OFFICIAL STATEMENT DATED SEPTEMBER 18, 2018

NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Bond Counsel, assuming compliance with certain covenants and agreements contained in the Tax Certificate and Compliance Agreement to be executed and delivered on the date of delivery of the Bonds and subject to the exceptions under "TAX MATTERS" herein, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludible from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating the corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018 and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America. In the opinion of Bond Counsel, 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 any of its political subdivisions, municipal corporations, or public agencies of any kind, except that no opinion is expressed as to such exemption from estate or inheritance taxes, or any other taxes not levied directly on the principal of and interest on the Bonds, their transfer and income, including any profit made on sale. See "TAX MATTERS" herein.

MDOT
MARYLAND DEPARTMENT OF TRANSPORTATION

Department of Transportation of Maryland
$630,680,000
Consolidated Transportation Bonds, Series 2018 (Second Issue)

Dated: Date of Delivery **Due**: October 1 as shown on inside cover

Redemption	The $630,680,000 Consolidated Transportation Bonds, Series 2018 (Second Issue) (the "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".
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. **THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF MARYLAND.** See "SECURITY".
Purpose	Proceeds of the Bonds will provide a portion of the capital funds needed for the Consolidated Transportation Program, see "THE BONDS – Use of Proceeds".
Interest Payment Dates	April 1 and October 1, commencing April 1, 2019
Denomination	$5,000, or any integral multiple thereof
Closing/Settlement	On or about October 3, 2018
Bond Counsel	Miles & Stockbridge P.C.
Municipal Advisors	PFM Financial Advisors LLC 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 Miles & Stockbridge P.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 October 3, 2018.

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.

BofA Merrill Lynch

$630,680,000 Consolidated Transportation Bonds, Series 2018 (Second Issue)

Maturities, Amounts, Interest Rates, Prices and CUSIP Numbers

Maturing October 1	Principal Amount	Interest Rate[1]	Price[1]		CUSIP[2]
2021	$35,750,000	5.000%	108.586		574204K93
2022	37,585,000	5.000%	111.055		574204L27
2023	39,515,000	5.000%	113.174		574204L35
2024	41,540,000	5.000%	114.796		574204L43
2025	43,670,000	5.000%	116.439		574204L50
2026	45,910,000	5.000%	117.855		574204L68
2027	48,265,000	5.000%	117.302	*	574204L76
2028	50,740,000	5.000%	116.908	*	574204L84
2029	53,340,000	5.000%	116.516	*	574204L92
2030	55,615,000	3.375%	100.383	*	574204M26
2031	57,530,000	3.400%	100.138	*	574204M34
2032	59,550,000	3.500%	100.346	*	574204M42
2033	61,670,000	3.500%	100.000		574204M59

[1] The interest rates and prices shown above were furnished by the successful bidder for the Bonds on September 18, 2018. 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 October 1, 2026 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.

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 I. Slater, State Highway Administrator

Christine E. Nizer, Motor Vehicle Administrator

James J. White, Maryland Port Executive Director

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

Kevin B. Quinn, Jr., Maryland Transit Administrator

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

Jaclyn D. Hartman, Chief Financial Officer

Approving Legal Opinion

Miles & Stockbridge P.C.

Municipal Advisors

PFM Financial Advisors LLC
Orlando, Florida
and
People First Financial Advisors
Landover, Maryland

TABLE OF CONTENTS

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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, 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 $630,680,000 Consolidated Transportation Bonds, Series 2018 (Second Issue) (the "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 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 authorized 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 (collectively, the "Outstanding Bonds") except as described herein, and any additional Consolidated Transportation Bonds hereafter issued (the "Additional Bonds") as discussed below.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF MARYLAND.

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 total $415,244,831. Net receipts (unaudited) under the first test described herein under "ADDITIONAL BONDS" for the fiscal year ended June 30, 2018 would be 2.69 times maximum principal and interest requirements on such debt. Total proceeds from pledged taxes (unaudited) under the second test described herein under "ADDITIONAL BONDS" for the fiscal year ended June 30, 2018, would be 4.69 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 2019, the maximum aggregate amount of Consolidated Transportation Bonds that may be outstanding as of June 30, 2019 is $3,422,265,000.

Consolidated Transportation Bonds in the principal amount of $3,519,955,000 will be outstanding upon issuance of the Bonds on or about October 3, 2018. There will be principal payments made on Outstanding Bonds between the issuance of the Bonds and June 30, 2019 such that the aggregate amount of outstanding Consolidated Transportation Bonds (including any additional issuance of Consolidated Transportation Bonds between the issuance of the Bonds and June 30, 2019) will be less than the maximum aggregate amount of Outstanding Bonds allowed as of June 30, 2019.

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
$630,680,000
CONSOLIDATED TRANSPORTATION BONDS, SERIES 2018 (Second Issue)

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 $630,680,000 Consolidated Transportation Bonds, Series 2018 (Second Issue) (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"), by resolutions of the Board of Public Works of Maryland (the "Board of Public Works") adopted on August 22, 2018 and by a resolution of the Secretary of Transportation (the "Secretary") dated as of August 20, 2018 (the "Resolution").

THE BONDS

General

The Bonds are dated as of the date of their delivery, expected to occur on or about October 3, 2018 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 Bonds, in the aggregate principal amount of $630,680,000, shall accrue interest from the date of issuance and delivery and will be payable commencing on April 1, 2019 and semiannually thereafter on each October 1 and April 1 (the "Interest Payment Dates") until maturity unless redeemed prior to maturity as provided herein under "Redemption Provisions".

If an Interest Payment Date is not a Business Day (herein defined), then the interest on the Bonds 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 by electronic funds transfer 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

The Department is issuing the 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 Bonds. See "CONSOLIDATED TRANSPORTATION PROGRAM" and "TRANSPORTATION FACILITIES AND PROGRAMS" for additional information.

Estimated Sources and Uses of Funds

Sources:	
Par Amount	$630,680,000.00
Net Original Issue Premium	60,190,626.80
Total Sources	**$690,870,626.80**
Uses:	
Deposit to the Transportation Trust Fund	$675,000,000.00
Capitalized Interest	13,790,785.48
Costs of Issuance[1]	419,776.22
Underwriter's Discount	1,660,065.10
Total Uses	**$690,870,626.80**

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

Redemption Provisions

The Bonds maturing on or after October 1, 2027 are subject to redemption on or after October 1, 2026 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.

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 September 18, 2018. 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 Inc., the successful bidder for the Bonds. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder, and not from the Department.

SECURITY

THE BONDS ARE NOT AND MAY NOT BE CONSIDERED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF MARYLAND, BUT SHALL BE PAYABLE, AS TO BOTH PRINCIPAL AND INTEREST, ONLY FROM THE PROCEEDS OF THE TAXES AND OTHER REVENUES LEVIED, IMPOSED, PLEDGED, OR MADE AVAILABLE FOR THAT PURPOSE.

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 0.5% 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 below); (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 State's General Fund (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 is 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

[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.

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 a 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 the 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, by executive order, declares a fiscal emergency exists and the General Assembly concurs, by 3/5 of all elected members, with a different use or a transfer of the funds. Chapter 422 was adopted by a statewide referendum vote on the State ballot in November 2014.

Chapter 330, Laws of Maryland 2018, enacted in the 2018 regular session of the General Assembly ("Chapter 330"), requires 100% of the funds in the Gasoline and Motor Vehicle Revenue Account ("GMVRA") of the Transportation Trust Fund to be retained by such fund beginning in fiscal year 2020. Beginning in that same year, instead of directly sharing GMVRA revenue with local governments, the Department must provide capital transportation grants to local governments based on the amount of revenue allocated to GMVRA. From fiscal years 2020 through 2024, 13.5% of the revenue allocated to GMVRA must be provided to local governments through capital transportation grants. Beginning in fiscal year 2025 and thereafter, 9.6% of the revenue allocated to GMVRA must be provided to local governments through capital transportation grants; this is equivalent to the current GMVRA distribution to localities. The capital transportation grants required by Chapter 330 may only be made if all of the Department's debt service requirements and operating expenses have been funded and sufficient funds are available to fund its capital program.

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.

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 (collectively, 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 repayment 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 ended 90 or more days prior to the date of delivery of the Additional Bonds, 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 ended 90 or more days prior to the date of delivery of the Additional Bonds are equal to at least two times such maximum debt service. See "DEBT SERVICE REQUIREMENTS AND ESTIMATED COVERAGES" for ratios using the Department's June 30, 2018 unaudited fiscal year revenue.

THE DEPARTMENT

The Department was established as a principal department of the State government in 1971. The head of the Department is 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 Baltimore 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 Bombardier 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 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").

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 2019-2024 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 CTP as result of this tour.

