain legal matters will be passed upon for the Department by the Office of the Attorney General of the State.

DEPARTMENT OF TRANSPORTATION OF MARYLAND

By order of

Pete K. Rahn
Secretary of Transportation

APPENDIX A

AUDITED FINANCIAL STATEMENTS

FOR

THE DEPARTMENT OF TRANSPORTATION OF MARYLAND

(Cover and pages 1, 2 and 4 through 20 not included)

MARYLAND DEPARTMENT OF TRANSPORTATION
A Department of the STATE OF MARYLAND
Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

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SB & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

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 the Maryland Department of Transportation (the Department), as of and for the year ended June 30, 2015, 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.

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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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1.D. to the financial statements, during the year ended June 30, 2015, the Department adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions of the Maryland Transit Administration Other Post-employment Benefit Plan, schedule of changes in the net pension liability and related ratios and schedule of employer contributions for the Maryland Transit Administration Pension Plan, schedules of the Department's proportionate share of the net pension liability and Department contributions for the Maryland State Retirement and Pension System, and the special revenue funds schedule 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.

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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 statement 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 has 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.

SB + Company, LLC

Hunt Valley, Maryland
December 4, 2015

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, 2015**. 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 of the Department exceeded its liabilities at the close of the most recent fiscal year by $13,021,909,000 (net position). Of this amount, $1,450,994,000 represents the unrestricted deficit primarily due to the reporting of net pension liability and OPEB liability.
- The Department's governmental funds reported a combined ending fund balance, as of the close of the current fiscal year, of $356,265,000, a decrease of $11,205,000 in comparison with the prior fiscal year.
- The Department's Consolidated Transportation Bonds debt outstanding increased by $207,580,000 (11.5%) during the current fiscal year. The key factors in this increase were bond issuances of $401,535,000, while the Department continued to make its regularly scheduled debt service principal payments during the year which totaled $152,415,000. In addition, the Department issued $259,715,000 refunding bonds to defease $301,255,000 bonds.

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 governmental activities of the Department include the Secretary's

Office, the State Highway Administration (SHA), the Maryland Port Administration (MPA), the Motor Vehicle Administration (MVA), the Maryland Transit Administration (MTA), the Maryland Aviation Administration (MAA), Washington Metropolitan Area Transit Authority Grants (WMATA), distributions to political subdivisions, distributions to other state agencies and debt service. 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, which is a separate enterprise fund of the State of Maryland. The government-wide financial statements can be found starting on page 36 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 38 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 71 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 41 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 43 of this report.

Changes in Governmental Accounting Standards

In June 2012, the Governmental Accounting Standards Board (GASB) approved a Statement that reflects substantial changes to the accounting and financial reporting of pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans and replaces the requirements of Statement No. 50, Pension Disclosures, for those governments and public pension plans. Under Statement No. 67, an emphasis is put on accounting for pension plans whereas Statement No. 25 dealt more with funding pension plans. Implementation of the standard caused an adjustment to beginning net position of approximately $1.04 billion.

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 MTA, as well as the budget and actual comparison schedule. Required supplementary information can be found starting on page 69 of this report.

<u>Government-wide Financial Analysis</u>

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 $13,021,909,000 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 $678,269 during the current fiscal year 2015, primarily due to the implementation of GASB 68.

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

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

Governmental Activities	2015	2014
Current and other assets	$ 1,075,212	$ 1,098,394
Capital assets	17,411,981	16,706,298
Total assets	18,487,193	17,804,692
Deferred amount on refunding bonds	24,397	6,450
Deferred amount related to pensions	106,967	-
	131,364	6,450
Long-term liabilities outstanding	4,758,245	3,336,247
Other liabilities	703,898	722,640
Total liabilities	5,462,143	4,058,887
Deferred concession arrangement	50,945	52,077
Defered amount related to pensions	83,560	-
	134,505	52,077
Net position:		
Net Investment in capital assets	14,472,903	14,063,378
Unrestricted deficit	(1,450,994)	(363,200)
Total net position	$13,021,909	$13,700,178

Governmental activities

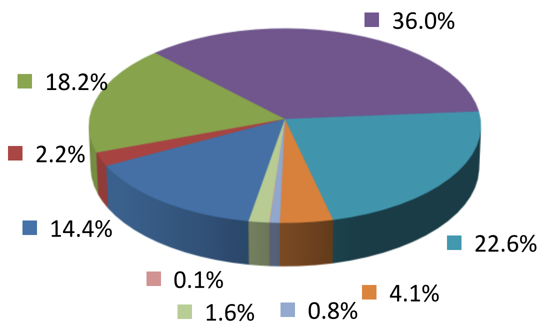
Governmental activities, which represent the Department's overall economic position, decreased the Department's net position by $678,269,000. The key elements of the Department's governmental activities are as follows:

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

Governmental Activities	2015	2014
Revenues:		
Program revenues:		
Charges for services	$ 588,304	$ 565,814
Operating grants and contributions	92,238	90,574
Capital grants and contributions	741,846	800,019
General revenues:		
Motor vehicle taxes and fees	1,465,022	1,389,066
Motor fuel taxes and fees	918,483	807,739
Corporation income tax share	166,051	162,609
State sales tax share	30,788	48,653
Unrestricted investment earnings	2,096	2,156
Other	64,516	16,518
Total revenues	4,069,344	3,883,148
Expenses:		
Secretary's Office	624,378	570,596
State Highway Administration	1,399,446	1,436,114
Port Administration	126,885	99,996
Motor Vehicle Administration	213,896	207,342
Transit Administration	937,286	886,966
Aviation Administration	337,596	354,180
Interest on long-term debt	69,902	122,894
Total expenses	3,709,389	3,678,088
Increase in net position	359,955	205,060
Net position – July 1	13,700,178	13,495,118
Net position as previously reported	14,060,133	13,700,178
Prior period adjustment-adoption of GASB 68	(1,038,224)	-
Net position – June 30	$ 13,021,909	$13,700,178

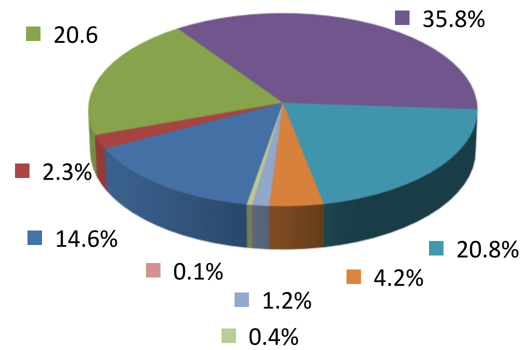
Below are the Department's Revenues by Source and Expenses by Function for Fiscal Years 2015 & 2014

Revenue 2015



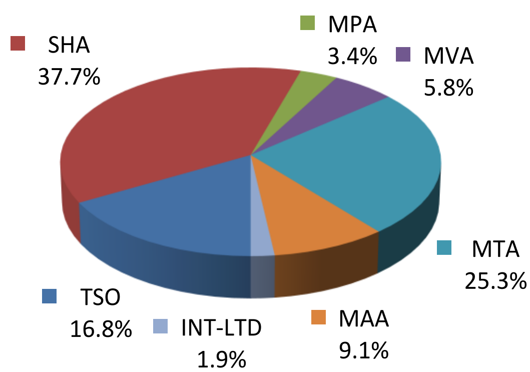
- Charges for services 14.4%
- Operating grants and contributions 2.2%
- Capital grants and contributions 18.2%
- Motor vehicle taxes and fees 36.0%
- Motor fuel taxes and fees 22.6%
- Corporation income tax share 4.1%
- State sales tax share 0.8%
- Unrestricted investment earnings 0.1%
- Other 1.6%

Revenue 2014



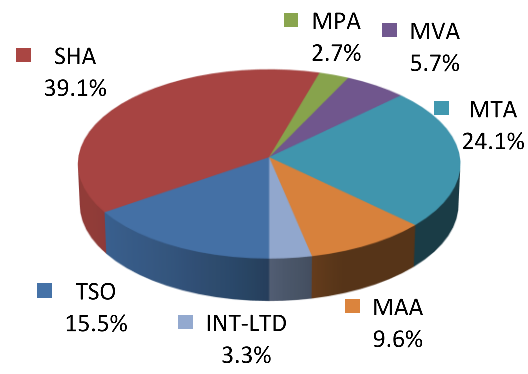
- Charges for services 14.6%
- Operating grants and contributions 2.3%
- Capital grants and contributions 20.6%
- Motor vehicle taxes and fees 35.8%
- Motor fuel taxes and fees 20.8%
- Corporation income tax share 4.2%
- State sales tax share 1.2%
- Unrestricted investment earnings 0.1%
- Other 0.4%

Expenses 2015



- Secretary's Office (TSO) 16.8%
- State Highway Administration (SHA) 37.7%
- Port Administration (MPA) 3.4%
- Motor Vehicle Administration (MVA) 5.8%
- Transit Administration (MTA) 25.3%
- Maryland Aviation Admin. (MAA) 9.1%
- Interest on Long-Term Debt (INT-LTD) 1.9%

Expenses 2014



- Secretary's Office (TSO) 15.5%
- State Highway Administration (SHA) 39.1%
- Port Administration (MPA) 2.7%
- Motor Vehicle Administration (MVA) 5.7%
- Transit Administration (MTA) 24.1%
- Maryland Aviation Admin. (MAA) 9.6%
- Interest on Long-Term Debt (INT-LTD) 3.3%

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 $356,265,000, a decrease of $11,205,000 in comparison with the prior fiscal year. The Department's governmental funds increase is due primarily to the increase in revenue and liquidation of federal receivables. 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 balances in the amount of $93,356,000; (2) to maintain a separate nonspendable account for prepaid expenses activity balances in the amount of $104,491,000; (3) to maintain a separate committed account for encumbrances in the amount of $27,930,000; (4) to maintain a separate assigned account for specific agency activity balances in the amount of $677,000; and (5) to maintain a separate assigned account for transportation programs in the amount of $129,811,000.

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 $356,265,000 to the total Department expenditures of $4,488,052,000. The total fund balance represents 8.3% 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, 2015, amounts to $17,411,981,000 (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 $705,683,000.

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 Baltimore Washington International Thurgood Marshall Airport (BWI Marshall); construction in progress at BWI Marshall at the close of the current fiscal year increased to $263,280,000 compared to $249,304,000 in the prior fiscal year, while MAA buildings increased by $162,707,000 and infrastructure increased by $12,453,000 in the current fiscal year.

- A variety of widening and/or expansion of existing and new highways and bridges were completed in fiscal year 2015; infrastructure assets for SHA at the close of the current fiscal year reached $18,934,362,000 compared to $18,140,331,000 in the prior fiscal year, a 4.4% increase.

- Various transit, port and motor vehicle administration construction projects began in fiscal year 2015; construction in progress for these administrations at the close of the current fiscal year was $2,413,288,000 compared to $1,994,429,000 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, 2015**	**June 30, 2014**
Land	$ 2,591,842	$ 2,552,170
Buildings and improvements	1,475,937	1,356,568
Machinery and equipment	653,176	664,665
Infrastructure	9,196,813	9,195,993
Seagirt Assets	50,945	52,077
Construction in progress	3,443,268	2,884,825
Total	**$ 17,411,981**	**$ 16,706,298**

Additional information on the Department's capital assets can be found in note 8 on page 51 of this report.

Long-term debt

At the end of the current fiscal year the Department had total bonded debt outstanding of $2,020,250,000, and represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

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

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

Governmental Activities	**June 30, 2015**	**June 30, 2014**
Consolidated transportation bonds	**$ 2,020,250**	**$ 1,812,670**

The Department's consolidated transportation bonds outstanding debt increased by 11.5%. The issuance of $265,535,000 in new debt in Series 2015, the issuance of $259,715,000 in Series 2015 Refunding bonds, and the issuance of $136,000,000 in new debt in Series 2015 (Second Issue) combined with the continued scheduled debt service principal payments made during the year resulted in the increase in debt outstanding in fiscal year 2015. 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 increased from $2,600,000,000 to $4,500,000,000 effective June 1, 2013 and thereafter. The increase is pursuant to legislation enacted by the 2013 General Assembly, which also increased transportation funding. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2015 for the Department was $2,530,255,000, 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 on page 53 of this report.

Capital leases. At the end of the current fiscal year the Department had capital leases outstanding of $628,650,000. The following schedule reflects the Department's Capital Leases Summary.

Maryland Department of Transportation
Capital Leases
(amounts expressed in thousands)

Governmental Activities	June 30, 2015	June 30, 2014
Capital leases	$ 628,650	$ 594,302

The Department's capital lease obligations have increased by $34,348,000, during the current fiscal year. This increase is attributable to issuance of a new bond, ongoing construction costs related to airport projects and continued scheduled capital lease payments at the various Department's port facilities, 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 on page 54 of this report.

Special Revenue Fund Budgetary Highlights

The Department's appropriations, between the original and final amended budget decreased by $47,572,582 for special funds and decreased by $21,791,300 for Federal funds during the current fiscal year. The decrease 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 75 of this report.

Economic Factors and Next Year's Budgets and Rates

Maryland's economic indices showed a modest positive direction for the State this past fiscal year. Employment growth for the State of Maryland was 1.5% for the first three quarters of this year compared to 0.9% growth in 2014. The State's personal income is continuing to rise with a growth of 1.5% through the second quarter of 2015. Nationally, personal income grew by 2.2% for the same period.

Maryland's economy continues to slowly recover from the economic downturn. Although the pace of recovery is not as robust as that experienced in other recent economic cycles, steady growth is forecasted for the next several years. The unemployment rate, which peaked at 7.6% in 2010, is expected to be 5.2% for 2015. Job growth continues to be in professional and business services as well as education and health services.

The federal government sector, normally a positive driver to Maryland's economy, represents the major downside risk to the rate of growth. Maryland's economy is heavily reliant on federal spending. The fiscal concerns associated with federal spending continue to constrain economic recovery. Until the federal government's direction becomes clear, the outlook will remain cautiously optimistic.

During the 2013 Session of the General Assembly, the Transportation Infrastructure Investment Act of 2013 was enacted to increase transportation funding by increasing motor fuel taxes and requiring the Maryland Transit Administration, beginning in 2015, to increase base fare prices. These changes became effective July 1, 2013.

During the current fiscal year, assigned fund balance for transportation programs decreased to $129,811,000, from $134,703,000 in the prior year primarily due to the realization of revenue from the prior year federal receivable, a slight increase in budgeted funds and reclassification of reserve for prepaid expenses in the amount of $1,044,000 (net of current receivable), $576,000, and $104,491,000, respectively.

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: Mr. David L. Fleming, Chief Financial Officer, Office of Finance, MDOT - Secretary's Office, 7201 Corporate Center Drive, Hanover, MD, 21076.

