This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 15, 2010

NEW ISSUES—BOOK-ENTRY ONLY

Moody's Investors Service, Inc: Aaa
Standard & Poor's: AAA
Fitch Ratings: AAA
(See "Ratings" herein)

$489,760,000*

STATE OF MARYLAND
General Obligation Bonds
State and Local Facilities Loan of 2010, Second Series
consisting of

$200,000,000*	$165,000,000*	$75,000,000*	$49,760,000*
Second Series A Tax-Exempt Bonds (Negotiated)	**Second Series B Tax-Exempt Bonds (Competitive)**	**Second Series C Taxable Build America Bonds (Competitive)**	**Second Series D Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (Competitive)**

Dated: Date of Delivery **Due: See Inside Cover**

The Second Series A Bonds, the Second Series B Bonds, the Second Series C Bonds, and the Second Series D Bonds are sometimes collectively referred to herein as "the Bonds". The Bonds will be issued as fully registered bonds in denominations of $5,000 each or any integral multiple thereof. Purchasers will not receive physical delivery of bond certificates. The Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments will be made so long as Cede & Co. is the registered owner of the Bonds. Interest on the Bonds will accrue from the date of their issuance and delivery and will be payable on February 1, 2011 and semiannually thereafter on August 1 and February 1 of each year unless redeemed prior to maturity. So long as the Bonds are maintained under a book-entry only system, the Treasurer of the State of Maryland (the "Treasurer") will act as Paying Agent and Bond Registrar. Interest on the Bonds will be paid as specified herein to the owner of record as of the 15th day of the month immediately preceding the interest payment date.

FOR MATURITY SCHEDULES SEE INSIDE COVER

The Second Series A Bonds are not subject to optional or mandatory redemption. The Second Series B Bonds maturing on or after August 1, 2019 are subject to optional redemption commencing on August 1, 2018 at a redemption price equal to 100% of the principal amount thereof. The Second Series C Bonds and Second Series D Bonds are subject to Make-Whole Optional Redemption and Extraordinary Event Redemption prior to their maturities. The Second Series D Bonds are also subject to Extraordinary Mandatory Redemption prior to maturity. See "The BONDS – Redemption Provisions".

In the opinion of the Honorable Douglas F. Gansler, Attorney General of Maryland, and of Ballard Spahr LLP, Baltimore, Maryland, Bond Counsel, the Bonds will be valid and legally binding general obligations of the State of Maryland to the payment of which the full faith and credit of the State are pledged. In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Second Series A and the Second Series B Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax ("AMT"), and with respect to the Second Series A Bonds and the Second Series B Bonds, is not includible in adjusted current earnings for purposes of corporate AMT as described under "TAX MATTERS" herein. Interest on the Second Series C and the Second Series D Bonds is included in gross income for federal income tax purposes. It is also the opinion of the Attorney General and of Bond Counsel that under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in the sale or exchange thereof, will be exempt from taxation within the State of Maryland by the State or by any of its political subdivisions, municipal corporations, or public agencies; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon. See "TAX MATTERS" herein for a more complete description of the opinion of Bond Counsel and additional federal tax law consequences.

The interest rates to be shown on the inside cover are the interest rates per annum payable by the State resulting from the negotiated sale of the Second Series A Bonds to the Underwriters (defined herein), and the successful bids for the Second Series B, Second Series C and Second Series D Bonds on July 28, 2010, by groups of banks and investment banking firms. The prices or yields shown on the maturity schedule will be furnished by the Underwriters and the successful bidders. Any other information concerning the terms of the reoffering of any of the Bonds should be obtained from the Underwriters or successful bidders and not from the State of Maryland.

The Bonds are offered for delivery, when and if issued, subject to the receipt of the approving opinions of the Attorney General of the State of Maryland and Ballard Spahr LLP, Baltimore, Maryland, and certain other conditions specified in the applicable Official Notices of Sale. Certain legal matters will be passed upon for the Underwriters of the Second Series A Bonds by their counsel, Miles & Stockbridge P.C. The Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about August 10, 2010.

July __, 2010

Citi **M&T Securities, Inc.**

BofA Merrill Lynch **RBC Capital Markets** **Siebert Brandford Shank & Co., LLC**

Barclays Capital **Goldman, Sachs & Co.** **J.P. Morgan**

Loop Capital Markets, LLC **Morgan Keegan & Company**

* Preliminary, subject to change.

MATURITY SCHEDULES

$200,000,000* Second Series A Tax-Exempt Bonds (Negotiated)

Maturing August 1	Principal*	Interest Rate	Price or Yield	CUSIP
2013	$35,020,000	%	%	
2014	36,450,000			
2015	37,940,000			
2016	39,490,000			
2017	41,100,000			
2018	10,000,000			

$165,000,000* Second Series B Tax-Exempt Bonds (Competitive)

Maturing August 1	Principal*	Interest Rate	Price or Yield	CUSIP
2013	$20,080,000	%	%	
2014	21,110,000			
2015	22,190,000			
2016	23,325,000			
2017	24,525,000			
2018	4,935,000			
2019	15,550,000			
2020	16,260,000			
2021	17,025,000			

$75,000,000* Second Series C Taxable Build America Bonds (Competitive)

Maturing August 1	Principal*	Interest Rate	Price or Yield	CUSIP
2022	$17,915,000	%	%	
2023	18,450,000			
2024	19,020,000			
2025	19,615,000			

$49,760,000* Second Series D Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (Competitive)

Maturing August 1	Principal*	Interest Rate	Price or Yield	CUSIP
2025	$45,220,000	%	%	
2025	4,540,000			

* Preliminary, subject to change.