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TRANSPORTATION FACILITIES AND PROGRAMS

($ in millions)

A capital program summary of the fiscal years 2019–2024 Draft CTP is presented below:

Expenditures	2019	2020	2021	2022	2023	2024	TOTAL
The Secretary's Office	127.0	44.7	22.7	13.0	12.4	15.0	235.1
Motor Vehicle Administration	32.1	41.1	20.8	14.5	14.9	15.0	138.6
Maryland Aviation Administration	159.6	140.8	64.5	62.6	41.8	63.5	532.9
Maryland Port Administration	135.4	166.4	178.7	134.9	93.5	90.0	799.1
Maryland Transit Administration	878.0	606.5	481.3	572.1	323.7	368.1	3,230.1
Washington Metro Area Transit	255.7	450.0	459.8	464.6	469.6	474.7	2,574.8
State Highway Administration	1,481.0	1,605.1	1,461.0	1,358.2	1,311.6	1,316.7	8,533.8
Total	3,069.2	3,054.9	2,689.1	2,620.3	2,267.7	2,343.2	16,044.7
Sources							
Special Funds [1]	1,494.1	1,565.8	1,415.5	1,380.5	1,250.3	1,326.5	8,433.0
Federal Funds	1,272.2	1,095.1	952.1	855.6	736.3	748.9	5,660.5
Other [2]	302.8	393.9	321.4	384.1	281.0	267.6	1,951.1
Total	3,069.2	3,054.9	2,689.1	2,620.3	2,267.7	2,343.2	16,044.7

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 Department's budget.

2018 General Assembly Session Impact on the CTP

Chapter 352, Laws of Maryland 2018 enacted in the 2018 regular session of the General Assembly (the "Maryland Metro/Transit Funding Act") requires the Department to make additional operating and/or capital disbursements to WMATA and the MTA beginning in fiscal year 2020. See "TRANSPORTATION FACILITIES AND PROGRAMS – Maryland Transit Administration – *Increase in Operating and Capital Funding*" and "TRANSPORTATION FACILITIES AND PROGRAMS – Washington Metropolitan Area Transit Authority Grants – *Increase in Capital Funding.*"

State Highway Administration

The State highway system, totaling 5,151 miles, or over 17,000 lane miles of roadway including ramps, spurs and service roads, and more than 2,564 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 set by 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 $8,533,855,000 for the CTP period. The CTP anticipates that $3,649,262,000 will be provided by federal grants and $4,788,303,000 will be provided from other resources of the Department and $96,290,000 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, the Maryland Area Regional Commuter ("MARC") train service, and a comprehensive Mobility/Paratransit system. The combined ridership for these services in fiscal year 2018 was approximately 95 million, which was a decrease from fiscal year 2017. 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 $3,230,116,000, of which $1,905,223,000 is expected from federal grants, $1,087,808,000 from other resources of the Department and $237,085,000 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 approximately 760 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 300 contractor-provided over-the-road style coaches, of which 21 are MTA-owned. In fiscal year 2017, MTA implemented BaltimoreLink, a $135 million program to improve bus service in the Baltimore region. The combined ridership for the Baltimore region and commuter bus services in fiscal year 2018 exceeded 67.5 million. The CTP provides for core bus system improvements in the Baltimore area totaling $491,913,000 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 $292,669,000 and the Department is expected to provide the remaining $199,244,000 for these improvements.

Student Service. Baltimore City Public School students also use the MTA's services. Prior to July 1, 2018, MTA was reimbursed for such student usage pursuant to an agreement with the Baltimore City Public Schools. Chapter 785, Laws of Maryland 2017, enacted in the 2017 legislative session of the General Assembly, prohibits the MTA from seeking reimbursement from Baltimore City for ridership of public school students effective July 1, 2018 through June 30, 2021.

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. Forty-eight light rail cars currently operate on the entire system. The fiscal year 2018 light rail ridership was approximately 7.4 million. The CTP includes $305,075,000 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 $99,217,000 and $204,541,000 is expected to be provided from other resources of the Department with $1,317,000 to be provided from non-federal, non-Departmental sources.

Baltimore Metro Subway. The MTA operates a rapid transit system with 98 rapid rail cars on 15.4 miles of subway line in Baltimore City and Baltimore County (the "Baltimore Metro"). The fiscal year 2018 Baltimore Metro was approximately 8.7 million. The CTP includes $603,182,000 for rolling stock rehabilitation as well as rail system construction and preservation of which the federal government is expected to contribute $358,971,000, with the Department providing the remaining $244,211,000.

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 $74,433,000, primarily for vehicle procurement and rehabilitation. The federal government is expected to contribute $39,553,000, with the remaining $34,880,000 provided from other resources of the Department.

New Starts. The MTA awarded a Public Private Partnership contract in fiscal year 2016 for the design, financing, construction and operation of a 16-mile light rail line in Prince George's and Montgomery Counties (the "Purple Line") and signed a Fully Funded Grant Agreement with the federal government in fiscal year 2018. Also, a locally preferred alternative has been selected for a 9-mile rapid bus transitway, the "Corridor Cities Transitway", in Montgomery County. 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 $833,064,000 for these projects. Of this amount, $617,829,000 will be from federal grants and $215,235,000 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 $429,066,000 for this work. The federal share for this amount is $87,841,000, with $333,228,000 provided from other resources of the Department and $7,997,000 from non-federal, non-Departmental sources.

Information Technology. The MTA is working on many security and information technology initiatives. The CTP includes $13,158,000 for these initiatives, of which $1,548,000 is expected to be contributed by the federal government and $11,610,000 will be provided by resources of the Department.

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 was approximately 9.3 million in fiscal year 2018.

Passenger rail capital allocations for the CTP period are $448,615,000, of which $347,393,000 is expected to be provided by federal grants, $101,222,000 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 $25,038,000. 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 $179,322,000, of which $146,627,000 is expected from federal grants, $20,159,000 from the Department and $12,536,000 from non-federal, non-Departmental sources.

Increase in Operating and Capital Funding

The Maryland Metro/Transit Funding Act increased the fiscal year 2020 appropriation from the Transportation Trust Fund for the operating expenses of MTA to be at least 4.4% greater than the appropriation in the fiscal year 2019 budget as introduced. In addition, for fiscal years 2021 and 2022, the appropriation from the Transportation Trust Fund for the MTA's operating expenses is required to be at least 4.4% greater than the preceding fiscal year. Finally, for fiscal years 2020 through 2022, the State's budget is required to include an appropriation of at least $29.1 million from the revenues in the Transportation Trust Fund to be applied towards the capital needs of the MTA, provided that the appropriation does not supplant any other capital funding otherwise available for the MTA. These increases which are included in the draft CTP will remain effective until June 30, 2022, and, with no further action required by the General Assembly, shall thereafter be abrogated and of no further force and effect.

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, and (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).

Under the Maryland Metro/Transit Funding Act, for any fiscal year in which the total Maryland operating assistance provided in WMATA's approved budget increases by more than 3% over the total operating assistance provided in WMATA's approved budget for the prior fiscal year, the Secretary shall withhold 35% of the grants referenced in sections (1) and (2) of the preceding paragraph. The costs of any service, equipment or facility required by law, a capital project approved by WMATA's board of directors, and any payments or obligations arising from or related to legal disputes or proceedings between or among WMATA and other person(s) will not be included in the calculation of budget increases.

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 fiscal year 2019-2024 CTP provides for an estimated expenditure of $2,574,809,000 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 2019-2024 will be $2,462,000,000 of which $381,000,000 is required for fiscal year 2019. The amount estimated for fiscal year 2020 is $392,000,000.

Debt Service Assistance. Over the six-year fiscal year 2019-2024 CTP, the Department will contribute $166,766,000 for debt repayment on long term bonds issued for WMATA's Metro Matters Program, a regionally funded program for capital improvements completed primarily during fiscal years 2005 through 2010 and two recent debt offerings, in 2017 and 2018.

Ongoing Financial and Operational Concerns. WMATA is addressing a number of significant financial, operational, managerial and other concerns facing its transit system.

Increase in Capital Funding. Pursuant to the Maryland Metro/Transit Funding Act, the Governor shall include in the State budget an appropriation of $167 million starting in fiscal year 2020 from the revenues available for the State capital program in the Transportation Trust Fund, which the Department shall then grant to WSTD to be used only to pay WMATA's capital costs. The Governor has the authority to appropriate General Funds for transfer to the Transportation Trust Fund to facilitate this funding. The State appropriation and Department grant are contingent on the Commonwealth of Virginia and the District of Columbia enacting legislation providing for dedicated capital funding of $154 million and $178 million, respectively.

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 as well as an automobile handling facility. The CTP includes major projects for the improvement and expansion of some of these terminals at a six-year cost of $72,517,000. 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 $503,178,000 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 $192,847,000. The total six-year program for the MPA is $799,183,000.

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 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. 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. Refunding Series 2016 Certificates of Participation refunded the 2006 MPA conditional purchase agreement for the warehouse in December of 2016.

In February 2017, the Board of Public Works approved the purchase and partial resale, by the MPA of real property adjacent to the Port, which will serve the Seagirt Marine Terminal and allow expansion of storage facilities for companies utilizing the Port.

In 2017, MPA purchased the intermodal container transfer rail yard from the Authority.

Maryland Aviation Administration

Baltimore/Washington International Thurgood Marshall Airport

BWI Marshall Airport, operated by the MAA, is located on a 3,600-acre site in Anne Arundel County, 9 miles south of downtown Baltimore and 32 miles northeast of Washington, D.C. More than 20 scheduled airlines, including commuter and cargo air carriers, serve BWI Marshall Airport and currently provide more than 330 domestic and international departures daily. During fiscal year 2018, over 27 million passengers used BWI Marshall Airport.