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BASIC FINANCIAL STATEMENTS

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Net Position
As of June 30, 2015
(amounts expressed in thousands)

		Total Governmental Activities
ASSETS:		
Cash and cash equivalents	$	310,851
Cash and cash equivalents - restricted		12,808
Taxes receivable, net		140,711
Intergovernmental receivables		214,145
Other accounts receivable		48,749
Due from other state agencies		150,101
Inventories		93,356
Prepaids		104,491
Capital assets not depreciated:		
Construction in progress		3,443,268
Land		2,591,842
Capital assets depreciated (net of depreciation):		
Buildings and improvements		1,475,937
Machinery and equipment		653,176
Infrastructure		9,196,813
Seagirt assets		50,945
Total assets		18,487,193
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount for refunding bonds		24,397
Deferred amount for pensions		106,967
		131,364
LIABILITIES:		
Salaries payable		32,521
Accounts payable and other current liabilities		437,682
Accounts payable to political subdivisions		57,918
Due to other state agencies		3,565
Unearned revenue		148,262
Accrued interest payable		23,950
Noncurrent liabilities:		
Due within one year		262,674
Due in more than one year		4,495,571
Total liabilities		5,462,143
DEFERRED INFLOWS OF RESOURCES:		
Deferred concession arrangement receipts		50,945
Deferred amount for pensions		83,560
		134,505
NET POSITION:		
Net investment in capital assets		14,472,903
Unrestricted deficit		(1,450,994)
Total net position	$	13,021,909

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

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Activities
For the Fiscal Year Ended June 30, 2015
(*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	$ 624,378	$ 7,133	$ 7,967	$ 3,289	$ (605,989)
State Highway Administration	1,399,446	46,435	13,738	520,195	(819,078)
Port Administration	126,885	52,411	-	1,105	(73,369)
Motor Vehicle Administration	213,896	4	10,711	995	(202,186)
Transit Administration	937,286	142,363	59,046	184,355	(551,522)
Aviation Administration	337,596	339,958	776	31,907	35,045
Interest on long-term debt	69,902	-	-	-	(69,902)
Total governmental activities	3,709,389	588,304	92,238	741,846	(2,287,001)
General revenues:					
Motor vehicle taxes and fees					1,465,022
Motor fuel taxes and fees					918,483
Corporation income tax share					166,051
State sales tax					30,788
Unrestricted investment earnings					2,096
Other revenue					64,516
Total general revenues					2,646,956
Change in net position					359,955
Net position, July 1, 2014, as restated					12,661,954
Net position, June 30, 2015					$ 13,021,909

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, 2015
(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund Debt Service	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 310,851	$ -	$ 310,851
Cash and cash equivalents - restricted	12,808	-	12,808
Taxes receivable, net	140,711	-	140,711
Intergovernmental receivable	214,145	-	214,145
Other accounts receivable	48,749	-	48,749
Due from other state agencies	146,923	-	146,923
Inventories	93,356	-	93,356
Prepaids	104,491	-	104,491
Total assets	1,072,034	-	1,072,034
LIABILITIES & FUND BALANCES:			
Liabilities:			
Salaries payable	32,521	-	32,521
Accounts payable	437,682	-	437,682
Accounts payable to political subdivisions	57,918	-	57,918
Due to other state agencies	3,565	-	3,565
Unearned revenue	45,822	-	45,822
Total liabilities	577,508	-	577,508
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue	138,261	-	138,261
FUND BALANCES:			
Nonspendable fund balance:			
Inventories	93,356	-	93,356
Prepaid items	104,491	-	104,491
Committed fund balance:		-	-
Encumbrances	27,930		
Assigned fund balance:			
Agency activities	677	-	677
Transportation programs	129,811	-	129,811
Total fund balances	356,265	-	328,335
Total liabilities, deferred inflows and fund balances	$ 1,072,034	$ -	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.			17,411,981
Energy savings assets			3,178
Accrued interest payable on bonds and capital leases			(23,950)
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			138,261
Advance rental payment			(102,440)
Deferred amount on refunding bonds			24,397
Bonds payable			(2,020,250)
Capital leases			(628,650)
Pollution liability			(156,161)
MTA OPEB liability			(311,916)
Net pension liability			(1,261,241)
Premium on bonds not liquidated with current financial resources			(213,439)
Workers' compensation costs			(64,686)
Energy savings liability			(50,191)
Compensated absences			(51,711)
Deferred outflows and inflows related to pensions			23,407
Deferred concession receipts			(50,945)
Net position of governmental activities			$ 12,993,979

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, 2015
(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund Debt Service	Total Governmental Funds
REVENUES:			
Taxes:			
Motor vehicle taxes and fees	$ 1,465,022	$ -	$ 1,465,022
Motor vehicle fuel taxes and fees	918,483	-	918,483
Revenue sharing of state corporation income tax	166,051	-	166,051
Revenue sharing of state sales tax	30,788	-	30,788
Federal reimbursements	833,040	-	833,040
Charges for services	460,668	-	460,668
Passenger facility charges	44,745	-	44,745
Customer facility charges	12,733	-	12,733
Special parking revenues	52,551	-	52,551
Investment earnings	2,090	6	2,096
Other	61,665	1,719	63,384
Total revenues	4,047,836	1,725	4,049,561
EXPENDITURES:			
Current:			
Department administration, operating, and maintenance expenditures:			
Secretary's Office	157,145	-	157,145
State Highway Administration	357,187	-	357,187
Port Administration	101,388	-	101,388
Motor Vehicle Administration	200,427	-	200,427
Transit Administration	744,199	-	744,199
Aviation Administration	232,975	-	232,975
Intergovernmental:			
Highway user revenue distributions and federal fund pass-thru to local subdivisions	253,401	-	253,401
Washington Metropolitan Area Transit Authority Grants	441,964	-	441,964
Distributions to other state agencies	19,926	-	19,926
Debt service:			
Principal repayment	-	152,415	152,415
Interest	-	79,989	79,989
Issuance expenditures	-	-	-
Capital outlay	1,746,878	-	1,746,878
Total expenditures	4,255,490	232,404	4,487,894
Excess of expenditures over revenues	(207,654)	(230,679)	(438,333)
OTHER FINANCING SOURCES (USES):			
Issuance of debt	401,535	-	401,535
Refunding of Transportation Bonds	259,715	-	259,715
Premium on bonds	91,557	-	91,557
Payments to Refunded bond escrow agent	(301,412)	(30,000)	(331,412)
Capital leases	40,000	-	40,000
Advanced lease payments	(34,267)	-	(34,267)
Debt service transfer	(248,348)	248,348	-
Total other financing sources and uses	208,780	218,348	427,128
Net change in fund balances	1,126	(12,331)	(11,205)
Fund balances, July 1, 2014	355,139	12,331	367,470
Fund balances, June 30, 2015	$ 356,265	$ -	$ 356,265

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, 2015
(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 39)		$ (11,205)
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	$ 1,746,878	
Loss on disposal of assets	(3,246)	
Depreciation expense	(1,037,949)	
		705,683
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue	$ 18,651	
Amortization of advance rental payments	2,227	
		20,878
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.		
Net premium on bonds	$ (77,272)	
Principal repayment of bonds	453,670	
Debt Issued, transportation bonds	(661,250)	
Capital lease liability	(34,348)	
		(319,200)
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	$ 6,561	
Compensated absences	(1,052)	
Energy savings liability	3,963	
Workers compensation	2,358	
State Net pension liability	59,553	
MTA Net pension liability	(50,219)	
MTA OPEB obligation	(44,852)	
Energy savings asset	(831)	
Other	15,720	
		(8,799)
Deferred financing inflows (outflows)		
Pension expense	$ (28,534)	
Amortization of assets	1,132	
		(27,402)
Change in net positon of governmental activities (page 37)		$ 359,955

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, 2015
(amounts expressed in thousands)

	Maryland Transit Administration Pension Plan Trust Fund	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 932	$ 15,923
Investments, at fair value:		
Equity securities pool	84,858	-
Fixed income pool	47,067	-
Alternative investments pool	92,037	-
Real estate pool	9,990	-
Total investments	233,952	15,923
Contributions receivable	2,961	-
Total assets	237,845	15,923
LIABILITIES:		
Accounts payable	-	15,923
		$ -
NET POSITION:		
Held in trust for pension benefits	$ 237,845	

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, 2015
(amounts expressed in thousands)

		Maryland Transit Administration Pension Plan Trust Fund
ADDITIONS:		
Contributions from employer		$ 38,361
Investment earnings:		
Interest income	$14,045	
Net depreciation in fair value of investments	(5,766)	
Net investment earnings		8,279
Total additions		46,640
DEDUCTIONS:		
Benefit payments		30,636
Administrative expenses		1,851
Total deductions		32,487
Change in net postion		14,153
Net positon, July 1, 2014		223,692
Net position, June 30, 2015		$ 237,845

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

MARYLAND DEPARTMENT OF TRANSPORTATION
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 State's 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 statutorily created transportation agencies included in the Department are the Maryland Aviation Administration (MAA), Maryland Port Administration (MPA), Motor Vehicle Administration (MVA), Maryland Transit Administration (MTA), State Highway Administration (SHA) and the Secretary's Office (TSO).

The accompanying financial statements include the Department, which has no component units. The Maryland Transportation Authority (Authority) is a separate entity with separate fiscal operations and management, and accordingly, is excluded from *The Financial Reporting Entity* of the Department, since it does not qualify for inclusion under Governmental Accounting Standards Board (GASB) Statement No. 14, because it is not financially accountable to the Department.

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.

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.

Separate financial statements are provided for the fiduciary fund (MTA Pension Plan Trust Fund).

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 June motor vehicle fuel taxes and titling taxes 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 State’s sales tax, 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 categories of transportation bonds are serviced from the resources of the Department. The particular taxes and other designated revenues are dedicated to the payment of transportation bonds and constitute the sole sources to which holders of 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:
Pension Trust Fund:
The pension trust fund accounts for the activities of the MTA Pension Plan (the MTA Plan), which accumulates resources for pension benefit payments to qualified Maryland Transit Administration

employees. The pension trust fund accounts for plan assets at their fair value. Additional information regarding the MTA Pension Plan is included in Note 15. 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, 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 alternative county transportation bond program. 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. Change in Accounting Principles and Restatement of Beginning Balances
GASB 68
Net position of governmental activities has been restated by negative $1,038,000, due to the implementation of GASB Statement No. 68 in recording the beginning net pension liability and the beginning deferred outflow of resources, contribution subsequent to the measurement date for all the defined benefit pension plans.

E. New Pronouncements:
The Department has adopted the provision of Governmental Accounting Standard Board (GASB Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* As part of GASB 68 the Department is required to record its net funded pension liability.

GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operation*, and GASB Statement No. 70, entitled Accounting and Financial Reporting for Nonexchange Financial Guarantees. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

The, GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application;* Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68;* GASB Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans;* GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions;* GASB Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government; and* GASB Statement No. 77; entitled, *Tax Abatement Disclosures,* 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 will be analyzing the effects of these pronouncements 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 or Equity

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 Pension Trust Fund are maintained by the State Retirement and Pension System of Maryland (System) on a pooled basis. The System, in accordance with Article 73B, Section 160 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 law further provides that not more than 15% of the assets that are invested in common stocks may be invested in non-dividend paying common stock. 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 Authority and the State's General Fund are reported as due from other state agencies. Amounts representing balances due to the Authority 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 financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or debt.

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 (like for debt service items), (3). Committed fund balance (like for encumbrances), and (4). Assigned fund balance (like for loans receivable, agency activities and other function related activities) for 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 all year-end but are payable form 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. <u>Reconciliation of Government-wide and Fund Financial Statements</u>:

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 presents formats that 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. Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components—net investment in capital assets; restricted (distinguishing between major categories of restrictions); and unrestricted.

4. <u>Deposits and Investments</u>:

As of June 30, 2015, the Department had the following investments:

(amounts expressed in thousands)

Investment Type	Fair Value
Money Markets - Agency Funds	$ 15,923
Pooled investments - Pension Trust Fund	233,952
State Treasurer's pooled – Special Fund	310,851
Restricted investment– Special Fund	12,808
Total investments at fair value	$ 573,534

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 (Treasurer) policy on all of the Department's investments. The 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 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 Treasurer's policy, which requires that the Treasurer's investments in 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 Treasurer's policy, which states the investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Other than that, there is no limit on the amount that may be invested in any one issuer.

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 to it. 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 does not have a formal deposit policy for custodial credit risk, but follows the Treasurer's policy that states the Treasurer may deposit in a financial institution in the State any unexpended or surplus money in which the Treasurer has custody. As of June 30, 2015, none of the Department's bank balance was uninsured or uncollateralized; none was uninsured or collateralized with securities held by the pledging financial institution; and none were uninsured or collateralized with securities held by the pledging financial institution's trust department or fiscal agent, but not in the Department's name. The Treasurer (i.e., law, regulation or formal policy) defines the types of securities authorized as appropriate investments for the Department and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

As of June 30, 2015 the Department reported a total of $12,808,000 in *Cash and cash equivalents – restricted* on the Department's balance sheet. This amount consists of restricted cash for the construction retainages related to the SHA road projects.

The Treasurer authorizes the Department to invest in obligations of the U.S. Treasury including bills, notes, and bonds; obligations of U.S. agencies and instrumentalities; 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 Treasurer; and Maryland local government pooled with short-term investments.

5. Receivables and Unearned Revenue:

The Department's receivables as of June 30, 2015 for the individual funds were as follows:

(amounts expressed in thousands)

Receivables	Special Revenue
Taxes receivable	$ 140,711
Intergovernmental receivable	214,145
Other accounts receivable	48,749
Due from other state agencies, net	146,923
Net total receivables	$ 550,528

The Department's Taxes receivable consist of receivables recorded at year-end for the Motor Vehicle Fuel Tax Division in the amount of $95,063,000 and the MVA's titling tax in the amount of $45,648,000. The Department's Intergovernmental receivables consist of receivables from the Federal government in the amount of $206,280,000 and from the local subdivisions in the amount of $7,865,000. The Department's other accounts receivable, of $48,749,000; consist of miscellaneous receivables recorded at fiscal year-end across the Department.

A balance of $40,929,000 is reported as Due from other state agencies in the Special Revenue Fund for the amount due from the State Comptroller's Revenue Administration Division for cash transfers not transferred to the Department as of June 30, 2015. Also included in Due from other state agencies is the amount $94,710,000, for the amount due from the Authority for Passenger Facility Charge (PFC), Customer Facility Charge (CFC) and special parking revenue collections; $6,163,000 is reported as Due from other state agencies in the Special Revenue Fund for the amount due from the Authority for the ICC project; $5,121,000 is reported as Due from other state agencies, which is due from the Maryland Department of Budget and Management (DBM) for the health benefits refund. Also included in Due from other state agencies on the Statement of Net Position is the amount for the Department's Energy Performance Contract (EPC) as of June 30, 2015, in the amount of $3,178,000.

The Department's unearned revenue in connection with resources that have been received, but not yet earned was $148,262,000 as of June 30, 2015. The Department reported unearned revenue for customer prepayments of future airport services to be provided by the MAA in the amount of $2,650,000, $14,000 motor vehicle refunds by the MVA, $43,158,000 for revenues collected by the SHA for advanced contract payments and $102,440,000 for advanced rental payments related to MPA's service concession agreement.

As of June 30, 2015, the Department also reported unearned revenue in the governmental funds in the amount of $45,822,000 for unearned customer prepayments. Unavailable revenue was comprised of $94,710,000 for the balance in the MAA PFC's and CFC Improvement Funds and $43,551,000 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, 2015, were as follows:

(amounts expressed in thousands)

Transfers In	Transfers Out	Amount
Debt service fund	Special revenue fund	**$ 248,348**

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, 2015 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 $3,565,000. This represents the amount due to the State's General Fund for motor vehicle fuel tax, hazmat program, auto safety and commercial vehicle enforcement which was not transferred as of June 30, 2015.

8. Capital Assets:

The Department's Capital assets activity by asset classification, including accumulated depreciation, for the year ended June 30, 2015, was as follows:

(amounts expressed in thousands)

Capital Assets - Governmental activities	Balance July 1, 2014	Increases	Decreases	Transfers In (Out)	Balance June 30, 2015
Capital Assets not depreciated:					
Land	$ 2,552,170	$ 9,105	$ (1,482)	$ 32,049	$ 2,591,842
Construction in progress	2,884,825	948,788	-	(390,345)	3,443,268
Total capital assets not depreciated	5,436,995	957,893	(1,482)	(358,296)	6,035,110
Capital assets depreciated:					
Building & improvements	2,600,749	34,202	(979)	168,137	2,802,109
Machinery & equipment	2,137,307	70,760	(28,404)	39,850	2,219,513
Infrastructure	21,307,084	684,023	(3,641)	150,309	22,137,775
Seagirt Assets	54,341	-	-	-	54,341
Total capital assets depreciated	26,099,481	788,985	(33,024)	358,296	27,213,738
Accumulated depreciation for:					
Building & improvements	(1,244,181)	(82,041)	50	-	(1,326,172)
Machinery & equipment	(1,472,642)	(121,381)	27,686	-	(1,566,337)
Infrastructure	(12,111,091)	(833,395)	3,524	-	(12,940,962)
Seagirt Assets	(2,264)	(1,132)	-	-	(3,396)
Total accumulated depreciation	(14,830,178)	(1,037,949)	31,260	-	(15,836,867)
Net capital assets after depreciation	11,269,303	(248,964)	(1,764)	358,296	11,376,871
Net total capital assets – governmental activities	$16,706,298	$ 708,929	$ (3,246)	$ -	$ 17,411,981

Depreciation expense on capital assets charged to the Department's modal administration/functions in the Statement of Activities as of June 30, 2015, was as follows:

(amounts expressed in thousands)

Depreciation Expense - Governmental Activities	
Secretary's Office	$ 5,197
State Highway Administration	788,858
Port Administration	24,666
Motor Vehicle Administration	13,469
Transit Administration	125,790
Aviation Administration	79,969
Total depreciation expense - governmental activities	$ 1,037,949

9. Service Concession Arrangement:

The Department implemented GASB Statement No. 60 'Accounting and Financial Reporting for Service Concession Arrangements' as of July 1, 2012. The Department has entered into a long-term lease with Ports America Corporation (PAC) to manage, operate and maintain the Dundalk Marine terminal. These agreements satisfy the criteria established to be considered service concession arrangements (SCAs). 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, 2015, the Capital assets, net accumulated depreciation and deferred service concession arrangement receipts were $50,945,000.

10. Long-term Liabilities:

Changes in long-term liabilities:

The Department's long-term liability activity for the year ended June 30, 2015, was as follows:

(amounts expressed in thousands)

Governmental activities:	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Due Within One Year
Transportation bonds*	$ 1,812,670	$ 661,250	$(453,670)	$ 2,020,250	$ 174,165
Capital leases*#	594,302	74,267	(39,919)	628,650	41,901
Pollution obligations	156,161	-	-	156,161	-
MTA OPEB obligations	267,064	44,852	-	311,916	-
State Employees' Plan Net pension liability	640,527	-	(59,553)	580,974	-
MTA Net pension liability	630,048	50,219	-	680,267	-
Premium on bonds*	136,167	91,557	(14,285)	213,439	23,782
Worker's compensation costs	67,044	12,954	(15,312)	64,686	10,392
EPC obligations*	54,154	-	(3,963)	50,191	4,094
Compensated absences	50,659	34,086	(33,034)	51,711	8,340
Total long-term liabilities – governmental activities	$ 4,408,796	$ 969,185	$(619,736)	$ 4,758,245	$ 262,674

Note: * 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. # Capital lease additions consist of the new lease, in the amount of $40,000,000, and were added to the monies held by the trustee for construction costs, in the amount of $34,267,000.

The Treasurer's Office negotiated financing for the EPC obligations in the amount of $54,154,000; certain agencies have a Maryland Energy Administration (MEA) State Agency Loan Program (SALP) loan totaling $5,151,000. The current portion that is due within one year is the principal due to the Treasurer's Office in the amount of $3,616,000 and the agencies SALP portion in the amount of $478,000; see footnote 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, 2015.

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 law, the

General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these 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, 2015, was $2,530,255,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2015, was $2,020,250,000. Consolidated Transportation Bonds are paid from the Debt Service Fund.

The Department's Transportation Bonds outstanding as of June 30, 2015, were as follows:

(amounts expressed in thousands)

	Interest Rates	Amount
Consolidated Transportation Bonds - due serially through 2030 – for state transportation activity	2.0-5.5%	$1,622,645
Consolidated Transportation Bonds, refunding – due serially through 2030 – for state transportation activity	5.0%	397,605
Total consolidated transportation bonds		$2,020,250

Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporate income tax and a portion of the State sales tax 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 Bonds 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 the participating counties' and Baltimore City's share of highway user revenues. Legislation was enacted during the 1993 session of the General Assembly that established an alternative county transportation bond program. This new legislation provides features similar to the previous program except that the county transportation debt will be the obligation of the participating counties rather than the Department. Unexpended bond proceeds in the amount of $3,680,000 and certain debt service sinking fund amounts aggregating $12,233,000 were invested in money market accounts as of June 30, 2015. 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. $87,860,000 in County Transportation Revenue Bonds was outstanding on June 30, 2015.

On February 26, 2014 consolidated transportation bonds in the amount of $265,535,000 were issued by the Department with a premium of $35,526,000. These bonds are dated February 26, 2014 with maturities ranging from February 1, 2018 to February 1, 2030 at interest rates ranging from 2.8-5.0%. On June 18, 2015, consolidated transportation bonds in the amount of $136,000,000 were issued by the Department with a premium of $13,927,000. These bonds are dated June 18, 2015 with maturities ranging from June 1, 2018 to June 1, 2030 at interest rates ranging from 3.0% to 5.0%. Also on June 18, 2015 consolidated transportation refunding bonds in the amount of $259,715,000 were issued by the Department with a premium of $42,105,000. These bonds are dated June 18, 2015 with maturities ranging from February 15, 2016 to February 15, 2023 at an interest rate of 5.0%. The net proceeds of these refunding bonds were used to purchase open market securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and liabilities for these bonds have been extinguished. The aggregate difference in debt and refunding debt is $58,815,000. The economic gain on the transaction is $21,119,000. As of June 30, 2015, the Department has $301,255,000 of defeased debt outstanding.

Annual debt service requirements to maturity for transportation bonds in future years are as follows:

(amounts expressed in thousands)

Years Ending June 30,	Consolidated Transportation Bonds-Principal	Consolidated Transportation Bonds-Interest	Total Transportation Bond Debt Service Requirements
2016	$ 174,165	$ 83,829	$ 257,994
2017	207,185	80,577	287,762
2018	221,710	70,617	292,327
2019	182,375	60,513	242,888
2020	152,340	51,883	204,223
2021-2025	715,920	151,901	867,821
2026-2030	366,555	35,198	401,753
Total	$ 2,020,250	$ 534,518	$ 2,554,768

12. <u>Operating and Capital Leases</u>:

Operating Leases:

The Department leases office space under various agreements that are accounted for as operating leases. Rent expense under these agreements was $3,514,000 for the year ended June 30, 2015.

The future minimum operating lease payments under these agreements as of June 30, 2015, were as follows:

(amounts expressed in thousands)

Years Ending June 30,	Operating Leases Future Minimum Payments
2016	$ 2,717,234
2017	2,615,280
2018	2,539,451
2019	2,463,623
2020	2,229,005
2021-2025	4,243,838
2025-2029	346,311
Total operating leases	$ 17,154,743

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 Maryland Transportation Authority for the financing of various aviation projects. The Department has reported obligations under capital leases of $628,650,000, as of June 30, 2015. 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, 2015, were as follows:

- $13,485,000 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%;
- $10,230,000 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%;
- $2,500,000 in obligations related to Certificates of Participation for the BWI Marshall Airport Shuttle Bus Fleet Acquisition, Series 2004, issued on October 7, 2004, at annual interest rates ranging from 2.75-3.60%;
- $17,795,000 in obligations related to Certificates of Participation for the Maryland Port Administration Facility Project, Series 2006, issued on June 14, 2006, at annual interest rates ranging from 4.25-5.25%;
- $7,147,000 for the Authority's financing of the MPA's Masonville Automobile terminal at an annual interest rate of 5.5%;
- $167,420,000 for the Maryland Economic Development Corporation bond issuance for the Maryland Aviation Facilities, issued on April 3, 2003, at annual interest rates ranging from 4.5-5.5%;
- $16,690,000 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%;
- $147,654,000 on long-term obligations related to the financing of 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%; the total liability is $159,860,000 (less monies the Authority's trustee is holding);
- $84,522,000 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 Authority in the amount of $117,345,000 on June 18, 2002, at annual interest rates ranging from 2.74-6.65%; the total liability is $93,785,000;
- $43,458,000 minimum payments, for the financing of certain airport facilities project located at BWI Marshall Airport including construction of a connector hallway between Concourse 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%. As of June 30, 2015, the total liability is $45,405,000 (less monies the Authority's trustee is holding);
- $108,111,000 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 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, 2015, the interest rate on the variable rated bonds was .067%. Total liability is $124,440,000 (less monies the Authority's trustee is holding).

- $9,638,000 on long-term obligation related to the financing of BWI Marshall Airports construction of a connector hallway between Concourse C and D. Bonds were issued by the Maryland Transportation Authority on December 18, 2014 in the amount of $40,000,000 at annual interest rates were ranging from 3.0% to 5.0%. As of June 30, 2015 the total liability was $39,380,000 (less monies the Authority's Trustee is holding).

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, 2015, were as follows:

(amounts expressed in thousands)

Years Ending June 30,	Amount	
2016	$ 69,535	
2017	68,156	
2018	66,590	
2019	66,510	
2020	66,512	
2021-2025	305,013	
2026-2030	223,482	
2031-2035	64,732	
Total minimum lease payments	930,530	
Less: amount representing interest	232,393	(a)
Less: funds held by bond trustee	69,487	(b)
Value of minimum lease payments	$ 628,650	

(a) The interest represents 37% of the total minimum lease principal payments due.
(b) The reduction shown in the amount of $69,487,000 are monies held by the bond trustee on behalf of the Maryland Transportation Authority to be used for construction and Debt service reserve fund expenditures.

The capital assets acquired through capital leases as of June 30, 2015 were as follows:

(amounts expressed in thousands)

Capital Asset		Amount
Construction in progress	$	169,374
Land and improvements		16,569
Buildings and improvements		1,006,288
Machinery and equipment		23,427
Infrastructure		288,187
Total acquired capital assets		1,503,845
Less: accumulated depreciation		450,129
Total capital assets – net	$	1,053,716

13. <u>Pollution Remediation Obligations</u>:

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, 2015, 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 Environmental 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, 2015.

14. Other Postemployment Benefits (OPEB):

State Employee and Retiree Health and Welfare Benefits Program of Maryland:

Plan Description:

The members of the Maryland State Retirement, Pension and Law Enforcement Officers' Systems and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (OPEB Plan). The OPEB Plan is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The OPEB Plan is self-insured to provide medical, hospitalization, prescription drugs and dental insurance benefits to eligible State employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the DBM. In addition, the Secretary of DBM shall specify 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.

Effective June 1, 2004, the State of Maryland established the Postretirement Health Benefits Trust Fund (OPEB Trust) as a separate entity to receive appropriated funds and contributions which will be used to assist the OPEB Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is established in accordance with the State Personnel and Pensions Article, Section 34-101, of the Annotated Code of Maryland and is administered by the Board of Trustees for the State Retirement and Pension System. Financial statements of the OPEB Trust may be obtained from the Office of the Maryland Comptroller, Treasury Building, Annapolis, MD 21401. A separate valuation is not performed by the Department. The Department's only obligation to the OPEB Plan is its required annual contribution.

Funding Policy:
The contribution requirements of the OPEB Plan members and the State are established by the DBM Secretary. Each year the DBM Secretary recommends to the Maryland Governor the State's share of the costs of the OPEB Plan. Beginning in fiscal year 2008, Maryland State law requires DBM to transfer any subsidy received as a result of the Federal Medicare Prescription Drug Improvement Act of 2003 or a similar subsidy to the OPEB Trust to prefund the costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget to transfer to the OPEB Trust.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with at least five years of creditable service, ended State service with at least 10 years of creditable service and within five years before the age at which a vested retirement allowance normally would begin or ended State service with at least 16 years of creditable service. Based on current practice, the State subsidizes approximately 50-85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The OPEB Plan is a cost sharing plan with the State of Maryland and assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for current employees. The Department's share of these retirees' health insurance costs were $23,419,000 for the year ending June 30, 2015, and was included in the health care costs allocated to all participating employers.

The Schedule of MDOT's Employer Contributions for the OPEB Plan is as follows:

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Annual Contribution Paid	Net OPEB Obligation	Percentage Contributed
2013	$ 28,981	$ 28,981	$ -	100.0 %
2014	21,798	21,798	-	100.0
2015	23,419	23,419	-	100.0

Maryland Transit Administration Pension Plan - OPEB:
Plan Description:
The members of the MTA Plan are provided post-employment health care benefits through the State Employee and Retiree Health Plan or the MTA Health Plan. The MTA currently funds retirees' health care cost on a pay-as-you-go basis. As retirees incur expenses, the MTA 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 provides health care coverage for nearly 1300 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 OPEB 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 healthcare benefits including Medical (PPO or HMO), 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
5. Surviving spouse subsidized benefit for 3 years

Annual OPEB Costs and Net OPEB Obligation:
The Department's annual OPEB cost, related to the MTA Plan, is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of accounting principles generally accepted in the United States of America. The ARC 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.

The annual OPEB cost and net OPEB obligation for the MTA Plan as of June 30, 2015 was:

(amounts expressed in thousands)

Annual required contribution (ARC)	$	67,496
Interest on OPEB obligations		11,350
Adjustment to the OPEB cost		(20,089)
Annual OPEB cost		58,757
Contributions made in current fiscal year		(13,905)
Increase in OPEB obligation		44,852
Net OPEB obligation beginning of year		267,064
Net OPEB obligation end of fiscal year	$	311,916

The three-year historical trend information for the MTA Plan is as follows:

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Annual OPEB Cost	Annual Contribution Paid	Net OPEB Obligation	Percentage Contributed
2013	$ 65,864	$ 14,147	$ 221,003	21.5 %
2014	64,444	18,383	267,064	28.5
2015	58,757	13,905	311,916	23.7

Funded Status and Funding Progress:
The funded status of the OPEB Plan for the MTA Plan is as follows:

(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	Percentage of UAAL over Covered Payroll
6/30/2011	$ -	$527,679	$ 527,679	$147,474	357.8 %
6/30/2013	-	670,833	670,833	137,596	487.5
6/30/2015	-	607,063	607,063	137,427	441.7

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 are 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 efforts 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 Plan as of June 30, 2015, was as follows:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Closed, level dollar
Amortization Period:	20 years (as of July 1, 2014)
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Discount Rate:	4.25%
Medical Trend:	7.70% in FY2015 decreasing to 4.5% over 11 years
Dental/Vision Trend:	4.5% per annum

15. Retirement Systems and Pension Plans:

State Retirement and Pension System of Maryland:

The Department contributes to the State Retirement and Pension System of Maryland (System), 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:
Certain employees of the State are provided with pensions through the System. The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of the System to the System's Board of Trustees. The System issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits provided:
A member of the System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance

equals 1/55 (1.81%) of the member's average final compensation (AFC), which is the member's highest three-year average final salary, multiplied by the number of years of accumulated creditable service. An individual who is a member of the System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from the System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement:
A member of the System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for the System member is 30%.

An individual who is a member of either the System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the System is 42%. An individual who becomes a member of the System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the System is 30%.

Disability and Death Benefits:
Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions:
The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the System's Board. Employees are required to contribute 7% of their annual pay. The Department's contractually required contribution rate for the System for the year ended June 30, 2015, was approximately $52,723,000, 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 approximately $52,723,000 for the year ended June 30, 2015.

As of June 30, 2015, the Department reported a liability of approximately $580,974,000 for its proportionate share of the Systems net pension liability. The Department's net pension liability was measured as of June 30, 2014, 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 Systems 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, 2015, the Department's proportion for the System was 3.27%, which was substantially the same from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Board recognized pension expense for the System of approximately $1.0 million. As of June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to System from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 8,404	$ -
Contribution after measurement date	83,560	-
Net difference between projected and actual earning on pension plan investments	-	63,591
Total	$ 91,964	$ 63,591

The amount reported as deferred outflows of resources related to System resulting from the Department's contributions subsequent to the measurement date was $83,560,000 and will be recognized as a reduction of the System net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to System will be recognized in pension expense as follows: Changes in assumptions: Fiscal years 2016-2019, $2,101 per year; Difference between projected and actual earnings on pension plan investments: Fiscal years 2016-2019, $15,898 per year.