The CTP six-year program total of $532,994,000 includes $312,255,000 in major improvements at BWI Marshall Airport consisting of noise mitigation, airfield runway safety area, standards and pavement improvements, apron expansion and improvements, bus replacements, and baggage screening enhancements. Major terminal modernization improvements in the CTP include the Concourse D to E secure side connector and security checkpoint regulation, and the expansion of the International Concourse that includes immigration area improvements.

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 Authority issued additional PFC bonds in December 2014 for improvements to Concourses D and E. See "CONDITIONAL PURCHASE AND LEASE FINANCINGS" 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. MAA expects to submit a PFC application in the summer of 2018 which includes a PFC backed bond issuance.

The CTP also anticipates expenditures of $180,239,000 for airport planning and preservation of both BWI Marshall Airport and Martin State Airport, of which $19,192,000 is expected from federal grants, $14,705,000 from non-Department revenue sources and $146,342,000 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 $6,864,000 are allocated during the CTP period to Martin State Airport. It is estimated that $1,110,000 would be provided by federal grants and $5,754,000 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 which includes all public-use landing facilities. 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 more than $14,100,000 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), United States 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 approximately 14 million driver, vehicle and identification card records. During fiscal year 2018, nearly 1.0 million new and renewal driver's licenses and identification cards, almost 4.5 million new and renewal vehicle registrations, and approximately 1.2 million new titles were issued. MVA customers currently complete 66% of core service transactions by using United State mail, telephone, internet, kiosk, mobile office or County Treasurer office, with the remaining transactions conducted at an MVA customer facility.

The fiscal year 2019-2024 CTP has $138,642,000 programmed for MVA capital projects, of which $96,106,000 is allocated to preserve and develop the MVA's information technology ("IT") infrastructure, and the remaining $42,536,000 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: Customer Connect which includes document imaging, 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.

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 ("GMVRA") 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 0.5% 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 was 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.

2018 General Assembly Session's Impact on HUR

Chapter 330, Laws of Maryland 2018, enacted in the 2018 session of the General Assembly (the "HUR Redistribution Bill"), modifies the allocation of HUR to the counties, municipalities and Baltimore City. In addition, the definition of HUR changes as of July 1, 2019 from funds within the GMVRA to capital grants appropriated to Baltimore City, the counties and the municipalities.

Beginning in fiscal year 2020, 100% of the revenue credited to the GMVRA will be allocated to the TTF. For fiscal years 2020 through 2024, capital grants shall be allocated from the TTF in an amount equal to 13.5% of the funds credited to the GMVRA. The GMVRA is the basis for the calculation; however, the capital grants could come from any funds within the TTF.

For fiscal years 2025 and each fiscal year thereafter, capital grants shall be allocated from the TTF based on 9.6% of the funds credited to the GMVRA.

While there will be an increase in the amount of HUR allocated to the counties, municipalities and Baltimore City from fiscal years 2020 through 2024, the HUR Redistribution Bill specifically provides that the capital grants to be made shall be appropriated only if all debt service requirements and the Department's operating expenses have been funded and sufficient funds are available to fund the Department's capital program.

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 was charged with recovering 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. In the 2017 Session, the General Assembly repealed the 35% fare box recovery requirement. Effective July 1, 2014, 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 the Department's Comprehensive Annual Financial Report (the "CAFR").

Federal Aid

Federal aid, representing 21% of the total funding in the Department's TTF, supports the multimodal investments in the fiscal years 2019 – 2024 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 2019 – 2024 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 (the "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 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 2018 was 91.7 percent. The CTP assumes an OA level of 94 percent for fiscal years 2019 – 2024.

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 Federal Transit Administration 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 transportation projects. TIGER was a discretionary grant program administered by the United States Department of Transportation for road, rail, transit and port projects that achieve national multi-modal objectives. The TIGER program has been replaced by the Better Utilizing Investments to Leverage Development ("BUILD") transportation discretionary grants program.

Lastly, the Department receives federal funding from the United States 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 2018 were $1,044,885,000. Projected receipts for fiscal year 2019 are $1,252,286,000**.**

The subsidy for the Department's Consolidated Transportation Bonds, Series 2010 B (Federally Taxable – Issuer Subsidy – Build America Bonds) will be reduced by 6.2% in FFY 2019.

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. 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 2019, the maximum aggregate amount of Consolidated Transportation Bonds that may be outstanding as of June 30, 2019 is $3,422,265,000.

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 of the Act may not be used to support directly or indirectly the payment of the interest and principal of the revenue-backed bonds.

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 $325,000,000 Maryland Transportation Authority Grant and Revenue Anticipation Bonds, Series 2007 ("2007 GARVEE Bonds"). The 2007 GARVEE Bonds were refunded on August 9, 2017 by the Authority's Grant and Revenue Anticipation Refunding Bond, Series 2017 ("2017 Refunding GARVEE Bond"). In December 2008, the Authority issued its final series of Grant and Revenue Anticipation Bonds, Series 2008 (together with the 2017 Refunding GARVEE Bond, 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. As of June 30, 2018, the outstanding amount after the issuance of the 2017 Refunding GARVEE Bonds was $129,680,000. The annual debt service is approximately $86 million for fiscal year 2019. It then reduces to approximately $51 million for fiscal year 2020, the final year of GARVEE debt service.

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, including estimated numbers for fiscal year 2018 and the current forecast for fiscal year 2019 (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	2014	2015	2016	2017	2018 [1]	2019 [2]
Corporation Income Tax	$ 146,113	$ 148,949	$ 167,957	$ 131,160	$ 134,186	$ 145,527
Fuel Tax	723,249	827,830	923,216	981,555	973,058	1,029,711
Titling Tax	693,422	744,597	805,348	829,305	809,637	817,128
Sales and Use Tax	27,983	28,424	28,416	29,142	29,452	30,004
Total Pledged Taxes	$ 1,590,767	$ 1,749,800	$ 1,924,937	$ 1,971,162	$ 1,946,333	$ 2,022,370

[1] Estimated for fiscal year 2018 (actual amounts will not be finalized until November 2018)
[2] Forecast for fiscal year 2019

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).

	2014	2015	2016	2017	2018 [1]	2019 [2]
Total Pledged Taxes	$ 1,590,767	$ 1,749,800	$ 1,924,937	$ 1,971,162	$ 1,946,333	$ 2,022,370
Fees…………………………						
Motor Vehicle Registrations	305,525	310,385	312,771	316,742	315,983	324,700
Other	280,989	293,315	298,488	306,488	288,688	302,125
Total Taxes and Fees	2,177,281	2,353,500	2,536,196	2,594,392	2,551,004	2,649,195
Operating Revenues:						
MPA	52,841	49,759	49,999	49,039	53,000	54,000
MTA	139,821	142,414	156,579	149,249	150,000	146,000
MAA	217,290	222,117	229,993	243,132	255,000	251,000
Total Operating Revenue ...	409,952	414,290	436,571	441,420	458,000	451,000
Other Revenue	29,139	47,307	59,609	69,012	56,515	56,000
Investment Income	2,154	2,090	3,819	627	2,000	2,000
Total Revenues	2,618,526	2,817,187	3,036,195	3,105,451	3,067,519	3,158,195
Administration, Operation and Maintenance Expenditures….	1,752,218	1,769,681	1,830,146	1,853,698	1,949,000	1,986,000
Net Revenues	$ 866,308	$ 1,047,506	$ 1,206,049	$ 1,251,753	$ 1,118,519	$ 1,172,195

[1] Estimated for fiscal year 2018 (actual amounts will not be finalized until November 2018)
[2] Forecast for fiscal year 2019
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 the CAFR for additional historical detail.

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 0.6% through 2024, while personal income is forecasted to grow at 4.1% over the same time period. This rate of growth should enable the Department to continue to address critical capital needs. Considerable uncertainty remains regarding the extent to which federal policies may impact Maryland residents and restrain growth in Maryland and the region.

OUTSTANDING INDEBTEDNESS

As shown in the table below, Consolidated Transportation Bonds in the aggregate principal amount of $3,519,955,000 will be outstanding upon issuance of the Bonds on or about October 3, 2018. 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 2009	$ 8,800,000
Series 2010B	98,000,000
Refunding Series 2011	39,100,000
Series 2012	43,280,000
Series 2013	60,395,000
Series 2013 (Second Issue)	197,930,000
Series 2014	87,415,000
Series 2015	250,300,000
Series 2015 (Second Issue)	127,820,000
Refunding Series 2015	228,710,000
Series 2015 (Third Issue)	300,000,000
Series 2016	385,000,000
Refunding Series 2016	242,525,000
Series 2017	265,000,000
Series 2017 (Second Issue)	425,000,000
Series 2018	130,000,000
Series 2018 (Second Issue)	630,680,000
Total	$3,519,955,000

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. Maximum annual debt service is $415,244,831 in fiscal year ending June 30, 2022. Net revenues (unaudited) under the first test described above under "ADDITIONAL BONDS" for the fiscal year ending June 30, 2018 would be 2.69 times maximum annual principal and interest requirements on such debt. Pledged taxes (unaudited) under the second test described above under "ADDITIONAL BONDS" for the fiscal year ended June 30, 2018 would be 4.69 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.