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 7.65% is $580,974,000. 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 (6.65%) is $836,311,000 or 1-percentage-point higher (8.65%) is $365,891,000.

Maryland Transit Administration Pension Plan:
Plan description:
The MTA Pension Plan (the Plan) is a single employer noncontributory plan that covers all MTA employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The 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 Plan prepares separate audited Financial Statements, which can be obtained from the 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 Plan.

As of June 30, 2015, the Department reported a liability of approximately $680,267,000 for its proportionate share of the Plan's net pension liability. The Department's net pension liability was measured as of June 30, 2014, 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 Plan 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, 2015, the Department's proportion for the Plan was 25.12%, which was substantially the same from its proportion measured as of July 1, 2014.

For the year ended June 30, 2015, the Plan recognized pension expense for the Plan of approximately $59.7 million. As of June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to System from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 16,818
Changes of Assumptions	45,840	-
Net difference between projected and actual earning on pension plan investments	-	3,151
Total	$ 45,840	$ 19,969

The amount reported as deferred outflows of resources related to the Plan resulting from the Department's contributions subsequent to the measurement date was $50,219,000 and will be recognized as a reduction of the Plan's net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows: Changes in assumptions: Fiscal years 2016-2019, $7,640,000 per year; Difference between projected and actual earnings on pension plan investments: Fiscal years 2016-2019, ($2,803,000) per year.

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

The Plan's net pension liability calculated using the discount rate of 4.75% is $680,267,000. 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 (3.75%) is $802,198,000 or 1-percentage-point higher (5.75%) is $578,210,000.

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

16. Risk Management and Insurance:

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, 2015.

The Department's workers' compensation self-insurance program is administered by the Injured Worker's Insurance Fund 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, as of June 30, 2015, were $64,686,000.

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, 2015	Fiscal Year Ended June 30, 2014
Unpaid claims, beginning of fiscal year	$ 67,044	$ 63,913
Incurred claims and changes in estimates	12,954	18,893
Claim payments	(15,312)	(15,762)
Total unpaid claims, end of fiscal year	$ 64,686	$ 67,044

Insurance:

The operations of the MAA, MPA and MTA are covered by commercial liability insurance policies and many claims are handled by the Department's insurance carriers. The MAA's two facilities, Baltimore Washington International Thurgood 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.

The 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.

The MTA operations are covered by $495,000,000 in excess liability insurance over and above the MTA's $5,000,000 self-insurance retention. For CSX and Amtrak commuter service, the MTA has purchased insurance to cover its contractual obligations. The insurance provides coverage for excess liability claims of $5,000,000 to $495,000,000; claims under $5,000,000 are self-insured by the MTA. However, to comply with the provisions of the operating agreement with CSX, the MTA has entered into a $5,000,000 standby letter of credit against which CSX may draw in the event claims exceed, in the aggregate for an occurrence, the amount of $250,000. No claims were made against the letter of credit during the current fiscal year. In addition, the excess liability policies provide punitive damages liability coverage and Federal Employee Liability Act coverage to CSX arising from commuter rail operations for claims ranging from $5,000,000 to $495,000,000.

The amount of any settlements, within the Department, did not exceed the insurance coverage in each of the past three 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 under the established self-insurance program.

17. Energy Performance Contract (EPC):

The Department of General Services (DGS) implemented an Energy Performance Contract program for the Department in fiscal year 2011, with a goal to reduce Maryland's energy consumption through energy efficiency projects. The 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, MTA, MAA and the MPA participated in the EPC. MPA is the only remaining administration in construction and should be fully completed in fiscal year 2015. The assets related the project for the fiscal year ended June 30, 2015, are included on the Department's Statement of Net Position in the amount of $47,013,000 and due from EPC Assets for $3,178,000. As of June 30, 2015, the total amount due in long-term liability for EPC obligations is $50,191,000.

18. Commitments:

As noted in Note 2, encumbrance accounting is used to account for outstanding commitments for open purchase orders and unfulfilled contracts in governmental funds. Amounts related to encumbrances are reported in the special revenue fund in the amount of $27,930,000 as of June 30, 2015.

The Department has active construction commitments outstanding as of June 30, 2015 of approximately $3,753,816,000, principally for construction of highway, port, motor vehicle, aviation and transit projects. Approximately 29.71% 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, 2015, the Department's commitments with contractors were as follows:

(amounts expressed in thousands)

Construction projects	Spent-to-date	Remaining commitment
Highway construction	$1,866,662	$2,301,310
Port construction	568,457	335,312
Motor vehicle construction	15,775	171,174
Transit construction	466,921	395,364
Aviation construction	584,496	550,656
Total projects	$3,502,311	$3,753,816

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 2015, 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 the 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, 2015, the Department estimates that no material liabilities will result from such audits.

21. Passenger Facility Charges (PFC):

The Aviation Safety and Capacity Expansion Act of 1990 (the "1990 Safety Act"), enacted by the United States Congress ("Congress"), allows a public agency to impose an airport Passenger Facility Charge 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 (the "FAA"). The 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 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 PFC approved 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 PFC approved projects (see note 12 Operating and Capital Leases). PFC collections not needed for debt service are used for PFC approved paygo projects.

The MAA received FAA approval in July 1992 to collect PFCs for four projects. The MAA amended its PFC program in April 1994 to increase the total to six projects. The FAA approved additional applications for PFC eligible projects in June 2006, July 2007, February 2008, September 2010, March 2012, September 2012, and October 2014.

22. **Rent Revenue:**

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, Baltimore, Maryland, pursuant to various operating leases. The Department's total minimum future rental revenues totaled $624,575,000 as of June 30, 2015 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 $170,067,000 for the year ended June 30, 2015. Assets of the Department under lessor operating lease agreements, totaling $554,666,000 are included in the Capital assets, net of accumulated depreciation in the amount of $707,440,000 on the Statement of Net Position.

Minimum future rental revenues for the Department are as follows:

(amounts expressed in thousands)

Year Ending June 30,		Operating Leases Minimum Future Rental Revenues
2016	$	132,540
2017		125,711
2018		121,162
2019		118,825
2020		30,588
2021-2025		89,666
2026-2030		6,083
Total	$	624,575

23. **Net Position/Fund Balance:**

The unrestricted deficit for the governmental activities on the government-wide statement of net position is $1,450,994,000.

Nonspendable fund balance is reported for a portion of the Special Revenue Fund balance in the amount of $93,356,000 that is for inventories of supplies, while the amount of $104,491,000 is recorded for prepaid items as of June 30, 2015.

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 encumbrance balance in the amount of $27,930,000, as of June 30, 2015.

Assigned fund balance is reported in the amount of $677,000 as of June 30, 2015 and represents non-budgeted agency activities. The amount that represents the balance in the Department's Transportation Trust Fund for future transportation programs is $129,811,000 as of June 30, 2015.

24. Contingent Liabilities:

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, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability- Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio (percent)	Covered Payroll	Unfunded Actuarial Accrued Liability as Percentage of Covered Payroll
2011	$ -	527,679	527,679	-	147,474	357.81
2013	-	670,833	670,833	-	137,596	487.54
2015	-	607,063	607,063	-	137,427	441.73

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

Year Ended June 30,	Annual Required Contribution	Annual Contribution Paid	Percentage of Required Contributions
2009	$ 43,900	$ 10,100	23.0 %
2010	45,500	10,900	24.0
2011	51,268	14,230	27.8
2012	55,852	15,103	27.0
2013	65,864	14,147	21.5
2014	64,444	18,383	28.5
2015	58,757	13,905	23.7

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									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Total Pension Liability:										
Service Cost									$ 19,438	$ 24,718
Interest				Information not available for earlier than FY2013					43,472	39,236
Difference between expected and actual experience									4,025	(19,621)
Changes of assumptions									38,643	53,480
Benefit payments, including refunds of member contributions									(32,598)	(30,636)
Net change in total pension liability									$ 72,980	$ 67,177
Total pension liability - beginning									768,371	841,351
Total pension liability - ending (a)									$841,351	$908,528
Plan fiduciary net position:										
Contributions - employer									$ 39,749	$ 35,400
Contributions - member									-	-
Net investment income									15,783	14,045
Benefit payments, including refunds of member contributions									(32,598)	(30,636)
Administrative expense									(1,587)	(1,851)
Net change in plan fiduciary net position									$ 21,347	$ 16,958
Plan fiduciary net position - beginning									189,957	211,304
Plan fiduciary net position - ending (b)									$211,304	$228,262
Net pension liability - ending (a)-(b)									$630,047	$680,266
Plan fiduciary net position as a percentage of the total pension liability									25.11%	25.12%
Cover-employee payroll									$135,545	$137,680
Net pension liability as a percentage of covered-employee payroll									464.82%	494.09%
Expected average remaining service years of all participants									7	7

Source: Bolton Partners, Maryland Transit Administration Pension Plan, GASB68 Actuaruial Information Report.
(1) Information for FY2013 and earlier is not available
(2) FY15 reflects a reduction to the effective discount rate from 5.24% to 4.75%

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									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Actuarially determined contribution									$ 39,749	$ 40,807
Contribution in relation to the actuarially determined contribution		Information not available for earlier than FY2013							39,749	35,400
Contribution deficiency (excess)									$ -	$ 5,407
Cover-employee payroll (1)									$135,545	$137,680
Contribution as a percentage of covered employee payroll									29.33%	25.71%

Notes to Schedule:

Valuation date

Acuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Acturial valı

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Level Dollar Entry Age Normal
Amortization method	Level Payments (Closed)
Remaining amortization period	Remining payments range from 5 to 25 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary increases	Rates very by participant service
Investment rate of return	7.60 percent, net of pension plan investment and administrative expenses, including inflation
Retirement age	Rates vary by participant age
Mortaility	RP-2000 tables for males (two-year setback) and females. The RP-2000 Disabled Retiree table is used for disabled memb

Source: Bolton Partners, Maryland Transit Administration Pension Plan, GASB68 Actuaruial Information Report.

(1) Information for FY2013 and earlier is not available

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

	Fiscal Year Ended June 30
	2015
Proportion of the Maryland State Retirement System Net Pension	3.46%
Proportionate share of the State net pension liability (asset)	580,974
Total	$580,974
Cover-employee payroll	$ 372,296
Net pension liability as a percentage of covered-employee payroll	64.08%
Plan fiduciary net position as a percentage of the total pension	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, information prior to June 30, 2015 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
	2015
Actuarially determined contribution	$ 52,723
Contribution in relation to the actuarially determined contribution	(52,723)
Contribution deficiency (excess)	$ -
Cover-employee payroll	$ 372,296
Contribution as a percentage of covered employee payroll	14.16%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, information prior to June 30, 2015 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, 2015
(amounts expressed in thousands)

	Special Fund				Federal Fund			
	Budgeted Amounts			Variance with Final Budget - Positive	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)	Original	Final	Actual Amounts	(Negative)
REVENUES:								
Taxes:								
Motor vehicle taxes and fees	$ 1,520,481	$ 1,445,316	$ 1,462,643	$ 17,327	$ -	$ -	$ -	$ -
Motor vehicle fuel taxes and fees	916,746	877,394	923,593	46,199	-	-	-	-
Revenue sharing of state corporate income tax	167,251	163,970	166,051	2,081	-	-	-	-
Revenue sharing of state sales tax	33,101	31,500	30,788	(712)	-	-	-	-
Federal reimbursements	-	-	-	-	940,996	919,204	831,689	(87,515)
Charges for services	425,204	417,475	460,566	43,091	-	-	-	-
Investment earnings	1,000	1,000	2,090	1,090	-	-	-	-
Other	22,100	27,300	47,307	20,007	-	-	-	-
Total revenues	3,085,883	2,963,955	3,093,038	129,083	940,996	919,204	831,689	(87,515)
EXPENDITURES and ENCUMBRANCES:								
Current:								
General government:								
The Secretary's Office	584,562	598,495	555,739	42,756	52,184	23,157	11,256	11,901
State Highway Administration	1,127,222	1,124,217	1,131,846	(7,629)	518,821	599,091	531,552	67,539
Maryland Port Administration	195,939	142,676	135,774	6,902	5,750	3,354	1,105	2,249
Motor Vehicle Administration	209,661	214,843	202,976	11,867	13,314	15,292	11,693	3,599
Maryland Transit Administration	1,022,295	958,025	958,214	(189)	327,118	243,401	243,401	-
Maryland Aviation Administration	261,679	284,060	278,859	5,201	23,809	34,909	32,682	2,227
Total general government	3,401,358	3,322,316	3,263,408	58,908	940,996	919,204	831,689	87,515
Total expenditures and encumbrances	3,401,358	3,322,316	3,263,408	58,908	940,996	919,204	831,689	87,515
Excess of revenues over expenditures	(315,475)	(358,361)	(170,370)	187,991	-	-	-	-
OTHER FINANCIAL SOURCES (USES):								
Proceeds from Bonds	740,000	490,000	401,535	88,465	-	-	-	-
Transfers in (out)	(212,169)	(211,666)	(216,767)	(5,101)	-	-	-	-
Total other financing sources and uses	527,831	278,334	184,768	83,364	-	-	-	-
Net change in fund balances	212,356	(80,027)	14,398	271,355				
Fund balances, July 1, 2014	385,093	137,677	371,768					
Fund balances, June 30, 2015	$597,449	$57,650	$386,166	$271,355	$ -	$ -	$ -	$ -

MARYLAND DEPARTMENT OF TRANSPORTATION
Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

1. <u>Stewardship, Compliance and Accountability</u>:

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 modal administration 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 2015.

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 Funds - Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual -- For the Year Ended June 30, 2015 on page 75 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 generally accepted accounting principles (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, 2015, 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, 2015
(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 75)	$ 386,166
Non-budgeted funds-fund balance	677
Total budgetary fund balance reclassified to GAAP fund structure	386,843
Accounting principle and timing differences :	
Assets recognized in governmental funds financial statements not recognized for budgetary purposes:	
Taxes receivable	3,069
Inventories	93,356
Due from other state funds	5,121
Liabilities recognized in governmental funds financial statements not recognized for budgetary purposes:	
Other Accounts Payable	1,834
Deferred inflows of resources	(138,261)
Accrued Liabilities	4,303
Financial statement governmental funds’ fund balance, June 30, 2015	$ 356,265

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Maryland Department of Transportation
Comprehensive Annual Financial Report

SUPPLEMENTARY INFORMATION

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015
(amounts expressed in thousands)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS:				
Cash and cash equivalents	$ 31,612	$12,240	$27,929	$ 15,923
Total assets	$ 31,612	$ 12,240	$27,929	$ 15,923
LIABILITIES:				
Accounts payable and accrued liabilities	$ 31,612	$ -	$15,689	$ 15,923
Total liabilities	$ 31,612	$ -	$15,689	$ 15,923

STATISTICAL SECTION

MARYLAND DEPARTMENT OF TRANSPORTATION
STATISTICAL SECTION
JUNE 30, 2015

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)

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net Investment in capital assets	$ 12,552,326	$ 13,047,662	$ 13,391,594	$ 13,349,027	$ 13,171,279	$ 13,068,635	$ 13,360,456	$ 13,819,782	$ 14,063,378	$ 14,472,903
Restricted	4,939	4,898	2,768	9,694	3,783	-	-	-	-	-
Unrestricted (deficit)	278,586	188,470	2,833	(62,463)	(201,647)	(205,960)	(278,008)	(324,664)	(363,200)	(1,450,994)
Total governmental activities net assets	$ 12,835,851	$ 13,241,030	$ 13,397,195	$ 13,296,258	$ 12,973,415	$ 12,862,675	$ 13,082,448	$ 13,495,118	$ 13,700,178	$ 13,021,909
Primary government:										
Net Investment in capital assets	$ 12,552,326	$ 13,047,662	$ 13,391,594	$ 13,349,027	$ 13,171,279	$ 13,068,635	$ 13,360,456	$ 13,819,782	$ 14,063,378	$ 14,472,903
Restricted	4,939	4,898	2,768	9,694	3,783	-	-	-	-	-
Unrestricted (deficit)	278,586	188,470	2,833	(62,463)	(201,647)	(205,960)	(278,008)	(324,664)	(363,200)	(1,450,994)
Total primary government net position	$ 12,835,851	$ 13,241,030	$ 13,397,195	$ 13,296,258	$ 12,973,415	$ 12,862,675	$ 13,082,448	$ 13,495,118	$ 13,700,178	$ 13,021,909

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

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:	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Expenses:										
Secretary's office	$ 347,219	$ 376,217	$ 406,315	$ 419,588	$ 459,933	$ 483,410	$ 498,029	$ 515,638	$ 570,596	$ 624,378
State highway administration	1,334,407	1,399,649	1,422,063	1,437,996	1,410,556	1,593,278	1,359,177	1,186,116	1,436,114	1,399,446
Port administration	159,358	187,187	152,107	189,603	186,516	107,521	115,211	87,445	99,996	126,885
Motor vehicle administration	143,531	155,700	161,796	176,300	165,933	178,529	182,839	195,803	207,342	213,896
Transit administration	528,918	617,442	683,821	782,548	818,465	1,056,590	864,702	888,137	886,966	937,286
Aviation administration	239,601	287,604	284,488	274,906	272,455	252,723	275,051	308,202	354,180	337,596
Interest on long-term debt	68,998	72,137	74,441	97,683	101,481	92,996	144,725	110,984	122,894	69,902
Total governmental activities expenses	2,822,032	3,095,936	3,185,031	3,378,624	3,415,339	3,765,047	3,439,734	3,292,325	3,678,088	3,709,389
Program Revenues:										
Charges for services:										
Secretary's office	7,496	23,467	(27,914)	2,291	9,447	27,503	5,336	5,630	3,262	7,133
State highway administration	28,927	35,035	48,491	51,983	40,399	44,071	38,495	59,284	40,586	46,435
Port administration	91,836	94,544	96,981	93,618	69,781	48,667	52,846	50,298	54,099	52,411
Motor vehicle administration	(917)	(133)	(236)	-	-	-	4	4	4	4
Transit administration	110,136	122,913	117,869	117,556	125,057	143,456	146,093	138,339	139,769	142,363
Aviation administration	215,091	236,401	244,579	241,083	282,646	291,535	297,935	418,588	328,094	339,958
Operating grants and contributions	70,827	72,597	79,228	93,729	90,762	90,732	92,739	72,397	90,574	92,238
Capital grants and contributions	789,619	710,163	667,219	668,442	714,144	709,029	830,922	779,557	800,019	741,846
Total governmental activities program revenues	1,313,015	1,294,987	1,226,217	1,268,702	1,332,236	1,354,993	1,464,370	1,524,097	1,456,407	1,422,388
Net (expense) revenue governmental activities	(1,509,017)	(1,800,949)	(1,958,814)	(2,109,922)	(2,083,103)	(2,410,054)	(1,975,364)	(1,768,228)	(2,221,681)	(2,287,001)
General Revenues and Other Changes in Net Assets:										
Taxes:										
Motor vehicle taxes	1,237,199	1,241,538	1,178,609	1,058,759	1,082,559	1,166,398	1,259,743	1,332,143	1,389,066	1,465,022
Motor fuel taxes	746,240	740,791	741,851	728,385	714,210	747,171	728,410	740,428	807,739	918,483
Corporation income tax share	202,755	185,557	167,102	150,554	153,275	156,758	180,653	76,746	162,609	166,051
State sales tax share	26,527	27,689	23,659	223,084	223,582	227,981	23,581	25,462	48,653	30,788
Unrestricted investment earnings	8,487	10,553	3,758	4,029	404	1,006	2,750	764	2,156	2,096
Other revenue	-	-	-	-	-	-	-	7,235	16,518	64,516
Loss on disposal of capital assets	-	-	-	-	(413,770)	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total governmental activities general revenues:	2,221,208	2,206,128	2,114,979	2,164,811	1,760,260	2,299,314	2,195,137	2,182,778	2,426,741	2,646,956
Change in Net Position:										
Governmental activities	712,191	405,179	156,165	54,889	(322,843)	(110,740)	219,773	414,550	205,060	359,955
Total primary government	$ 712,191	$ 405,179	$ 156,165	$ 54,889	$ (322,843)	$ (110,740)	$ 219,773	$ 414,550	$ 205,060	$ 359,955

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

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
2006	$ 1,237,199	$ 746,240	$ 202,755	$ 26,527	$ 2,212,721
2007	1,241,538	740,791	185,557	27,689	2,195,575
2008	1,178,609	741,851	167,102	23,659	2,111,221
2009	1,058,759	728,385	150,554	223,084	2,160,782
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

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2006-2015.
(1) July 1, 2008 thru June 30, 2011 the Department received additional Sales Tax Revenue due to the increase of 1 percent on the State Sales Tax.

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

2015-2014	2014-2013
Exelon	Giant Food Stores
Giant Food	Helix Health System Inc
Godard Space Flight Ctr	Johns Hopkins Hospital
H&R Block	Johns Hopkins Univeristy
Johns Hopkins University	Safeway
McDonald's	Target
Northrop Grumman Corporation	Home Depot
Target	Northrop Grumman Corporation
University of Maryland Medical System	University of Maryland Medical System
Walmart Associates	Walmart Associates

Source: Department of Labor, Licensing and Regulation: Office of Labor Market Analysis and Information - Major Employer List - March 2015
http://www.dllr.state.md.us/lmi/emplists/maryland.shtml

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Special revenue fund										
Nonspendable	$ 126,182	$ 136,723	$ 152,788	$ 158,650	$ 171,094	$ 182,156	$ 181,093	$ 183,355	$ 192,871	$ 197,847
Committed	37,025	25,170	23,931	861	-	12,442	8,182	11,499	26,989	-
Assigned	219,980	165,144	(26,468)	169,307	164,628	137,050	37,905	108,879	135,279	677
Total special revenue fund	$ 383,187	$ 327,037	$ 150,251	$ 328,818	$ 335,722	$ 331,648	$ 227,180	$ 303,733	$ 355,139	$ 198,524
All other governmental funds										
Restricted	$ 4,696	$ 2,381	$ -	$ 7,033	$ 1,126	$ -	$ -	$ 5,056	$ 12,331	$ -
Total all other governmental funds	$ 4,696	$ 2,381	$ -	$ 7,033	$ 1,126	$ -	$ -	$ 5,056	$ 12,331	$ -

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Motor vehicle taxes and fees	$ 1,983,439	$ 1,982,329	$ 1,920,460	$ 1,787,144	$ 1,796,769	$ 1,913,569	$ 1,988,153	$ 2,072,571	$ 2,196,805	$ 2,383,505
Revenue sharing of state taxes	229,282	213,246	190,761	373,638	376,857	384,739	204,234	102,208	211,262	196,839
Federal reimbursements	860,446	782,760	746,447	762,171	804,906	799,761	850,631	868,121	902,719	833,040
Charges for services	372,626	407,386	376,563	399,271	419,691	431,261	439,785	579,850	452,406	460,668
Passenger facility charges and interest	37,017	42,171	45,609	40,824	44,054	45,066	46,648	48,534	43,919	44,745
Customer facility charges (2)	33,576	28,392	31,932	23,176	45,467	48,970	13,446	12,902	12,613	12,733
Special parking revenues (2)	-	-	-	-	-	-	38,603	28,630	54,649	52,551
Investment earnings	8,487	10,553	3,758	4,029	404	1,006	2,750	764	2,156	2,096
Other	9,354	34,278	25,666	13,260	18,118	34,734	3,481	6,103	14,255	63,384
Total revenues	3,534,227	3,501,115	3,341,196	3,403,513	3,506,266	3,659,106	3,587,731	3,719,684	3,890,784	4,049,561
Expenditures:										
Department administration, operating and maintenance expenditures	1,175,711	1,254,313	1,305,618	1,358,247	1,447,811	1,239,600	1,422,847	1,408,232	1,841,195	1,793,321
Highway user revenues and federal funds	583,090	615,458	582,335	515,722	255,164	297,145	263,981	252,574	244,448	253,401
WMATA Grants	237,948	236,158	273,001	285,309	296,522	340,852	386,648	396,094	404,995	441,964
Distributions to other state agencies (1)	78,554	75,607	87,100	59,980	401,930	481,244	343,946	127,957	23,000	19,926
Debt service	142,060	119,316	121,390	142,359	150,954	158,662	174,215	180,308	208,236	232,404
Capital outlays	1,432,833	1,369,805	1,400,238	1,261,036	1,232,890	1,182,164	1,231,241	1,491,360	1,471,040	1,746,878
Total expenditures	3,650,196	3,670,657	3,769,682	3,622,653	3,785,271	3,699,667	3,822,878	3,856,525	4,192,914	4,487,894
Excess (deficiency) of revenues	(115,969)	(169,542)	(428,486)	(219,140)	(279,005)	(40,561)	(235,147)	(136,841)	(302,130)	(438,333)
Other financing sources (uses):										
Capital leases	49,399	6,285	-	2,098	-	1,021	-	29,127	2,519	5,733
Other long-term liability	5,320	2,411	102	-	-	-	-	-	-	-
Other capital financing sources	-	-	-	-	-	34,340	-	-	-	-
Proceeds from bonds	103,814	102,381	249,217	402,642	140,002	-	323,967	189,323	325,000	661,250
Sale of future revenue rights	-	-	-	-	140,000	-	-	-	-	(331,412)
Payment to escrow agents	-	-	-	-	-	-	(193,288)	-	33,292	91,557
Transfers to the General Fund (1)	(23)	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	158,510	111,077	249,319	404,740	280,002	35,361	130,679	218,450	360,811	427,128
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	42,541	(58,465)	(179,167)	185,600	997	(5,200)	(104,468)	81,609	58,681	(11,205)
Fund balance, July 1	345,342	387,883	329,418	150,251	335,851	336,848	331,648	227,180	308,789	367,470
Fund balance, June 30	$ 387,883	$ 329,418	$ 150,251	$ 335,851	$ 336,848	$ 331,648	$ 227,180	$ 308,789	$ 367,470	$ 356,265

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

(1) Transfers to the general fund and Maryland Transportation Authority have been reclassified to expenditures in fiscal years 2002, 2004 and 2005.

(2) Customer facility charges and special parking revenues split starting in fiscal years 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,									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Revenues:										
Motor vehicle fuel tax and fees (7)	$ 757,959	$ 755,733	$ 755,176	$ 736,105	$ 721,295	$ 752,319	$ 733,563	$ 745,556	$ 812,915	$ 923,593
Motor vehicle titling tax (3)	719,207	703,815	649,657	514,155	543,411	594,938	632,356	684,655	740,835	795,510
Licensing and registration	360,981	372,498	354,967	354,982	350,098	360,514	357,247	362,324	367,305	376,513
Corporation income tax (6)	202,755	185,557	167,102	151,304	154,025	157,993	180,653	76,746	162,609	166,051
Sales and use tax on rental vehicles	26,527	27,689	23,659	21,498	22,201	24,362	23,581	25,462	30,311	30,788
Total revenues	2,067,429	2,045,292	1,950,561	1,778,044	1,791,030	1,890,126	1,927,400	1,894,743	2,113,975	2,292,455
Deductions:										
1% portion -- Motor vehicle titling tax (3)	(143,841)	(140,763)	(129,931)	(171,385)	(181,137)	(198,313)	(210,786)	(228,218)	(246,945)	(265,170)
Other to the Trust Fund (7)	(7,348)	(8,214)	(7,526)	(6,178)	(6,615)	(6,859)	(6,797)	(9,040)	(121,401)	(180,913)
Other	(45,907)	(46,688)	(47,337)	(44,407)	(45,744)	(45,585)	(57,413)	(51,500)	(52,617)	(57,881)
Total deductions	(197,096)	(195,665)	(184,794)	(221,970)	(233,496)	(250,757)	(274,996)	(288,758)	(420,963)	(503,964)
Net Highway User Revenue	$ 1,870,333	$ 1,849,627	$ 1,765,767	$ 1,556,074	$ 1,557,534	$ 1,639,369	$ 1,652,404	$ 1,605,985	$ 1,693,012	$ 1,788,491
Allocations (Highway User Revenue): (4)										
Share to the Department	$ 1,309,233	$ 1,294,739	$ 1,236,037	$ 1,089,252	$ 1,090,274	$ 1,122,968	$ 1,278,618	$ 1,445,386	$ 1,530,483	$ 1,616,796
Share to the General Fund (5)	-	-	-	-	-	-	40,000	-	-	-
Share to counties and municipalities	293,184	328,309	313,564	279,232	29,593	9,836	23,134	30,514	32,167	33,981
Share to Baltimore City	219,416	226,579	216,166	187,590	133,948	129,510	123,930	130,085	130,362	137,714
Local Share to the General Fund (1) (2)	48,500	-	-	-	303,719	377,055	186,722	-	-	-
Total allocations	$ 1,870,333	$ 1,849,627	$ 1,765,767	$ 1,556,074	$ 1,557,534	$ 1,639,369	$ 1,652,404	$ 1,605,985	$ 1,693,012	$ 1,788,491

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

(1) The 2005 Session of the Maryland General Assembly approved legislation (HB 147) providing for the transfer of $48,500,000 from the Local Government's share of Highway User Revenues to the State General Fund in FY2006.

(2) 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 Jan. 1, 2008. In addition, the percentage of Titling Tax to GMVRA was changed from 80% to 66 and 2/3%, effective July1, 2008.

(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 .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 .1% to the Municipalities. 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, .8% to Counties, and .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.

(4) 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.

(5) 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 will receive 9.5%; from July 1, 2013 through June 30, 2016 the Department will receive 19.5%.

(6) The 2013 Session of the Maryland General Assembly approved legislation (HB 1515) that increases the motor fuel tax rate based on growth of the Consumer Price Index and applies a sales and use tax equivalent to the price of motor fuel. Effective July 1, 2013, the motor fuel tax rate was increased by 3.1 cents per gallon for sales and use tax equivalent and 0.4 cents per gallon for CPI. Revenue from these sources is not part of the GMVRA but is retained 100% by the Department.

MARYLAND DEPARTMENT OF TRANSPORTATION

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Debt limit	$ 1,333,475	$ 1,248,750	$ 1,497,060	$ 1,620,850	$ 1,830,010	$ 1,791,840	$ 1,888,995	$ 1,913,290	$ 2,292,670	$ 2,530,255
Net debt applicable to limit	1,078,475	1,108,692	1,266,434	1,574,902	1,643,884	1,561,840	1,562,630	1,618,290	1,812,670	2,020,250
Total legal debt margin	$ 255,000	$ 140,058	$ 230,626	$ 45,948	$ 186,126	$ 230,000	$ 326,365	$ 295,000	$ 480,000	$ 510,005
Net debt applicable to the limit as a percentage of debt limit	80.88%	88.78%	84.59%	97.17%	89.83%	87.16%	82.72%	84.58%	79.06%	79.84%

Legal Debt Margin Calculation for Fiscal Year 2015

Debt limit (1)	$ 2,530,255
Debt applicable to limit:	
Special revenue bonds	2,020,250
Total net debt applicable to limit	2,020,250
Legal debt margin	$ 510,005

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

(1) The Maryland Department of Transportation's legal debt limit is established by the Maryland General Assembly on a annual basis.

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)

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service	Total Noncapital Governmental Expenditures	Ratio of Debt Service to Noncapital Expenditures (percent)
2006	$ 92,280	$ 49,780	$ 142,060	$ 2,217,363	6.41 %
2007	68,290	51,026	119,316	2,300,852	5.19
2008	68,990	52,400	121,390	2,369,444	5.12
2009	71,325	71,031	142,356	2,361,617	6.03
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	232,404	-	232,404	2,741,016	8.48

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2006-2015.