Debt Service Requirements- Consolidated Transportation Bonds (in thousands)

	Debt Service Requirements- Consolidated Transportation Bonds (in thousands)				Debt Service Coverage Ratio Based Upon FY 2018 Revenue[1,2]	
Fiscal Year	Bonds Principal & Interest	Series 2018 2nd Issue Principal	Series 2018 2nd Issue Interest	Total Debt Service Requirements	Pledged Tax Ratio[2]	Net Revenue Ratio[3]
2019	$ 323,775	$ -	$ 13,791	$ 337,566	5.77	3.31
2020	320,290	-	27,891	348,181	5.59	3.21
2021	358,739	-	27,891	386,630	5.03	2.89
2022	352,497	35,750	26,998	415,245	4.69	2.69
2023	347,451	37,585	25,164	410,200	4.74	2.73
2024	280,151	39,515	23,237	342,903	5.68	3.26
2025	266,790	41,540	21,210	329,541	5.91	3.39
2026	248,052	43,670	19,080	310,802	6.26	3.60
2027	248,327	45,910	16,841	311,078	6.26	3.60
2028	237,472	48,265	14,486	300,223	6.48	3.73
2029	222,419	50,740	12,011	285,171	6.83	3.92
2030	189,627	53,340	9,409	252,376	7.71	4.43
2031	149,268	55,615	7,137	212,020	9.18	5.28
2032	120,410	57,530	5,221	183,161	10.63	6.11
2033	55,899	59,550	3,201	118,650	16.40	9.43
2034	-	61,670	1,079	62,749	31.02	17.83
Total[4]	$ 3,721,166	$ 630,680	$ 254,649	$ 4,606,495		

(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) Pledged taxes (in thousands) were $ 1,946,333 for fiscal year 2018 – unaudited number.
(3) Net revenues (in thousands) were $ 1,118,519 for fiscal year 2018 – unaudited number.
(4) 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, 2018
Project Certificates of Participation (MPA), Refunding Series 2016	MPA South Locust Point Warehouse Construction – Refunded original 2006 issue	$ 15,040,000	$ 11,855,000
Project Certificates of Participation (MAA), Refunding Series 2010	BWI Marshall Airport Facilities	19,610,000	10,110,000
Project Certificates of Participation (MTA), Refunding Series 2010	MTA Rail Station Parking Garage at BWI Marshall Airport	13,070,000	7,880,000
Total			$ 29,845,000

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, 2018
MEDCO Refunding Lease Revenue Bonds, Series 2010	Construction of the Headquarters Building for the Department	$ 22,715,000	$ 10,095,000
MEDCO Refunding Lease Revenue Bonds, Series 2010	Expansion and renovation of Piers A, B and Terminal Building At BWI Marshall	$ 199,555,000	$ 136,455,000
Total Outstanding Leases with MEDCO			$ 146,550,000

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

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 financing costs. The SHA, MTA, MAA, MPA and the MVA participated in EPC. As of June 30, 2018, the total amount due in long-term liability for EPC obligations is $37,553,000.

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, 2018**
Maryland Transportation Authority Taxable Consolidated Rental Car Facility Series 2002	Acquisition, construction and equipping of a new rental car facility	$ 117,345,000	$ 84,560,000
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	125,515,000
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	39,510,000
Maryland Transportation Authority Passenger Facility Charge Revenue Bonds Series	Finance a portion of the costs of runway safety improvements and paving	92,070,000	63,485,000
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
Maryland Transportation Authority Passenger Facility Charge Revenue Bonds Series 2014	Finance a portion of the costs to construct a passenger connector hall between the secured Concourses D and E	40,000,000	35,030,000
Total Outstanding MAA Leases with the Authority			$ 391,500,000

The Department's liability on the above leases may be less than the bonds outstanding due to cash on hand in certain restricted accounts held by the Authority. 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, 2017, the most recent fiscal year for which financial statements and notes are available, contained in the CAFR have been prepared in conformity with generally accepted accounting principles accepted in the United States and have been audited by the firm of SB & Company, LLC, independent certified public accountants.

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 2017. 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 these accounting policies is provided in the Management's Discussion and Analysis section and in Note 1 of the "Notes to the Financial Statements."

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.

State law requires an audit of every unit of State government 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 that 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 $20,000 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, 2018, the Department had 9,057.5 authorized employee positions.

Labor-Management Relations. As of June 30, 2018, the State had approximately 109,819 employees. 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 eligible 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. In December 2017, The State negotiated agreements with all six certified exclusive bargaining representatives. These agreements provide for a 2% cost of living adjustment on January 1, 2019 and the potential for a $500 bonus and another 0.5% cost of living adjustment on April 1, 2019 if the fiscal year 2018 revenues exceed projections by $75 million.

As of July 1, 2017, of the 3,367.5 authorized employees of the MTA, 2,673.5 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 was ratified as of July 20, 2016 and will expire June 30, 2019. The contract with the union (AFSCME Local 1859) representing 189 security personnel was ratified as of October 22, 2017 and will expire December 31, 2019. The two-year contract with union (ATU Local 1300) representing 2,326 operations and maintenance employees ratified as of May 22, 2016 expired on June 30, 2018, but the terms remain in effect. Tentative agreements have been reached on all issues except wages, employee pension contributions and contract duration. MTA and ATU Local 1300 have agreed to submit the open issues to interest arbitration, per the terms of the existing agreement. All three union contracts that participate in the MTA Pension Plan include for the first time a provision requiring union employees to contribute 2% of their gross pay to the MTA Pension Plan.

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, 2018, 5,548 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 2,776 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 $63.8 million in fiscal year 2018. The Department's budget for fiscal year 2019 is $68.5 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 the CAFR, Note 15.)

The Governmental Accounting Standards Board ("GASB") 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 is required to record its share of the State's net unfunded pension liability (the "NPL"). The Department's share of the NPL is 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 2017 allocation of the NPL was $738.9 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 hired before April 19, 2013 are vested after 5 years of service. Employees hired after May 18, 2013 but before July 1, 2016 are vested after 7 years of service and employees hired after July 1, 2016 are vested after 10 years of service. Employee retirement benefits are based on years of service times an annual benefit multiplier of 1.4-1.7% of final average compensation. Generally, full service retirement benefits are based on 30 years of service and age 52 or attainment of age 65 with 5 years of service.

The annual contribution to the MTA Plan is based upon a report of the consulting actuary (Bolton Partners Inc.). The Department's contribution for fiscal year 2017 was $44.1 million for the MTA Plan. The Department's MTA fiscal year 2018 budget provides approximately $44.1 million for the plan. The State has estimated the MTA's fiscal year 2017 allocation of the NPL to be $969.0 million.

The total pension liability is based upon the July 1, 2016 valuation data and assumptions determined by the consulting actuary and rolled forward to June 30, 2017.

Funded Status of the MTA Plan
($ in thousands)

Actuarial Value of Assets	Funded Ratio (Assets/Liab.)	Unfunded AAL (UAAL)	Covered Payroll (Active Members)	UAAL As a Percent of Payroll
290,605	41.2	415,641	145,834	285.0

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 2019 provides $5.6 million for MTA LEOPS. Additionally, the Department's fiscal year 2019 budget provides $2.2 million and $121,631 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 2019 provides $917,281 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 of the General Assembly 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 approves the issuance of all Consolidated Transportation Bonds and on August 22, 2018 approved the issuance of the Bonds.

Budget

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 ("GRS" or the "System's 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 "State Pool"). The "Municipal Pool" consists of the participating governmental units that elect to join the System (the "Municipal Pool"). 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, 2017, the State's membership in the System included 167,164 active members, 46,669 vested former members, and 138,236 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 2017, State retirees and beneficiaries within the State Pool received benefit payments totaling $3.3 billion, with an average benefit of $24,087.

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 July 2017 meeting, the System's Board of Trustees adopted a revision to the economic assumptions for the System. The Board of Trustees voted to incrementally lower the assumed rate of return from 7.55% to 7.45% and the price inflation assumption from 2.7% to 2.6% over the next two years.

[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 System's 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 12/31/2017*	**Long-Term Target Allocation**
Public and Private Equity	52.5%	50.0%
Rate Sensitive	19.7	19.0
Real Estate	10.8	14.0
Credit	8.8	9.0
Absolute Return	7.0	8.0
Cash	1.2	0.0
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, 2018, unaudited):

	1 year	3 year	5 year	10 year	20 year	25 year
Annualized Returns (gross of fees)	15.27%	7.10%	7.87%	4.93%	5.82%	7.09%

The System's rate of return on its investment portfolio was 10.02% for the fiscal year ending June 30, 2017.