MARYLAND DEPARTMENT OF TRANSPORTATION

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(amounts expressed in thousands)

Year Ended June 30,	Special Revenue Bonds	Capital Leases	Other Long-term Liability (2)	Governmental Activities Debt	Total Personal Income (1)	Percentage of Personal Income
2006	$ 1,079,340	$ 348,470	$ 404,318	1,832,128	$ 245,063,048	0.75 %
2007	1,111,050	343,379	391,029	1,845,458	261,066,893	0.71
2008	1,268,815	331,703	373,319	1,973,837	272,901,349	0.72
2009	1,582,605	673,836	-	2,256,441	283,052,530	0.80
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

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

(1) US Department of Commerce, Bureau of Economic Analysis. Data for all years based on revised statistics of state personal income released on September 30, 2014. All estimates of state personal income are subject to BEA's flexible annual revison schedule.

http://lwd.dol.state.nj.us/labor/lpa/industry/incpov/tpi.htm

(2) Other long-term liability items were reclassified as capital leases in fiscal year 2009.

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)

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes pledged to bonds: (6)										
Corporation income tax (GMVRA) (5)	$ 141,929	$ 129,890	$ 116,971	$ 105,388	$ 107,293	$ 107,379	$ 143,370	$ 68,503	$ 146,113	$ 148,949
Fuel tax (7)	513,033	510,735	510,630	500,114	489,004	500,801	567,431	651,196	723,249	827,830
Titling tax (2)	546,597	534,899	493,739	411,324	434,729	470,001	547,198	639,011	693,422	744,597
Sales and use tax (3)	20,161	21,044	17,981	217,924	213,254	221,842	19,770	23,425	27,983	28,424
Total taxes pledged to bonds	1,221,720	1,196,568	1,139,321	1,234,750	1,244,280	1,300,023	1,277,769	1,382,135	1,590,767	1,749,800
Fees:										
Motor vehicle licenses and registrations (6)	236,661	244,472	231,379	231,773	227,954	229,748	256,350	298,071	305,525	310,385
Other	154,957	166,142	172,703	186,961	187,455	209,909	259,211	274,823	280,989	293,315
General fund share of fees (4)	-	-	-	-	-	-	(40,000)	-	-	-
Total taxes and fees	1,613,338	1,607,182	1,543,403	1,653,484	1,659,689	1,739,680	1,753,330	1,955,029	2,177,281	2,353,500
Operating revenues:										
Maryland Port Administration	91,027	94,499	96,880	93,635	69,222	49,156	57,302	49,030	52,841	49,759
Maryland Transit Administration	110,136	123,122	117,869	117,557	125,057	133,494	136,194	138,400	139,821	142,414
Maryland Aviation Administration	139,579	151,620	180,254	181,580	194,308	207,897	208,560	219,757	217,290	222,117
Total operating revenues	340,742	369,241	395,003	392,772	388,587	390,547	402,056	407,187	409,952	414,290
Other (1)	87,640	39,836	4	(3,666)	(3,600)	60,458	40,015	30,808	29,139	47,307
Investment income	8,211	10,574	3,683	3,996	394	1,004	2,750	758	2,154	2,090
Total revenues	2,049,931	2,026,833	1,942,093	2,046,586	2,045,070	2,191,689	2,198,151	2,393,782	2,618,526	2,817,187
Expenditures:										
Administration, operation and maintenance expenditures:										
The Secretary's Office	64,528	66,439	69,693	67,649	71,811	70,650	71,382	72,256	76,142	75,339
Washington Metro Transit Grants-in-Aid	167,041	170,961	193,026	210,394	215,736	228,594	256,722	263,690	268,340	284,844
State Highway Administration	204,764	236,245	240,192	240,742	296,445	253,615	226,926	251,994	326,560	301,488
Motor Vehicle Administration	133,666	140,436	145,838	148,106	146,316	157,344	161,329	171,344	184,698	194,887
Maryland Port Administration	95,423	98,718	104,887	97,901	68,237	44,454	41,612	42,157	45,504	47,867
Maryland Transit Administration	470,453	505,916	556,602	591,720	610,284	621,917	646,795	665,844	751,801	767,009
Maryland Aviation Administration	166,707	178,157	178,072	170,453	173,749	170,765	167,415	171,122	189,740	188,090
Total admin, operation and maintenance expd.	1,302,582	1,396,872	1,488,310	1,526,965	1,582,578	1,547,339	1,572,181	1,638,407	1,842,785	1,859,524
Less Federal funds:										
The Secretary's Office	(5,103)	(6,004)	(7,901)	(7,271)	(9,001)	(8,027)	(8,237)	(9,291)	(9,089)	(7,967)
State Highway Administration-Hwy Safety	(14,908)	(14,077)	(15,928)	(19,595)	(16,925)	(17,175)	(21,218)	(13,338)	(10,844)	(11,357)
Md. Transit-Planning and program devlpmt.	(50,376)	(52,077)	(54,392)	(65,894)	(63,775)	(64,496)	(62,430)	(42,028)	(60,631)	(59,046)
Motor Vehicle Administration	(161)	(90)	(351)	(313)	(404)	(379)	(150)	(7,090)	(9,348)	(10,697)
Maryland Aviation Administration	(280)	(350)	(656)	(656)	(656)	(656)	(702)	(650)	(655)	(776)
Total Federal funds	(70,828)	(72,598)	(79,228)	(93,729)	(90,761)	(90,733)	(92,737)	(72,397)	(90,567)	(89,843)
Total expenditures	1,231,754	1,324,274	1,409,082	1,433,236	1,491,817	1,456,606	1,479,444	1,566,010	1,752,218	1,769,681
Net revenues	$ 818,177	$ 702,559	$ 533,011	$ 613,350	$ 553,253	$ 735,083	$ 718,707	$ 827,772	$ 866,308	$1,047,506
Maximum annual principal and interest	$ 121,412	$ 129,550	$ 153,661	$ 197,281	$ 210,714	$ 210,714	$ 219,765	$ 237,394	$ 270,527	$ 292,327
Ratio of taxes pledged to principal and interest	10.06	9.24	7.41	6.26	5.91	6.17	5.81	5.82	5.88	5.99
Ratio of net revenues to principal and interest	6.74	5.42	3.47	3.11	2.63	3.49	3.27	3.49	3.20	3.58

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

(1) Fiscal year 2007 was the last year for the transfer of $43M from Maryland Transportation Authority to the Transportation Trust Fund.

(2) 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 Jan. 1, 2008. In addition, effective July 1, 2008, the percentage of Titling Tax retained by the 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%; FY2011 79%; FY 2012 86.53%; FY 2013 93.336%; and FY 2014 93.6%.

(3) 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.

(4) 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.

(5) 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 will receive 19.5%.

(6) 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%, FY 2014 90.4%.

(7) The 2013 Session of the Maryland General Assembly approved legislation (HB 1515) that increases the motor fuel tax rate based on growth of the Consumer Price Index and applies a sales and use tax equivalent to the price of motor fuel. Effective July 1, 2013, the motor fuel tax rate was increased by 3.1 cents per gallon for sales and use tax equivalent and 0.4 cents per gallon for CPI. Revenue from these sources is not part of the GMVRA but is retained 100% by the Department.

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
State Highway Administration:										
Miles of State Highway (1)	5,134	5,140	5,140	5,138	5,143	5,145	5,266	5,145	5,155	5,152
Motor Vehicle Administration:										
Motor Vehicle Titles Issued	1,202,561	1,166,195	1,096,692	930,858	939,209	994,235	995,247	1,018,200	1,001,118	1,049,969
Motor Vehicle Registration Transactions	3,600,359	3,580,933	3,378,435	3,345,546	3,336,752	4,100,604	3,889,667	4,044,217	4,106,227	4,259,000
Motor Vehicle Fuel - Gallons Sold	3,197,252,545	3,238,848,801	3,223,523,234	3,139,151,697	2,862,255,721	3,178,835,403	3,149,605,108	3,250,923,911	3,211,359,630	3,852,704,463
Maryland Port Administration:										
Port of Baltimore (2):										
Export Commerce (2,000 lbs.)	8,365,476	11,291,633	15,052,545	10,216,952	17,596,350	23,852,386	23,757,853	19,396,664	16,766,120	N/A
Import Commerce (2,000 lbs.)	22,254,906	19,490,995	17,965,267	12,145,939	15,243,578	13,991,505	12,929,929	10,878,770	12,761,578	N/A
Total Foreign Commerce (2,000 lbs.)	30,620,470	30,782,628	33,017,812	22,362,891	32,839,928	37,843,891	36,687,782	30,274,105	29,510,199	N/A
General Cargo (2,000 lbs.) (included above)	9,239,964	8,893,780	8,905,872	7,155,595	8,373,255	9,126,585	9,557,401	9,939,751	10,230,365	N/A
Maryland Aviation Administration:										
Passenger Traffic	20,360,376	20,643,685	21,321,252	20,103,443	21,313,033	22,488,838	22,611,988	22,530,342	22,238,226	22,761,893
Commercial Air Carrier Operations	266,928	267,517	260,970	243,453	247,391	258,639	256,992	245,367	232,609	224,246
Total Aircraft Operations	304,648	303,721	290,945	266,273	272,997	277,435	273,966	263,360	251,305	243,255
Maryland Transit Administration (3):										
Buses (4)	840	840	895	895	869	828	903	929	964	1,008
Route Miles	2,657	1,809	2,146	2,111	2,088	2,364	2,088	2,136	2,222	2,222
Vehicle Miles (7)	23,877,900	23,448,056	23,873,643	24,703,842	24,248,825	23,016,156	20,823,391	24,973,730	24,003,000	20,487,566
Trips	71,624,670	72,611,252	75,575,573	79,239,334	78,188,577	72,520,531	73,627,843	73,404,275	75,780,350	79,035,332
Subway Cars	100	100	100	100	100	100	100	98	98	98
Route Miles	15	15	15	15	15	15	15	15	15	15
Car Miles	4,681,521	4,735,303	5,193,972	5,285,406	4,480,709	4,706,797	4,764,148	5,103,781	5,072,282	5,010,750
Trips	12,918,530	13,225,843	13,955,325	13,566,823	1,363,903	14,002,609	15,199,117	15,208,352	14,632,401	13,900,813
Light Rail Cars (5)	53	53	53	53	53	53	53	53	53	53
Route Miles	29	29	29	29	29	29	29	29	29	29
Car Miles	2,053,813	2,797,732	2,789,820	2,780,098	3,179,325	3,169,421	3,257,117	3,254,629	3,106,134	2,961,645
Trips	5,401,327	7,121,516	7,962,979	8,712,179	8,076,249	8,752,463	8,796,346	9,371,791	8,105,752	7,657,256
MARC Commuter Rail Cars	165	157	153	157	157	177	177	177	177	177
Number of Trains Daily	85	85	89	83	87	110	100	93	142	106
Number of Stations Served (6)	42	42	42	42	42	42	42	41	42	42
Car Miles (7)	4,997,902	5,030,652	5,124,244	5,706,147	5,651,786	5,270,162	5,821,508	6,924,056	5,863,504	6,268,474
Trips	7,274,737	7,505,226	7,897,602	8,081,155	8,095,577	8,232,729	8,532,214	9,030,039	8,979,468	9,245,588
Number of MDOT State Employees (8)	6,523	6,518	6,572	6,638	6,463	6,007	5,963	5,885	8,387	8,485

Source: Maryland Department of Transportation modal administrations.

(1) As of January 1.

(2) Calendar year basis.

(3) Data is estimated for FY 2006 and may have also been restated in prior fiscal years.

(4) Bus service statistics have been restated to include transportation provided by contractual bus companies.

(5) Service initiated in May, 1992; service extended to Hunt Valley in September, 1997, and to BWI Airport in December, 1997.

(6) Service initiated to Frederick and Monocacy on December 17, 2001.

(7) Vehicle and car miles have been restated to accurately reflect the revenue service miles.

(8) 2006-2013 does not include union employees.

MARYLAND DEPARTMENT OF TRANSPORTATION
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James F. Ports, Deputy Secretary
Dennis R. Schrader, Deputy Secretary

Secretary's Office
Ed McDonald, Chief of Staff
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STATE DEMOGRAPHIC AND ECONOMIC DATA

Introduction

The following selected economic, social and employment data may be relevant in evaluating the economic and financial condition of the State; however, this information is not intended to provide all relevant data necessary for a complete evaluation of the State's economic and financial condition.

Maryland is located on the East Coast in the South Atlantic Census Region, and is bordered by Delaware, Pennsylvania, West Virginia, Virginia and the District of Columbia. Maryland encompasses 12,193 square miles. Ranking 42nd among the 50 states in size, Maryland's land area (exclusive of inland waterways and the 1,726 square miles of the Chesapeake Bay) is 9,844 square miles.

Population

According to the 2010 Census Bureau reports, Maryland's population in that year was 5,773,552, an increase of 9.0% from the 2000 Census. Maryland's population is concentrated in urban areas. In 2015, the eleven counties and Baltimore City located in the Baltimore-Washington region contained 50.1% of the State's land area and 87.2% of its population. The 2015 population for the Baltimore Metropolitan Statistical Areas was estimated at 2,797,407 and for the Maryland portion of the Washington Metropolitan Statistical Areas, 2,441,686. Overall, Maryland's population per square mile was 610 in 2015. The following table presents estimated population of Maryland and the United States from 2006 - 2015.

Population

	Maryland		United States	
Year	Population	Change	Population	Change
2006	5,627,367	0.6%	298,379,912	1.0%
2007	5,653,408	0.5	301,231,207	1.0
2008	5,684,965	0.6	304,093,966	1.0
2009	5,730,388	0.8	306,771,529	0.9
2010	5,773,552	1.0	309,346,863	0.8
2011	5,844,171	1.0	311,718,857	0.8
2012	5,890,740	0.8	314,102,623	0.8
2013	5,936,040	0.8	316,427,395	0.7
2014	5,975,346	0.6	318,907,401	0.8
2015	6,006,401	0.5	321,418,820	0.8

Source: U.S. Department of Commerce, Bureau of the Census.
Note: Figures are estimates for July 1 of each year.

The 2015 population of Maryland and the United States was distributed by age as follows:

Age Distribution 2015

Age	Maryland	United States
Under 5 years	6.1%	6.2%
5 through 19 years	18.9	19.4
20 to 44 years	33.4	33.4
45 to 64 years	27.5	26.2
65 years and over	14.1	14.9
	100.0%	100.0%

Source: U.S. Department of Commerce, Bureau of the Census.

Personal Income

Maryland residents received approximately $337.5 billion in personal income in 2015. Maryland's total personal income increased at a rate of 4.2%, below the national increase of 4.4%. Additionally, per capita income remained significantly above the national average in 2015, $56,127 in Maryland compared with the national average of $47,669. In 2015, Maryland's per capita personal income ranked fifth highest in the nation. Per capita income varies across the State, with the highest incomes in the Washington and Baltimore regions. The table below shows trends in per capita personal income in Maryland and the United States.

Per Capita Personal Income Trends

Year	Maryland	Change	United States	Change	Maryland Ranking
2006	$45,904	6.0%	$38,144	6.2%	4
2007	47,708	3.9	39,821	4.4	5
2008	49,307	3.4	41,082	3.2	4
2009	48,739	-1.2	39,376	-4.2	4
2010	49,683	1.9	40,277	2.3	4
2011	51,800	4.3	42,453	5.4	4
2012	53,078	2.5	44,266	4.3	6
2013	52,545	-1.0	44,438	0.4	6
2014	54,176	3.1	46,049	3.6	7
2015	56,127	3.6	47,669	3.5	5

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
Note: Rankings do not include the District of Columbia.

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Maryland is more reliant on the service and government sectors than the nation as a whole, while the manufacturing sector is much less significant than it is nationwide. As one of the wealthier states, a greater share of personal income is derived from dividends, interest and rent, and a lesser share comes from transfer payments. In 2015, the sources of personal income in the State and the comparable sources of personal income for the nation were as follows:

Sources of Personal Income
2015
($ in millions)

		Percentage of Personal Income Before Residence Adjustment	
	Maryland	**Maryland**	**United States**
Mining, forestry, fishing	$ 329	0.1%	1.4%
Construction	16,425	5.2	4.2
Manufacturing	9,885	3.2	6.8
Trade, transportation & utilities	28,140	9.0	11.0
Information services	7,056	2.3	2.5
Finance, insurance & real estate	18,260	5.8	6.7
Professional & business services	43,654	13.9	12.1
Educational & health services	30,187	9.6	9.1
Leisure & hospitality services	9,100	2.9	3.2
Other services	8,590	2.7	2.6
Government			
Federal, civilian	24,283	7.7	2.1
Military	3,948	1.3	0.9
State & local	27,792	8.9	8.9
Farm income	634	0.2	0.6
Earnings by place of work	228,283	72.8%	72.0%
Less:			
Personal contributions for social insurance	(25,146)	(8.0)	(7.8)
Plus:			
Dividends, Interest and Rent	63,728	20.3	18.5
Transfer Payments	46,517	14.8	17.4
Personal income before residence adjustment	313,381	100.0%*	100.0%*
Residence adjustment	24,123		
Total Personal Income	$337,504*		

Source: U.S. Department of Commerce, Bureau of Economic Analysis (State Quarterly Personal Income, Series SQ5N).
Note: Total personal income is reported by place of residence; however, income by industry is shown by place of work. The residence adjustment accounts for Maryland residents who work outside the State.

* Totals may not add due to rounding.

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Between 2010 and 2015, total personal income in Maryland has grown 3.3% annually, compared to a national growth rate of 4.2%. During this period, wage and salary income, roughly half of total personal income, has grown at a slower rate in Maryland than it has nationally, while supplements to wages and salaries – essentially nonwage benefits – have grown at similar rates. Investment income – income derived from dividends, interest, and rent – did not keep pace with the nation as a whole. The nation's proprietors' income outpaced Maryland's, growing 6.1% and 4.7%, respectively. The disparity in growth of the residence adjustment income earned by residents who work outside of Maryland or the nation is not as meaningful as it might appear, because the residence adjustment is roughly 7.1% of Maryland personal income, but less than three basis points of national personal income. The different growth rates between several of the income components, most notably Wages and Salaries, Residence Adjustment, and Proprietors' Income, are likely the result of federal budget sequestration and the relatively greater impact it has had on Maryland.

Average Annual Growth of Personal Income Components
(2010 through 2015)

	Maryland	United States
Wages and Salaries	3.0%	4.2%
Supplements to Wages and Salaries	3.0	3.0
Proprietors' Income	4.7	6.1
Contributions for Social Insurance	2.8	4.1
Residence Adjustment	-0.1	4.1
Dividends, Interest and Rent	4.4	5.8
Transfer Payments	3.5	2.8
Total Personal Income	3.3	4.2

Source: U.S. Department of Commerce, Bureau of Economic Analysis (State Annual Personal Income, Series A04).
Note: Total personal income is reported by place of residence; however income by industry is shown by place of work.
The residence adjustment accounts for Maryland residents who work outside the State.

While Maryland remains significantly wealthier than the nation as a whole, it should be noted that the period of comparison in the above table reflects the recovery from the Great Recession. Employment and personal income declined at a lesser rate in Maryland during the depths of the global recession of 2009; for example, national wages and salaries fell 4.4% in 2009 relative to a 0.8% decline for Maryland. The slower post-recession trajectory for Maryland's principal income measures may be partially a function of Maryland's lesser rate of decline during the recession as compared to the national decline; coming out of a deeper trough, the nation as a whole would require higher income and employment growth than Maryland in order to recover to pre-recession levels. Maryland's slower post-recession trajectory may also reflect the economic hurdles faced during that time frame. Relative to the nation as a whole, Maryland's economy has been disproportionately affected by federal budget uncertainty, federal budget sequestration, and higher income tax rates.

Annual Personal Income and Wages and Salaries Growth

	Personal Income		Wages and Salaries	
	Maryland	United States	Maryland	United States
2006	6.7	7.3	5.7	6.4
2007	4.4	5.4	4.6	5.6
2008	3.9	4.1	2.3	2.2
2009	-0.4	-3.3	-0.8	-4.4
2010	3.0	3.1	2.2	2.0
2011	5.3	6.2	3.6	4.0
2012	3.3	5.1	3.1	4.5
2013	-0.2	1.2	0.8	2.7
2014	3.8	4.4	3.4	5.1
2015	4.2	4.4	4.3	4.8

Source: U.S. Bureau of Economic Analysis.

Employment

Maryland's labor force totaled 3.1 million individuals in 2015, including agricultural and non-agricultural employment, the unemployed, the self-employed and residents who commute to jobs in other states. The government, retail trade, and services sectors (notably professional and business, and educational and health) are the leading areas of employment in the State. In contrast to the nation as a whole, considerably more people in Maryland are employed in the federal government and service sectors and fewer in manufacturing, as shown in the following table:

Distribution of Employment
2015

	Maryland	United States
Construction & mining	5.8%	5.1%
Manufacturing	3.9	8.7
Trade, transportation & utilities	17.4	19.0
Information services	1.4	1.9
Financial activities	5.5	5.7
Professional & business services	16.2	13.9
Educational & health services	16.4	15.6
Leisure & hospitality services	10.1	10.7
Other services	4.3	4.0
Government		
Federal	5.4	1.9
State & local	13.5	13.6
Total	100.0%*	100.0%*

Source: U.S. Department of Labor, Bureau of Labor Statistics.
*Totals may not add due to rounding.

Following the collapse of the housing market beginning in 2008, the construction and finance industries realized significant job losses and, as the broader recession took hold, several other Maryland industries were severely impacted. In the aggregate, Maryland lost 5.7% of its jobs in the recession while the nation lost 6.3%, both reaching the trough in February 2010. Subsequently, employment growth has been uncharacteristically slow for an economic recovery, though through December 2015, Maryland and the nation have gained back 102.6% and 103.4% of those lost jobs, respectively.

Average Annual Employment Growth
(2010 through 2015)

	Maryland	United States
Construction & mining	1.4%	3.2%
Manufacturing	-1.8	1.3
Trade, transportation & utilities	1.1	1.8
Information services	-2.7	0.3
Financial activities	0.3	1.1
Professional & business services	2.1	3.3
Educational & health services	1.8	2.0
Leisure & hospitality services	3.1	3.0
Other services	0.0	1.1
Government		
Federal	0.6	-1.6
State & local	-0.1	-0.3
Total Non-agricultural Employment	1.1%	1.7%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Historical employment in Maryland's five largest sectors is shown in the table below. Maryland's five largest sectors represented approximately 79.0% of total employment in 2015. As is often the case, government employment in Maryland acted as a stabilizing factor during the recession. However, Maryland federal government employment detracted from overall employment in 2013 and 2014, decreasing 1.2% and 1.1% respectively. Although Maryland accounted for approximately 5.2% of total federal government employment since 2013, Maryland only represented 3.3% of federal government jobs lost in 2013 and 4.4% in 2014. This indicates that despite federal government employment detracting from Maryland employment growth in 2013 and 2014, other states lost a disproportionately larger share of federal government employment. However, as direct federal employment accounts for roughly 5.4% of jobs in Maryland, the impact was relatively acute. Furthermore, it is widely speculated that the same federal budget sequester has hindered the growth in Maryland's private sector. The degree to which private sector employment growth has been impacted is unknown, but it is suspected to have engendered a relatively stronger negative impact in Maryland compared to the nation as a whole. In 2015 federal government employment in Maryland grew by 0.7%.

Annual Employment Growth
Maryland's Five Largest Employment Sectors

	Government	Trade, Transportation, & Utilities	Educational & Health Services	Professional & Business Services	Leisure & Hospitality Services	Total MD Employment	Total US Employment
2006	1.1%	1.0%	2.7%	1.7%	2.1%	1.3%	1.8%
2007	1.6	0.1	2.6	0.5	1.5	0.7	1.1
2008	1.9	-2.3	2.8	0.0	1.0	-0.3	-0.5
2009	1.2	-5.4	2.6	-3.4	-2.4	-2.9	-4.3
2010	1.6	-0.4	1.5	1.0	-0.3	-0.2	-0.7
2011	0.6	1.4	1.6	3.1	1.6	1.0	1.2
2012	0.0	1.3	2.5	2.7	4.6	1.2	1.7
2013	-0.1	0.3	1.4	1.7	3.9	0.9	1.6
2014	0.0	1.0	1.6	1.5	2.5	0.9	1.9
2015	0.0	1.7	2.0	1.5	3.1	1.5	2.1

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Recent employment trends in Maryland from 2006 to 2015 are shown in the following table. Maryland's unemployment rate was lower than the rest of the country for this period.

Employment Trends

Calendar Year	Unemployment Rate in Maryland	Unemployment Rate in the United States	Growth in Maryland Labor Force	Growth in United States Labor Force
2006	3.9%	4.6%	1.3%	1.4%
2007	3.5	4.6	0.2	1.1
2008	4.4	5.8	1.1	0.8
2009	7.1	9.3	1.2	-0.1
2010	7.6	9.6	1.3	-0.2
2011	7.2	8.9	0.7	-0.2
2012	6.9	8.1	0.7	0.9
2013	6.5	7.4	0.2	0.3
2014	5.8	6.2	0.0	0.3
2015	5.2	5.3	0.8	0.8

Source: Maryland Department of Labor, Licensing and Regulation.
Note: In August 2016 the unemployment rate was 4.3% in Maryland and 4.9% in the United States.

Educational Levels

Maryland's workforce is more highly educated than that of the rest of the United States as a whole. As of 2014, the most recent year for which data was available, the percentage of the population (25 years and over) with a bachelor's degree or higher was 38.2% as compared to 30.1% for the nation as a whole. Maryland ranked third in the nation in the percentage of its population over 25 with a graduate or professional degree. The percentage of the population with a high school diploma or better was 89.6% in Maryland compared to 86.9% in the United States. This educational attainment facilitates the rapid growth of the professional services and information services sectors, which require an educated workforce.

Educational Attainment of Population 25 Years and Over in 2014

	Maryland	United States
Less than High School	10.4%	13.1%
High School Diploma	25.7	27.7
Some College	19.1	21.0
Associate's Degree	6.5	8.2
Bachelor's Degree	20.7	18.7
Graduate or Professional Degree	17.5	11.4

Source: U.S. Department of Commerce, Census Bureau (American Community Survey).

Assessed Value of Property

Maryland levies a State tax on real property, revenues from which are credited to the State's Annuity Bond Fund to pay debt service on Maryland General Obligation Bonds. In fiscal year 2003 the rate was 8.4 cents per $100 of assessment (21 cents on utility operating property). In fiscal year 2004 the rate was increased to 13.2 cents per $100 of assessment (33 cents on utility operating property). For fiscal years 2007 through 2017, the tax rate is 11.2 cents per $100 of assessment (28 cents on utility operating property).

Shown below is the assessed value for State purposes of real property as determined by the State Department of Assessments and Taxation. All real property is assessed at full cash value once every three years, with any increase in full cash value phased in over the ensuing three taxable years in equal installments. Any decrease in the full cash value is recognized in full in the next taxable year and held constant for the remaining two taxable years.

Assessed Values of Real Estate
($ in thousands)

Fiscal Year	Real Property	Utility Operating Real Property	Total	Change in Assessed Values
2007	$525,706,233	$1,476,219	$527,182,452	16.5%
2008	616,526,923	1,105,319	617,632,242	17.2
2009	706,403,763	1,086,209	707,489,972	14.5
2010	750,498,802	1,069,237	751,568,039	6.2
2011	733,884,066	708,090	734,592,156	-2.2
2012	682,650,240	793,154	683,443,394	-7.0
2013	651,655,464	714,633	652,370,097	-5.0
2014	642,571,751	737,924	643,309,675	-1.4
2015	669,161,466	786,952	669,948,355	4.1
2016	695,336,368	766,641	696,119,320	3.9

Source: State Department of Assessments and Taxation, March 2016.
*Totals may not add due to rounding.

Residential Construction

In 2015 the value of all residential unit permits issued increased by 6.6%. In addition, the total number of residential building permits increased by 4.4%. Overall, the active average inventory of units for sale increased 3.0% to 29,028 in 2015, which is just over half the peak levels of 2008. That increase follows a 15.0% increase in inventory in 2014. According to data from the Maryland Association of Realtors, unit sales for 2015 increased 16.3%, with the median unit price up just 0.4%. The recent increase in supply and the still relatively elevated inventory of foreclosures likely continues to restrain price growth while volume increases.

Aggregate Value of and Building Permits Issued for Residential Construction in Maryland

Year	Value of Construction in Current Dollars ($ in millions)	Change	Number of Permits Issued	Change
2006	$3,889.9	-17.0%	23,262	-22.9%
2007	3,768.8	-3.1	18,582	-20.1
2008	2,229.7	-40.8	13,018	-29.9
2009	2,089.0	-6.3	11,123	-14.6
2010	1,951.9	-6.6	11,931	7.3
2011	2,204.6	12.9	13,481	13.0
2012	2,409.9	9.3	15,217	12.9
2013	2,811.2	16.7	17,918	17.7
2014	2,889.2	2.8	16,331	-8.9
2015	3,080.6	6.6	17,057	4.4

Source: U.S. Department of Commerce, Bureau of the Census.

Home Sales and Median Home Price

Year	Unit Home Sales	Growth	Median Home Price	Growth
2006	79,056	-21.0%	$307,227	7.1%
2007	60,784	-23.1	306,585	-0.2
2008	44,563	-26.7	285,224	-7.0
2009	49,237	10.5	258,284	-9.4
2010	50,877	3.3	247,280	-4.3
2011	51,042	0.3	228,275	-7.7
2012	54,068	5.9	243,913	6.9
2013	61,073	13.0	256,355	5.1
2014	62,791	2.8	258,494	0.8
2015	73,044	16.3	259,638	0.4

Source: Maryland Association of Realtors.

Taxable Retail Sales

A relatively strong economy, low interest rates and high levels of mortgage refinancing resulted in robust growth in fiscal years 2004 through 2006. As the economy slowed in fiscal year 2007, and the boost from mortgage refinancing and other housing-related issues faded, growth slowed precipitously. The onset of the most recent recession coupled with high gas prices resulted in declining taxable retail sales for fiscal year 2008. Fiscal year 2009 saw continued reductions in retail sales as declining wealth, increased unemployment, and a lack of credit weighed heavily across all categories of the base. Although sales and use tax collection growth in fiscal year 2010 finished negative, Maryland experienced four consecutive months of positive growth in sales and use tax collections in the final months of the fiscal year 2010, and that trend carried into fiscal year 2011. In fiscal year 2011, taxable sales increased at their greatest rate since fiscal year 2006, as taxable purchases of vehicles and other goods rebounded, likely the result of improved equity markets, a relatively stabilized job market, and pent-up demand. Fiscal years 2012 and 2013 continued the upward trend as the economy continued to improve. Growth slowed in fiscal year 2013 as federal budget sequestration, the fiscal cliff of 2012, and the expiration of the federal payroll tax reduction weighed on income growth and confidence. Fiscal years 2014 and 2015 saw improvement from 2013, though the acceleration was largely attributable to vehicle sales. Basic taxable spending increased 1.6% in 2014 before rebounding to 5.2% in fiscal year 2015. Fiscal year 2015 also includes the first nine months of sales tax collections from internet retailer Amazon. While we cannot disclose the amount of those collections or the adjusted growth rate, it is safe to say those amounts had a significantly positive revenue impact. The following table illustrates the changes in taxable sales for fiscal years 2006 through 2015.