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 was reflected in the System's fiscal year 2015 valuation, which determined 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 payments"). The following table reflects the supplemental payments that have been received through fiscal year 2018, and are expected to be received in fiscal year 2019:

Supplemental Payments
FY 2012 – FY 2019
(in millions)

FY 2012	$ 195.0
FY 2013	$ 190.8
FY 2014	$ 100.0
FY 2015	$ 100.0
FY 2016	$ 75.0
FY 2017	$ 150.0
FY 2018	$ 75.0
FY 2019	$ 75.0

In addition to the supplemental payments, during the 2015 legislative session, the General Assembly authorized a "sweeper amendment" as part of budget legislation that allowed 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, from fiscal year 2017 through fiscal year 2020. During the 2016 legislative session, the General Assembly included an additional voluntary contribution to the System for fiscal year 2017 only, of $25.0 million above the ADEC, the supplemental payments, and the contribution from the sweeper amendment. Therefore, the System received additional contributions totaling $150 million during fiscal year 2017 from the supplemental payment, sweeper amendment, and additional voluntary contribution.

During the 2017 legislative session, the legislature repealed the "sweeper amendment" for fiscal year 2018 only, but modified the sweeper amendment so that (1) it will not terminate in 2020, but continue until the later of either the fund reaching 85% funded, or when the legislature determines it to be no longer needed, and (2) beginning with the fiscal year 2021 budget, the System will receive one-quarter of any unappropriated General Fund balance in excess of $10.0 million, up to a maximum of $25 million. In addition, the 2017 modification to the amendment provided that the Postretirement Health Benefits Trust Fund would receive one-quarter of any unappropriated General Fund balance in excess of $10.0 million, also up to a maximum of $25 million. Any remaining unappropriated General Funds above these distributions are appropriated to the Revenue Stabilization Account. During the 2018 legislative session, the Maryland General Assembly approved a waiver of the sweeper amendment for fiscal year 2019.

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

Valuation Year (as of June 30)	Based on 6/30/2011 Valuation (a)	Based on 6/30/2017 Valuation (b)
2018	76.0%	71.4%
2021	81.3	73.5
2023	85.2	75.9
2025	89.4	78.4
2027	94.1	81.0
2030	101.9	85.2
2031	107.9	86.7
2037	123.4	96.4
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, 2015 and 2017 legislative actions).

Employer Contribution. In fiscal year 2017, the State paid the full employer annual required contribution ("ARC") and contributed a total of $1.9 billion. 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 first three fiscal years, the payment increased until fiscal year 2016 when the local school boards began paying 100% of the fiscal year 2013 normal cost. Beginning in fiscal year 2017, the local school boards paid 100% of the local teachers' normal cost as determined by the most recent valuation of the System.

The Department of Budget and Management estimates that the General Fund portion of the employer contribution represents 7.6% of the fiscal year 2018 General Fund budget. This percentage is anticipated to be at 7.3% in fiscal year 2019, and is then projected to maintain at about that level through fiscal year 2022. The following table presents estimates of the employer contribution relative to the General Fund budget in fiscal years 2018 through 2022. 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. 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 million be paid to the pension fund, up to a maximum of $50 million annually. Finally, they reflect 2017 legislation that passed eliminating the requirement for the fiscal year 2018 $50 million supplemental contribution, as well as 2018 legislation enacted extending the exemption from this requirement through fiscal year 2019.

Further legislation passed during the 2017 legislative session required that beginning in fiscal year 2021, one-quarter of the unappropriated General Fund surplus above $10 million be appropriated to the Postretirement Health Benefits Trust Fund and another quarter be appropriated to the State Retirement and Pension fund. Each of these appropriations is capped at $25 million. Any remaining unappropriated General Funds above those distributions are appropriated to the Revenue Stabilization Account.

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***
2018	2.9%	4.6%	7.6%
2019	2.9	4.5	7.3
2020	2.8	4.4	7.2
2021	2.8	4.6	7.3
2022	2.8	4.6	7.3

* Totals may not add due to rounding.

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, 2017, 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, 2017

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	$41,198,985	$30,500,872	74.03%	$10,698,113	$6,781,838	157.8%
Employees' Retirement and Pension System	19,750,066	12,848,684	65.06	6,901,382	3,218,598	214.4
State Police Retirement System	2,198,337	1,408,754	64.08	789,583	100,384	786.6
Judges' Retirement System	535,902	453,134	84.56	82,768	46,876	176.6
Law Enforcement Officers' Pension System	1,039,655	657,128	63.21	382,527	106,826	358.1
Total of All Plans*	$64,722,945	$45,868,572	70.87%	$18,854,373	$10,254,522	183.9%

(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.

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 2008 to 2017 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 %
2008........	$50,244,047	$39,504,284	78.6%	$10,739,763	$10,542,806	101.9%
2009(b) ..	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	66,281,781	46,170,624	69.7	20,111,157	11,063,961	181.7
2016	67,781,924	47,803,679	70.5	19,978,245	11,155,924	179.1
2017	69,986,576	50,250,465	71.8	19,736,110	11,418,973	172.8

(a) Includes both the State Pool and the Municipal Pool accrued liabilities.
(b) 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 2008 to 2017 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
2008	$36,613,710	2013	$40,363,217
2009	28,570,474	2014	45,363,217
2010	31,923,637	2015	45,789,840
2011	37,592,752	2016	45,365,926
2012	37,178,726	2017	48,987,183

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

As of May 1, 2018, the System's market value of assets was $51.1 billion (unaudited).

Beginning in fiscal year 2015, GASB 68 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") previously 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 2017, the State's contribution to the System was $1.9 billion, and the total contribution to the System was $2.0 billion. The NPL for the System was calculated as $21.6 billion as of June 30, 2017 of which the State's share has been calculated to be $20.4 billion.

For a more detailed discussion of the System, see the CAFR, Note 15 to the Financial Statements and Required Supplementary Information. A copy of the System's Actuarial Valuation Report as of June 30, 2017 may be obtained online at http://www.sra.state.md.us/Agency/Downloads/Valuation/Actuarial_Valuation_reports.aspx.

Other Post-Employment Benefits

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, 2017, the Program membership included 78,557 active employees, 3,132 vested former employees and 72,216 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, 2018, retiree program members contributed $68 million and the State contributed $259 million for retiree health care benefits.

The State has adopted GASB Statement No. 75 ("GASB 75") which supersedes GASB 45 and 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") effective for fiscal year ending June 30, 2018. GASB 75 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 under GASB 68. 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 75 do not prescribe methods for funding OPEB plans, nor do they require governments to fund their OPEB plans. GASB 75 does, however, establish additional disclosure requirements for employers contributing to OPEB plans. For defined benefit OPEB, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present values to periods of employee service. Disclosure and required supplementary information requirements about defined benefit OPEB also are required regardless of whether or not the plan is administered through a qualifying trust.

Under GASB 75, the Net OPEB Liability is reported as a liability on the State's financial statements. The Net OPEB Liability is the difference between the Total OPEB Liability (the actuarial present value of all future projected benefit payments attributable to service prior to the measurement date) and the Fiduciary Net Position (market value of assets).

The State's annual OPEB expense is calculated as change in Net OPEB Liability over the measurement period, with deferred recognition of certain aspects of the change in liability, including investment gains/losses, demographic gains/losses, and changes in actuarial assumptions. Unrecognized amounts are reported as deferred inflows and/or deferred outflows of resources related to OPEB until they are recognized in the annual OPEB expense.

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 under GASB 45 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 is required in order to receive a full State subsidy. Retirees will be required to enroll in Medicare Part D effective January 1, 2019, after the Part D coverage gap is phased out.

OPEB Projections. As of June 30, 2017, the actuary's Total OPEB Liability was $12.5 billion, and the Fiduciary Net Position was $306.7 million, resulting in a Net OPEB Liability ("NOL") of $11.1 billion. The discount rate used was an unblended pay-go rate of 3.58%. The ratio of the Fiduciary Net Position to the Total OPEB Liability was 2.69%. The covered payroll (annual payroll of active employees covered under the Program) was $5.1 billion, and the ratio of the NOL to the covered payroll was 216.88%.

The following table from the Actuarial Valuation Report as of June 30, 2017, prepared by the State's actuary, shows the components of the State's annual OPEB expense, the contribution to the Program and the State's Net OPEB Liability for the fiscal year 2018:

State Employee and Retiree Health and Welfare Benefits Program
Annual OPEB Expense and Net OPEB Liability
Fiscal Years 2017 - 2018
Projections as of June 30, 2017
($ in millions)

Reporting Date under GASB 75	**June 30, 2017**	**June 30, 2018**
Measurement Date under GASB 75	**June 30, 2016**	**June 30, 2017**
Net OPEB Liability	$12,500.0	$11,085.2
Deferred inflows of resources related to OPEB	0	1,464.2
Deferred outflows of resources related to OPEB	0	0
Net Liabilities Relating to OPEB	**$12,500.0**	**$12,549.4**
Net OPEB Expense	N/A	$575.9
Less: Contributions made	N/A	(526.5)
Net Change in Liabilities Relating to OPEB	**N/A**	**$49.4**

The State's General Fund has historically contributed approximately 60% of the annual pay-as-you-go costs of other post-employment benefits, with special and federal funds contributing the balance. Chapter 355 of the 2007 Laws of Maryland created the Postretirement Health Benefits Trust Fund (the "Trust Fund") as an irrevocable trust. Funds of the Trust Fund will be used to assist in financing the State's post-retirement health insurance subsidy. For the nine months ended March 31, 2018, the State did not allocate any funds to the Trust Fund. The net assets held in trust for post-retirement health benefits as of June 30, 2017 were $306.7 million. 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. The MTA does not currently have a separate fund set aside to pay healthcare costs.