Taxable Retail Sales in Maryland
(includes automobile sales)
($ in thousands)

Fiscal Year	Taxable Retail Sales	Change
2006	$81,933,900	5.8%
2007	82,568,490	0.8
2008	80,120,978	-3.0
2009	72,413,624	-9.6
2010	71,521,298	-1.2
2011	74,479,247	4.1
2012	76,758,835	3.1
2013	78,254,038	1.9
2014	80,415,065	2.8
2015	84,825,062	5.5

Source: Comptroller of the Treasury, Bureau of Revenue Estimates.
Note: Includes sales and use tax base and motor vehicle excise tax base.

Other Economic Factors

Real Estate. Following several years of declining activity and values, data from the Maryland Association of Realtors indicates that the residential real estate market has somewhat stabilized. Following the housing price trough in 2011, prices have increased for four consecutive years, albeit at a slower pace in 2014 and 2015. Unit sales have increased each year since 2009. Notably, the median price in 2015 was 15.5% less than its 2006 peak and sales volume in 2015 was 27.1% below its 2005 peak. Of course, a return to prior peaks would not be expected in the short run in the absence of an unsustainable housing bubble. As a result of the housing bubble, risk remains in the outlook as the percentage of loans beginning the foreclosure process has remained elevated in comparison to pre-recession levels, and there may be an inventory of other units that have been held from the market in anticipation of higher prices. The elevated number of foreclosures was expected as Maryland employs a judicial foreclosure process.

The Port of Baltimore. As one of the largest ports on the East Coast by tonnage, in 2015 the Port of Baltimore handled 32.4 million tons of foreign commerce cargo valued at $51.5 billion. This represented a 9.7% increase in tons from 2014; however, valuation decreased 2.5%. Owned by the State but operated by a private entity (Ports America), the Port is in an excellent position to capitalize on the widening of the Panama Canal. The project to widen the Canal, which was completed in 2016, will permit longer and wider ships to pass and other than Baltimore, few east coast ports have the berth depths and cranes to handle such ships.

Biotechnology. Maryland is well-positioned in the front ranks of the biotechnology field. The State's concentration of higher education and research institutions, particularly medical schools, a thriving pharmaceuticals industry and one of the most highly educated workforces in the country have created growth opportunities for the biotechnology companies that have located to or started up in Maryland. Further, the State currently offers a biotechnology investment incentive tax credit for investments in qualified Maryland biotechnology companies. The State also provides seed and early-stage equity funding for biotechnology companies through the Maryland Venture

Fund. In addition, there are more than 20 business incubators located throughout the State, providing support for the development of biotechnology enterprises.

Base Realignment and Closure. The State received more federal jobs than any other state in the country as a result of the 2005 Base Realignment and Closure ("BRAC") process. As part of BRAC, the commands of the Army Team C4ISR, Defense Information Systems Agency, Defense Media Activity, Army Research, Development and Engineering, and Walter Reed Hospital have been moved to Maryland. It was estimated that 45,232 jobs with an average wage of $70,388 would be created in or moved to Maryland by 2020 - of that, more than 15,000 would be direct, more than 22,000 would be indirect, and more than 7,000 would be induced. Presumably many of these jobs are currently in place because the direct federal job realignment had a statutory end date of September 15, 2011; for this reason, many of the related indirect jobs are likely in place as well. Although much of the activity has already occurred, a substantial amount of economic upside remains as a portion of the individuals in these positions may be telecommuting at this time and will likely move to Maryland at a later date or their positions will be filled with Maryland residents as employees turn over. Separately but related, the U.S. Cyber Command, established at Fort Meade, Maryland in May 2010 and activated in October 2010, is expected to add 1,000 jobs annually for the next several years.

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

Secretary of Transportation of Maryland
7201 Corporate Center Drive
P.O. Box 548
Hanover, Maryland 21076

$385,000,000Department of Transportation of Maryland
Consolidated Transportation Bonds
Series 2016

and

$242,525,000
Department of Transportation of Maryland
Consolidated Transportation Bonds
Refunding Series 2016

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Department of Transportation of Maryland (the "Department"), an agency of the State of Maryland (the "State"), of $385,000,000 Consolidated Transportation Bonds, Series 2016 and $242,525,000 Consolidated Transportation Bonds, Refunding Series 2016 (collectively, the "Bonds"). The Bonds are being issued pursuant to the provisions of Sections 3-101 to 3-217, inclusive, of the Transportation Article of the Annotated Code of Maryland (2015 Replacement Volume, as amended and supplemented) (the "Act"), Section 8-209 of the State Finance and Procurement Article of the Annotated Code of Maryland (2015 Replacement Volume, as amended and supplemented) ("Section 8-209"), and a resolution of the Secretary of Transportation of Maryland, dated as of October 3, 2016 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

We have examined originals, or copies identified to our satisfaction as being true copies, of such records of the Department, certificates and other assurances from public officials and officers and such other documents, opinions and matters as we have considered necessary or appropriate under the circumstances to render this opinion.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or events occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and we have assumed the accuracy of the factual matters represented, warranted or certified in the documents. In addition, we call your attention to the fact that the obligations of the Department under the Bonds and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting creditors' rights generally. In addition, the enforceability of the Bonds and the Resolution is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific enforcement or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion regarding the availability of equitable remedies.

On the basis of the foregoing, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant under the circumstances, as of the date hereof, we are of the opinion that:

1. The Act and Section 8-209 are valid enactments, and the Department is a validly created and existing agency of the State possessing authority under the Act and Section 8-209 to issue the Bonds.

2. The Resolution has been duly adopted by the Department and is in full force and effect.

3. The Bonds have been duly authorized and validly issued for a valid public purpose in accordance with the Constitution of the State, the Act, Section 8-209 and the Resolution.

4. The Bonds are valid and legally binding obligations of the Department only, payable as to both principal and interest solely from the tax proceeds and other available revenues of the Department specified in the Act. The Bonds are not general obligations of the State, and the faith and credit of the State is not pledged to the payment of the principal of or interest on the Bonds.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in the preceding sentences of this paragraph 5 are subject to continuing compliance by the Department with covenants regarding federal tax law contained in the Resolution and the Tax and Section 148 Certificate of the Department of even date herewith. Failure to comply with such covenants could cause interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

6. Under existing law of the State, the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State or by any of its political subdivisions, municipal corporations, or public agencies of any kind, except that no opinion is expressed as to such exemption from Maryland franchise taxes or estate or inheritance taxes.

Notwithstanding the opinion in paragraph 5 that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, interest on the Bonds will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

In rendering the opinion in paragraph 5 above, we have relied upon representations and covenants of the Department in the Resolution and the Tax and Section 148 Certificate concerning the investment and use of Bond proceeds. In addition, we have assumed that all such representations are true and correct and that the Department will comply with such covenants. We have expressed no opinion with respect to the exclusion of interest on the Bonds (including original issue discount treated as interest, if any) from gross income under Section 103(a) of the Code in the event that any of such Department representations are untrue or the Department should fail to comply with such covenants, unless such failure to comply is based on our advice or opinion. Except as stated above, we express no opinion as to any federal tax consequences of the ownership of, receipt of, interest on, or disposition of the Bonds.

The opinion we have expressed herein as to the treatment of the interest borne by the Bonds for federal or State income tax purposes is based upon statutes, regulations, rulings and court decisions in effect on the date hereof. We undertake no obligation to update the contents of this opinion on any future date. Each purchaser of the Bonds should consult his or her tax advisor regarding any changes in the status of any pending or proposed legislation.

Respectfully submitted,

KUTAK ROCK LLP

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (this "Disclosure Agreement") is executed and delivered by the Department of Transportation of Maryland (the "Department") in connection with the issuance of its $385,000,000 Department of Transportation Consolidated Transportation Bonds, Series 2016 (the "Construction Bonds") and its $242,525,000 Department of Transportation Consolidated Transportation Bonds, Refunding Series 2016 (the "Refunding Bonds", together with the Construction Bonds, the "Bonds"). The Bonds are being issued pursuant to the provisions of Sections 3-101 to 3-217, inclusive, of the Transportation Article of the Annotated Code of Maryland (2015 Replacement Volume) as amended and supplemented from time to time (the "Act"), Section 8-209 of the State Finance and Procurement Article of the Annotated Code of Maryland (2015 Replacement Volume) as amended and supplemented from time to time, resolutions issued by the Board of Public Works of Maryland (the "Board") on September 7, 2016 and a resolution of the Secretary of Transportation dated as of October 3, 2016. The Department, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the Department for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with the Rule. The Department's obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

Section 2. Definitions.

In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"**CONTINUING DISCLOSURE SERVICE**" shall mean the continuing disclosure service established by the MSRB (defined herein) known as the Electronic Municipal Market Access ("EMMA") system or such other format as prescribed by the MSRB.

"**DISSEMINATION AGENT**" shall mean the Department, acting as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Department.

"**LISTED EVENT**" shall mean any of the events listed in Section 4 of this Disclosure Agreement.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)1 of the Securities Exchange Act of 1934, as amended.

"**PARTICIPATING UNDERWRITER**" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"**RULE**" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"**SEC**" shall mean the United States Securities and Exchange Commission.

Section 3. Provision of Annual Financial Information, Operating Data and Audited Information.

(a) The Department shall provide to the Continuing Disclosure Service annual audited financial statements for the Department, such information to be made available within 275 days after the end of the fiscal year for the Department, commencing with the fiscal year ending June 30, 2015, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the fiscal year of the Department (commencing with the fiscal year ending June 30, 2015), the Department will provide unaudited financial statements within said time period.

(b) The Department's financial statements referred to in paragraph (a) shall be prepared in accordance with generally accepted accounting principles except as otherwise disclosed in the notes thereto or in the Official Statement for the Bonds.

(c) If the Department is unable to provide the annual financial statements within the applicable time period specified in paragraph (a) above, the Department shall send in a timely manner a notice of such failure to the Continuing Disclosure Service.

Section 4. Reporting of Significant Events.

(a) Pursuant to provisions of this Section 4, the Department shall give or cause to be given notice of the occurrence of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies,

(ii) non-payment related defaults, if material,

(iii) unscheduled draws on debt service reserves reflecting financial difficulties,

(iv) unscheduled draws on credit enhancements, if any, reflecting financial difficulties,

(v) substitution of credit or liquidity providers, if any, or their failure to perform,

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds,

(vii) modifications to rights of Bond Holders, if material,

(viii) bond calls, if material, and tenders offers,

(ix) defeasances,

(x) release, substitution or sale of property securing repayment of any of the Bonds, if material,

(xi) rating changes,

(xii) bankruptcy, insolvency, receivership or similar event of the Department,[**]

(xiii) the consummation of a merger, consolidation or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material, and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Department agrees to provide, in a timely manner, not in excess of ten (l0) business days after the occurrence of a Listed Event, notice of such occurrence with the Continuing Disclosure Service.

[**] For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Department in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Department, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Department.

Section 5. Termination of Reporting Obligation.

The Department's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the Department may terminate its obligations under this Disclosure Agreement if and when it no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

Section 6. Amendment.

The Department may provide further or additional assurances that will become part of the Department's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the Department in its discretion provided that (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Department as the obligated person with respect to the Bonds, or in the type of business conducted; (ii) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined by counsel selected by the Department that is expert in federal securities law matters. The reasons for the Department agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the additional or amended operating data or financial information.

Section 7. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 4 hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the Department chooses to include any information in any disclosure made pursuant to Section 4 hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Department shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 4 hereof or notice of occurrence of a Listed Event.

Section 8. Law of Maryland.

This Disclosure Agreement, and any claim made with respect to the performance by the Department of its obligations hereunder, shall be governed by, be subject to and be construed according to the laws of the State of Maryland (without regard to provisions on conflicts of laws) or federal law.

Section 9. Limitation of Forum.

Any suit or other proceeding seeking redress with regard to any claimed failure by the Department to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Anne Arundel County, Maryland.

Section 10. Dissemination Agent.

The Department may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Department pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Department shall be the Dissemination Agent.

Section 11. Limitation on Remedies.

The Department shall be given written notice at the address set forth below of any claimed failure by the Department to perform its obligations under this Disclosure Agreement, and the Department shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the Department shall be limited solely to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the Department shall be given to the Secretary of Transportation, 7201 Corporate Center Drive, Hanover, MD 21076, with a copy to the Director, Office of Finance, Maryland Department of Transportation, 7201 Corporate Center Drive, Hanover, MD 21076, or at such alternate address as may be specified by the Department with disclosures made pursuant to Section 4 hereof or a notice of occurrence of a Listed Event.

Section 12. Duty to Update EMMA/MSRB.

The Department agrees that it shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 13. Recordkeeping.

The Department agrees that it shall maintain records of all disclosures of annual financial information and operating data and disclosures of material events listed in Section 4 above, including the content of such disclosures, the names of the entities with whom such disclosures were filed and the dates of filings of such disclosures.

Section 14. Relationship to Bonds.

This Disclosure Agreement constitutes an undertaking by the Department that is independent of the Department's obligations with respect to the Bonds. Any breach or default by the Department under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

Section 15. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF this Disclosure Agreement is being executed by the Secretary of Transportation on behalf of the Department as of this 10th day of November, 2016.

DEPARTMENT OF TRANSPORTATION OF MARYLAND

By: ______________________________________

Pete K. Rahn
Secretary of Transportation

APPENDIX E

BOOK-ENTRY ONLY SYSTEM - GENERAL

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (as hereinafter defined). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate of the $385,000,000 Department of Transportation Consolidated Transportation Bonds, Series 2016 (the "Construction Bonds"), will be issued for each maturity of the Construction Bonds, and one fully registered certificate of the $242,525,000 Department of Transportation Consolidated Transportation Bonds, Refunding Series 2016 (the "Refunding Bonds", together with the Construction Bonds, the "Bonds"), each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Department of Transportation of Maryland (the "Department"), subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department, and disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Department. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Department may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

BOOK-ENTRY ONLY SYSTEM — MISCELLANEOUS

The information in the section "Book-Entry Only System - General" has been obtained by the Department from sources that the Department believes to be reliable. The Department takes no responsibility for the accuracy or completeness thereof. The Department will have no responsibility or obligation to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The Department cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

TERMINATION OF BOOK-ENTRY ONLY SYSTEM

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Registrar and such Bonds will be exchanged for Bonds registered in the names of the DTC Participants or the Beneficial Owners identified to the Registrar. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described below.

Interest on the Bonds will be payable by check mailed by the Paying Agent and Registrar to the persons in whose names the Bonds are registered as of the close of business on the Regular Record Date (being the fifteenth day of the month immediately preceding each interest payment date) at the addresses shown on the registration books of the Department maintained by the Registrar; provided, however, that any such interest not punctually paid or duly provided for shall cease to be payable to the registered owner on such Regular Record Date, and may be paid to the persons in whose names such Bonds are registered as of the close of business on a date to be fixed by the Paying Agent for the payment of such defaulted interest (the "Special Record Date"), notice of which will be given by letter mailed first class, postage prepaid, to such persons, not less than 30 days prior to such Special Record Date, at the addresses of such persons appearing on the registration books of the Department maintained by the Registrar, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange. The principal of and premium, if any, on the Bonds will be payable at the principal office of the Paying Agent.

The Bonds in fully certificated form will be fully registered Bonds without coupons in the denomination of $5,000 each or any integral multiple thereof. Bonds will be transferable only upon the registration books kept at the principal office of the Registrar, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Registrar, and duly executed by the registered owner or a duly authorized attorney. The Department may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

The Bonds may be transferred or exchanged at the principal office of the Registrar. Upon any such transfer or exchange, the Department shall execute and the Registrar shall authenticate and deliver a new registered Bond or Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Registrar may require payment by any holder of Bonds requesting exchange or transfer of Bond of any tax, fee, or other governmental charge, shipping charges, and insurance they may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Bonds for such exchange or transfer. The Registrar shall not be required to transfer or exchange any certificate after the mailing of notice calling such Bond or portion thereof for redemption as herein above described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of $5,000 which is not being called for redemption.

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