As of June 30, 2017, the actuarial accrued liability ("AAL") was $852.8 million. The estimated Covered Payroll under the MTA OPEB was $145.8 million and the ratio of the estimated AAL to the estimated covered payroll was (584.8%).

MTA's 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 annual OPEB cost, the amount actually contributed and MTA's estimated net OPEB obligation as of June 30, 2017. Contributions and obligations as of June 30, 2018 will not be available until November 2018.

Maryland Transit Administration Pension Plan OPEB
Annual OPEB Cost and Net OPEB Obligation
Fiscal Year 2017
($ in millions)

Annual Required Contribution (ARC)	$90.0
ARC adjustment	(21.6)
Interest on Net OPEB Obligation	13.4
Total Annual OPEB Cost (AOC)	81.8
Less: Contributions made	(16.9)
Increase in net OPEB obligation	64.9
Net OPEB obligation - beginning of year	358.2
Net OPEB obligation - end of year	$423.2
Percentage of annual OPEB cost contributed	20.6%

Note: Numbers may not add due to rounding

For a more detailed discussion of MTA's OPEB, see the Department's CAFR, Note 14.

MUNICIPAL ADVISORS

PFM Financial Advisors LLC of Orlando, Florida is serving as municipal advisor to the Department for the sale and delivery of the Bonds and other matters pertinent thereto. PFM Financial Advisors LLC is a municipal 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 municipal advisor in connection with the sale and delivery of the Bonds.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The CAFR for the year ended June 30, 2017, referenced in Appendix A of this Official Statement, has been audited by SB & Company, LLC, independent certified public accountants, whose report is included therein.

TAX MATTERS

Federal Law

In the opinion of Miles & Stockbridge P.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludible from gross income for federal income tax purposes, assuming compliance with certain covenants in the Tax Certificate and Compliance Agreement to be executed and delivered by the Department on the date of delivery of the Bonds (the "Tax Certificate") which are designed to meet the requirements (to the extent applicable to the Bonds) of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder or applicable thereto, except as described below. Bond Counsel is also of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating the corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018.

Under the Code, the Bonds are subject to certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements would cause interest on the Bonds to become subject to federal income taxes retroactively to their date of issuance and adversely affect the price of the Bonds in the secondary market. In order to comply with the requirements of Section 103 and Sections 141 through 150 of the Code as applicable to the Bonds, the Department has entered into the Tax Certificate, which provides, among other things, that the Department will not (a) take any action, (b) fail to take any action, or (c) make any use of the proceeds of the Bonds, which would cause the interest on the Bonds to be or become includable in the gross income of the owners of the Bonds for federal income tax purposes. In particular, the Tax Certificate provides that the Department will not make any use of the proceeds of the Bonds or any moneys, securities or other obligations on deposit to the credit of the Department or otherwise that may be deemed by the Internal Revenue Service to be proceeds of the Bonds that would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

In addition, Section 148 of the Code sets forth, as a condition to exclusion of interest from gross income for federal income tax purposes on governmental obligations, such as the Bonds, certain restrictions regarding the investment of the "gross proceeds" of such obligations. These "arbitrage" provisions set forth limitations on the yield of investments acquired with "gross proceeds" of the Bonds, and also provide for periodic rebate of specified portions of the arbitrage profit derived from such investments. Failure to comply with such requirements at any time could retroactively affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the event of noncompliance with the covenants and agreements contained in the Tax Certificate, available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent the interest on the Bonds from becoming includible in the gross income of the Owners of such Bonds for federal income tax purposes.

Bond Counsel will assume no responsibility for, and will not monitor, compliance with the covenants and agreements set forth in the Tax Certificate. However, the Department will certify that it will monitor compliance with the covenants and agreements in the Tax Certificate in connection with its post issuance tax compliance obligations.

As to questions of fact material to Bond Counsel's opinion, without undertaking to verify the same by independent investigation, Bond Counsel will rely upon the certified proceedings and other certifications of public officials furnished to Bond Counsel, and certifications by the officers and other representatives of the Department (including certifications as to the use of the proceeds of the Bonds).

Although Bond Counsel will render an 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 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. Bond Counsel will not express any opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations having subchapter C earnings and profits), certain high income individuals and specified trusts and estates (with respect to the Medicare income tax computation), property and casualty insurance companies, banks, thrifts or other financial institutions, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or carried indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

The above summary of possible indirect tax consequences may not be exhaustive. All purchasers of Bonds should consult their tax advisors regarding the possible federal income tax consequences of ownership of the Bonds.

Original Issue Premium

Certain of the Bonds may be reoffered at prices in excess of the principal amount thereof. Under the Code, the difference between the principal amount of a Bond and the cost basis of such Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Bond (i.e., the maturity date of a Bond or its earlier call date) for federal income tax purposes. An owner of a Bond is required to decrease his or her basis in such Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Bond. The amount of the amortizable bond premium attributed to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Owners of Bonds (including purchasers of Bonds in the secondary market) should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Bonds and with respect to the state and local consequences of owning and disposing of Bonds.

Legislative Changes

From time to time legislation is introduced before Congress proposing to amend or modify the existing laws with respect to the tax treatment of tax-exempt obligations. There can be no assurance that legislation will not be introduced or enacted, after the issuance and delivery of the Bonds, so as to affect adversely the exclusion from gross income for federal income tax purposes applicable to the Bonds. Each purchaser of the Bonds should consult his, her or its own tax advisor regarding any changes in the status of pending or proposed federal tax legislation.

Tax Enforcement

The Internal Revenue Service (the "IRS") has an on-going program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurance can be given as to whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures, the IRS will treat the Department as the taxpayer and the bondholders may have no right to participate in any such proceeding. The opinion of Bond Counsel as to the excludability from gross income of the interest on the Bonds for federal income tax purposes is not binding on the IRS or the courts. Neither the Department nor Bond Counsel is responsible for paying or reimbursing the costs of any Bondholder with respect to any audit or litigation relating to the Bonds, including the payment to the IRS of any settlement amount.

State and Local Tax Exemption

In the opinion of Bond Counsel, 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 estate or inheritance taxes, or any other taxes not levied directly on the principal of and interest on the Bonds, their transfer and income, including any profit made on sale.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. All purchasers of the Bonds should consult their tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

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

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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. The Department 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 Miles & Stockbridge P.C., 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

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APPENDIX A

FINANCIAL INFORMATION

The Comprehensive Annual Financial Report ("CAFR") of the Department, including the audited Basic Financial Statements, for the fiscal year ended June 30, 2017, has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system and is obtainable from them in accordance with their procedures. The 2017 CAFR is also posted on the Department's website and can be accessed at http://www.mdot.maryland.gov/newMDOT/Finance/ComprehensiveAnnualFinancialReport.html.

The following reports, each of which are included in the 2017 CAFR and as such have been posted online at the web address above, are incorporated herein by reference:

Report of Independent Public Accountants

Management's Discussion and Analysis

BASIC FINANCIAL STATEMENTS
- Statement of Net Position
- Statement of Activities
- Balance Sheet
- Statement of Revenues, Expenditure and Changes in Fund Balances
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Fiduciary Net Position
- Statement of Change in Fiduciary Net Position
- Notes to the Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION
- Schedule of Funding Progress Maryland Transit Administration OPEB Plan
- Schedule of Employer Contributions Maryland Transit Administration OPEB Plan
- Changes in the Net Pension Liability Maryland Transit Administration Pension Plan
- Schedule of Employer Contributions Maryland Transit Administration Pension Plan
- Proportionate Share of the Net Pension Liability Maryland State Retirement Pension Plan
- Schedule of Employer Contributions Maryland State Retirement Pension Plan
- Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
- Notes to the Required Supplementary Information

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APPENDIX B

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 42 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 on April 1 of that year was 5,773,552, an increase of 9.0% from the 2000 Census. Maryland's population is concentrated in urban areas. In 2017, the eleven counties and Baltimore City located in the Baltimore-Washington region contained 50.1% of the State's land area and 87.3% of its population. The 2017 population for the Baltimore Metropolitan Statistical Areas was estimated at 2,808,175 and for the Maryland portion of the Washington Metropolitan Statistical Areas, 2,474,790. Overall, Maryland's population per square mile was 615 in 2017. The following table presents estimated population of Maryland and the United States from 2008 - 2017.

Population

	Maryland		United States	
Year	Population	Change	Population	Change
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	0.8	308,745,531	0.6
2011	5,843,115	1.2	311,644,280	0.9
2012	5,891,680	0.8	313,993,272	0.8
2013	5,932,654	0.7	316,234,505	0.7
2014	5,970,245	0.6	318,622,510	0.8
2015	6,000,561	0.5	321,039,839	0.8
2016	6,024,752	0.4	323,405,935	0.7
2017	6,052,177	0.5	325,719,178	0.7

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

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In March 2018, the Bureau of Revenue Estimates released a report titled The Impact of Age Demographics on Maryland's Economic and Tax Revenue Outlook. This report may be obtained online at the following link: http://finances.marylandtaxes.gov/static_files/revenue/BRE_reports/FY_2018/BRE%20Report%20on%20Age%20Demographics.pdf. According to the report, in addition to population growth, the age distribution, or structure, of the population has a significant impact on the economy and State revenue. Essentially, realized and expected changes to the age distribution of the population will result in subdued productivity and labor force growth compared to economic expansions of the recent past. For 2017, populations of Maryland and the United States were distributed by age as follows:

Age Distribution 2017

Age	Maryland	United States
Under 5 years	6.1%	6.1%
5 through 19 years	18.8	19.1
20 to 44 years	32.7	33.1
45 to 64 years	27.4	26.0
65 years and over	15.0	15.7
	100.0%*	100.0%*

Source: U.S. Department of Commerce, Bureau of the Census.
* Totals may not add due to rounding.

Personal Income

Maryland residents received approximately $360.3 billion in personal income in 2017. Maryland's total personal income increased at a rate of 3.2%, essentially equal to the national increase of 3.1%. Per capita income remained significantly above the national average in 2017, $59,524 in Maryland compared with the national average of $50,392. In 2017, 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
2008	$49,428	4.4%	$41,082	3.2%	4
2009	48,845	-1.2	39,376	-4.2	4
2010	49,885	2.1	40,278	2.3	4
2011	52,093	4.4	42,463	5.4	4
2012	53,332	2.4	44,283	4.3	6
2013	52,653	-1.3	44,489	0.5	7
2014	54,036	2.6	46,486	4.5	8
2015	56,197	4.0	48,429	4.2	7
2016	57,972	3.2	49,204	1.6	5
2017	59,524	2.7	50,392	2.4	5

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

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 2017, 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
2017
($ in millions)

	Maryland	Percentage of Personal Income Before Residence Adjustment Maryland	United States
Mining, forestry, fishing	$ 269	0.1%	1.0%
Construction	16,662	5.0	4.4
Manufacturing	10,503	3.1	6.6
Trade, transportation & utilities	29,210	8.7	10.9
Information services	7,315	2.2	2.4
Finance, insurance & real estate	23,705	7.0	6.5
Professional & business services	45,981	13.7	12.1
Educational & health services	32,009	9.5	9.2
Leisure & hospitality services	10,181	3.0	3.3
Other services	8,889	2.6	2.6
Government			
Federal, civilian	26,161	7.8	2.0
Military	4,061	1.2	0.8
State & local	28,783	8.6	8.9
Farm income	327	0.1	0.4
Earnings by place of work	244,057	72.6	71.2
Less:			
Personal contributions for social insurance	(27,213)	(8.1)	(7.9)
Plus:			
Dividends, Interest and Rent	67,803	20.2	19.4
Transfer Payments	51,630	15.4	17.4
Personal income before residence adjustment	336,277	100.0%*	100.0%*
Residence adjustment	23,973		
Total Personal Income	$ 360,251*		

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.

Between 2012 and 2017, total personal income in Maryland has grown 2.8% annually, compared to a national growth rate of 3.4%. During this period, wage and salary income, roughly half of total personal income, has grown at a lower rate in Maryland than nationally. Investment income (income derived from dividends, interest, and rent) also did not keep pace with the nation as a whole. However, proprietors' income and transfer payments grew faster in Maryland than the nation. The difference in growth of the residence adjustment income earned by residents who work outside of Maryland or the nation is not very meaningful, because the residence adjustment is 6.7% of Maryland personal income, but less than three basis points of national personal income.

Average Annual Growth of Personal Income Components
(2012 through 2017)

	Maryland	United States
Wages and Salaries	2.9%	3.8%
Supplements to Wages and Salaries	3.0	3.1
Proprietors' Income	3.5	2.1
Contributions for Social Insurance	5.5	6.5
Residence Adjustment	0.5	-1.2
Dividends, Interest, and Rent	2.5	3.8
Transfer Payments	4.8	3.8
Total Personal Income	2.8	3.4

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 during the depths of the global recession of 2009. The slower post-recession trajectory for Maryland's principal income measures may be partially a function of the lesser rate of decline; coming out of a deeper trough, the nation as a whole would require higher income and employment growth than Maryland in order to reach potential GDP. Maryland's slower post-recession trajectory also likely reflects of 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 austerity or sequestration, and higher income tax rates.

More recent economic indicators suggest that the economic drag is lifting. After lagging through the recovery, Maryland and the nation had similar per capita personal income growth in 2015, and in 2016 and 2017, per capita personal income grew faster in Maryland than the nation as a whole. Looking forward, there is considerable federal policy uncertainty. Depending on the impact of the policy proposals that may be or have been enacted, Maryland's growth could be negatively, positively, or insignificantly impacted. While recently imposed steel and aluminum tariffs will increase cost for all consumers, Maryland's relatively high wealth and small manufacturing sector will likely result in a smaller impact for the State compared to the nation.

Annual Personal Income and Wages and Salaries Growth

	Personal Income		Wages and Salaries	
	Maryland	United States	Maryland	United States
2008	4.9%	4.1%	2.3%	2.2%
2009	-0.4	-3.3	-0.8	-4.4
2010	3.2	3.1	2.2	2.0
2011	5.4	6.2	3.6	4.0
2012	3.2	5.1	3.1	4.5
2013	-0.6	1.2	0.8	2.7
2014	3.3	5.3	3.4	5.1
2015	4.5	5.0	4.6	5.1
2016	3.6	2.3	3.0	2.9
2017	3.1	3.1	2.5	3.3

Source: U.S. Bureau of Economic Analysis.

Employment

Maryland's labor force totaled 3.2 million individuals in 2017, including agricultural and nonagricultural 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
2017

	Maryland	United States
Construction & mining	6.0%	5.2%
Manufacturing	3.9	8.5
Trade, transportation & utilities	17.2	18.8
Information services	1.4	1.9
Financial activities	5.4	5.8
Professional & business services	16.3	14.0
Educational & health services	16.9	15.8
Leisure & hospitality services	10.2	11.0
Other services	4.2	3.9
Government		
Federal	5.4	1.9
State & local	13.2	13.3
Total	100.0%*	100.0%*

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

In the aggregate, Maryland lost 5.6% of its jobs in the Great Recession while the nation lost 6.3%, both reaching the trough in February 2010. Though through March 2018, Maryland and the nation have gained back 104.4% and 107.1% of those lost jobs, respectively.

Average Annual Employment Growth
(2012 through 2017)

	Maryland	United States
Construction & mining	2.4%	3.3%
Manufacturing	-0.9	0.9
Trade, transportation & utilities	0.8	1.5
Information services	-1.3	0.9
Financial activities	0.4	1.7
Professional & business services	1.6	2.7
Educational & health services	2.0	2.2
Leisure & hospitality services	2.7	3.1
Other services	0.4	1.2
Government		
Federal	0.0	-0.1
State & local	0.1	0.4
Total Non-agricultural Employment	1.1	1.8

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 79.2% of total employment in 2017. As is often the case, government employment in Maryland acted as a stabilizing factor during the recession. Although Maryland federal government employment declined 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 is relatively acute. More recently, since 2015 the federal government has been adding positions located in the State.

Annual Employment Growth
Maryland's Five Largest Employment Sectors

	Total Government	Trade, Transportation, & Utilities	Educational & Health Services	Professional & Business Services	Leisure & Hospitality Services	Total MD Employment	Total US Employment
2008	1.9%	-2.3%	2.8%	0.0%	1.0%	-0.3%	-0.5%
2009	1.2	-5.4	2.7	-3.5	-2.4	-2.9	-4.3
2010	1.4	-0.4	1.7	1.0	-0.3	-0.2	-0.7
2011	0.5	1.4	1.9	3.1	1.6	1.0	1.2
2012	-0.3	1.4	2.4	2.7	4.6	1.2	1.7
2013	0.0	0.3	1.4	1.8	4.0	0.9	1.6
2014	-0.3	1.0	1.2	1.5	2.5	0.9	1.9
2015	0.3	1.6	2.4	1.8	2.8	1.5	2.1
2016	0.0	0.9	2.0	2.0	2.1	1.2	1.8
2017	0.3	0.0	2.6	0.9	2.0	1.0	1.6

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

Recent employment trends in Maryland are shown in the following table. Maryland's annual unemployment rate has been lower than the rest of the country for over 41 years, while the labor force growth in 2017 outpaced the rest of the country for the first time since 2011.

Employment Trends

Year	Unemployment Rate in Maryland	Unemployment Rate in the United States	Growth in Maryland Labor Force	Growth in United States Labor Force
2008	4.3%	5.8%	1.1%	0.8%
2009	7.0	9.3	1.0	-0.1
2010	7.7	9.6	1.3	-0.2
2011	7.3	8.9	0.7	-0.2
2012	7.0	8.1	0.7	0.9
2013	6.6	7.4	0.3	0.3
2014	5.8	6.2	0.0	0.3
2015	5.1	5.3	0.7	0.8
2016	4.4	4.9	0.9	1.3
2017	4.1	4.4	1.3	0.7

Source: Maryland Department of Labor, Licensing and Regulation.
Note: In November 2017, the unemployment rate was 3.9% in Maryland and 4.1% 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 2016, the most recent year for which data is available, the percentage of the population (25 years and over) with a bachelor's degree or higher is 39.3% as compared to 31.3% for the nation as a whole. Maryland ranks 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 higher is 90.1% in Maryland compared to 87.5% for the nation as a whole. This educational attainment facilitates the growth of the professional services and information services sectors, which require an educated workforce.

Educational Attainment of Population 25 Years and Over in 2016

	Maryland	United States
Less than High School	9.9%	12.5%
High School Diploma	25.4	27.2
Some College	18.9	20.6
Associate's Degree	6.5	8.4
Bachelor's Degree	20.9	19.3
Graduate or Professional Degree	18.5	11.9

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 Annuity Bond Fund to pay debt service. Through 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 2018 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
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	786,889	669,948,355	4.1
2016	694,111,984	838,059	694,950,043	3.7
2017	718,640,142	889,156	719,529,298	3.5
2018	744,894,989	906,939	745,801,928	3.6

Source: State Department of Assessments and Taxation, January 2018.
* Totals may not add due to rounding.

Residential Construction

In 2017, the value of all residential unit permits issued increased by 2.9%. The total number of residential building permits decreased slightly by 5.5%. The average monthly active inventory of units for sale decreased 13.2% to 22,240, under half of the peak level of 2008. That decrease follows an 11.5% decrease in active inventory in 2016. According to monthly data from the Maryland Association of Realtors, unit sales for 2017 increased 3.3%, with the median unit price up 4.6%. The recent decrease in supply and increase in price suggests that the inventory of foreclosures has essentially cleared and is not restraining price growth as it was in the recent past. On the other hand, recent federal tax changes are expected to decrease the portion of taxpayers who itemize deductions, which will result in fewer people receiving the home mortgage interest deduction. Given historically low interest rates however, the impact may be slight.

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
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
2016	3,166.8	2.8	17,044	-0.1
2017	3,257.3	2.9	16,108	-5.5

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
2008	44,496	-27.0%	$285,336	-6.9%
2009	49,526	11.3	257,114	-9.9
2010	54,416	9.9	245,166	-4.6
2011	51,253	-5.8	228,081	-7.0
2012	54,148	5.6	243,909	6.9
2013	61,191	13.0	257,596	5.6
2014	62,804	2.6	260,112	1.0
2015	73,014	16.3	258,239	-0.7
2016	80,045	9.6	267,928	3.8
2017	82,714	3.3	280,331	4.6

Source: Maryland Association of Realtors.

Taxable Retail Sales

Taxable retail sales growth slowed significantly as 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 to 2016 saw improvement, though the acceleration was largely attributable to strong vehicle sales. Fiscal years 2015 onward also include the sales tax collections from internet retailer Amazon. A slowdown in vehicle sales growth compared to prior years has contributed to a decline in the overall growth rate of 2.1% in fiscal year 2017. Taxable retail sales. like retail sales generally, have been subdued compared to past expansions and are expected to remain so. The recent Supreme Court decision, *South Dakota v. Wayfair Inc.,585 U.S*, allows states to require that remote sellers collect and remit sales tax to the locality in which the customer resides. This ruling will lead to higher sales tax collections in the State; the Bureau of Revenue Estimates is presently working on a revenue impact estimate regarding the ruling.

The following table illustrates the change in taxable sales for fiscal years 2008 through 2017.

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

Fiscal Year	Taxable Retail Sales	Change
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	78,254,027	1.9
2014	80,415,065	2.8
2015	84,825,062	5.5
2016	87,778,479	3.5
2017	89,627,253	2.1

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. The residential real estate market continues to expand. Since the housing price trough in 2011, median prices have increased for five of the six years to 2017. Notably, the median price in 2017 is 8.8% less than its 2006 peak and sales volume in 2017 is 17.3% below its 2005 peak. Of course, a return to prior peaks was not expected in the short run in the absence of an unsustainable housing bubble. As a result of the housing bubble bursting, the percentage of loans in the foreclosure process increased substantially in both Maryland and the nation. As of the first quarter of 2018, the percentage of loans in foreclosure in Maryland is 1.5% equivalent to levels observed in the late 1990's and early 2000's.

The Port of Baltimore. As one of the largest ports on the East Coast by tonnage, in calendar year 2017 the Port of Baltimore handled 38.4 million tons of foreign commerce cargo valued at $53.9 billion. This represented a 20.8% increase in tons from 2016 and an increase in value of 7.9%. The Seagirt Marine Terminal owned by the State but operated by a private entity (Ports America), the Port has capitalized on the widening of the Panama Canal, which permits longer and wider ships to pass. Baltimore is one of a few East Coast ports to have the berth depths and cranes to handle such ships. However, there is the possibility of a negative impact resulting from an increase in global trade barriers.

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 or started up here. 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. Separately but related, the U.S. Cyber Command, established at Fort Meade, Maryland in May 2010 and activated in October 2010, is also estimated to have added thousands of jobs since activation and is expected to provide continued growth in the near future.

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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

$630,680,000
Department of Transportation of Maryland
Consolidated Transportation Bonds
Series 2018 (Second Issue)

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 $630,680,000 Consolidated Transportation Bonds, Series 2018 (Second Issue) (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"), by resolution of the Board of Public Works of Maryland adopted on August 22, 2018, and a resolution of the Secretary of Transportation of Maryland, dated as of August 20, 2018 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

We have examined the following:

1. The Constitution of the State of Maryland and such statutes and regulations that we have deemed relevant to this opinion;

2. Relevant provisions of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder (the "Code");

3. The Act;

4. The form of the Bonds;

5. The Resolution;

6. An executed copy of the Department's Tax Certificate and Compliance Agreement (the "Tax Certificate"), dated as of the date hereof; and

7. Such other laws, documents, certifications and proceedings as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Department contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The Bonds do not create or constitute an indebtedness or obligation of the State of Maryland or of any political subdivision thereof other than the Department or pledge the faith, credit or taxing power of the State of Maryland or any political subdivision thereof. The Bonds are limited obligations of the Department, the principal of and premium (if any) and interest on which are payable solely from tax proceeds and other available revenues of the Department specified in the Act.

Based upon such examination, we are of the opinion, as of the date hereof and under existing law, subject to the limitations hereinafter stated, that:

1. The Act is a valid enactment, and the Department is a validly created and existing agency of the State of Maryland possessing the authority under the Act 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 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 revenues of the Department levied, imposed, pledged or made available for that purpose. The Bonds are not and may not be considered to constitute a debt or a pledge of the faith and credit of the State of Maryland.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludible from gross income for federal income tax purposes. Interest earned on the Bonds may be subject to the branch profits tax imposed on certain foreign corporations.

Interest earned on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax although we observe that it is included in adjusted current earnings in calculating the corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018.

In rendering the opinions expressed hereinabove in this paragraph 5, we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate, which covenants and agreements are designed to meet the requirements (to the extent they are applicable to the Bonds) of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), inclusive, and the regulations issued thereunder or applicable thereto.

It is our opinion that the covenants and agreements contained in the Tax Certificate are sufficient to meet the requirements (to the extent they are applicable to the Bonds) of Section 103 and Sections 141 through 150 of the Code; however, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements set forth in the Tax Certificate. In the event of noncompliance with such covenants and agreements, available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent the interest on the Bonds from becoming includible in gross income for federal income tax purposes.

In addition, we direct your attention to the section of the Official Statement relating to the Bonds captioned "TAX MATTERS," for a discussion of certain provisions of the Code which are applicable to particular individuals, corporations and financial institutions with respect to interest on the Bonds. Furthermore, we specifically direct your attention to the subsection of the TAX MATTERS section entitled "Tax Enforcement" with respect to a discussion of the Internal Revenue Service's on-going program of auditing tax-exempt obligations.

6. By the terms of 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 any of its political subdivisions, municipal corporations, or public agencies of any kind, except that no opinion is expressed as to such exemption from estate or inheritance taxes, or any other

taxes not levied directly on the principal of and interest on the Bonds, their transfer and income, including any profit made on sale.

We assume no obligation to supplement this letter or the opinions expressed in this letter if any applicable laws change after the date hereof or if we become aware of any facts that might change the opinions expressed herein after the date hereof.

We express no opinion herein as to the accuracy or sufficiency of the Official Statement dated September 18, 2018, or any similar document prepared with respect to the Bonds.

Very truly yours,

Miles & Stockbridge P.C.

By: ________________________
Principal

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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 $630,680,000 Department of Transportation Consolidated Transportation Bonds, Series 2018 (Second Issue) (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"), resolutions issued by the Board of Public Works of Maryland (the "Board") on August 22, 2018 and a resolution of the Secretary of Transportation dated as of August 20, 2018. 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, 2018, 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, 2018), 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 18th day of September, 2018.

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 $630,680,000 Department of Transportation Consolidated Transportation Bonds, Series 2018 (Second Issue) (the "Bonds"), will be issued for each maturity of 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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