No dealer, broker, salesman, or other person has been authorized by the State of Maryland to give any information or to make any representations with respect to the State of Maryland or its General Obligation Bonds 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 any of the foregoing. 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The Underwriters for and with respect to the Second Series A Bonds have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of the Second Series A Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the Second Series A Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market prices of the Second Series A Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions without prior notice contained in such Act. In making an investment decision, investors must rely on their own examination of the State and terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary may be a criminal offense.

CUSIP numbers on the inside cover page of this Official Statement are copyrighted 2010 by the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The State takes no responsibility for the accuracy thereof. The data are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service Bureau.

To ensure compliance with Treasury Circular 230, taxpayers are hereby notified that the information contained in this Official Statement is not intended to be used, and cannot be used, by a purchaser of the Bonds for the purpose of avoiding federal tax penalties. Each purchaser of the Bonds is urged to contact an independent tax advisor concerning an investment in the Bonds.

This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. All 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. 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 State of Maryland since the respective dates as of which information is given herein. The information set forth herein has been obtained from the State and other sources that are deemed to be reliable. The information from sources other than the State is not guaranteed as to accuracy or completeness nor should it be construed as representations of the State.

STATE OF MARYLAND

SELECTED STATE OFFICIALS

EXECUTIVE

Martin O'Malley
Governor

Anthony G. Brown
Lieutenant Governor

Peter Franchot
Comptroller

Douglas F. Gansler
Attorney General

Nancy K. Kopp
Treasurer

JUDICIAL

Robert M. Bell
Chief Judge
Court of Appeals of Maryland

LEGISLATIVE

Thomas V. M. Miller, Jr.
President of the Senate
(47 Senators)

Michael E. Busch
Speaker of the House of Delegates
(141 Delegates)

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INTRODUCTION

ISSUER	The State of Maryland
SECURITIES	General Obligation Bonds, State and Local Facilities Loan of 2010, Second Series A – $200,000,000* Tax-Exempt Bonds (Negotiated) Second Series B – $165,000,000* Tax-Exempt Bonds (Competitive) Second Series C – $75,000,000* Taxable Build America Bonds (Competitive) Second Series D – $49,760,000* Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (Competitive)
AGGREGATE PRINCIPAL AMOUNT OF ISSUE	$489,760,000*
INTEREST PAYMENT DATES	February 1, 2011 and semiannually thereafter on August 1 and February 1
STATE ECONOMIC FACTORS	The State of Maryland has a population of approximately 5.7 million, with employment based largely in services, trade, and government. Those sectors, along with financial activities, are the largest contributors to the gross state product, according to the U.S. Department of Commerce, Bureau of Economic Analysis. Population is concentrated around the Baltimore and Washington, D.C. PMSAs, and proximity to Washington, D.C. influences the above average percentage of employees in government. Manufacturing, on the other hand, is a much smaller proportion of employment than for the nation as a whole. Annual unemployment rates have been below those of the national average for each of the last 20 years. The average unemployment figure in 2009 was 7.0% compared to a national rate for the same period of 9.3%. In May 2010, the rates were 7.2% in Maryland and 9.7% in the United States. Total non-agricultural employment grew 0.2% annually between 2004 and 2009. The State's per capita personal income was the fourth highest in the country in 2009, according to the Bureau of Economic Analysis, at 120% of the national average. See "STATE DEMOGRAPHIC AND ECONOMIC DATA."
BUDGET AND FINANCIAL	The State enacts its budget annually. Revenues are derived largely from certain broad-based taxes, including Statewide income, sales, motor vehicle, and property taxes. Non-tax revenues are largely from the federal government for transportation, health care, welfare and other social programs. General fund revenues on a budgetary basis realized in the State's fiscal year ended June 30, 2009, were below estimates by $356.4 million, or 2.7%. The State ended fiscal year 2009 with an $87.2 million general fund balance on a budgetary basis. This balance reflects a $349.9 million decrease compared to the balance projected at the time the 2010 budget was enacted. In addition, there was a balance in the Revenue Stabilization Account of $691.8 million. For fiscal year 2010, the total budget was $32.5 billion, a $1,637.1 million increase over fiscal year 2009. The General Fund accounts for approximately $13.4 billion, of which the largest expenditures are for health and education, which together represent 74.1% of total general fund expenditures. General fund expenditures exclude transportation, which is funded with special fund revenues from the Transportation Trust Fund. See "STATE FINANCES — State Expenditures and Services." On a GAAP basis, the fiscal year 2009 reserved general fund balance was $1,363.0 million, while the unreserved, designated and undesignated fund balances were $146.9 million and $0.0 million, respectively; this compares to the reserved general fund balance of $1,388.2 million and unreserved, designated and undesignated fund balances of $538.0 million and $959.4 million respectively at the end of fiscal year 2008. The total GAAP fund

* Preliminary, subject to change.

balance for fiscal year 2009 was $1,509.9 million compared with a total GAAP fund balance of $2,885.6 million for fiscal year 2008. See "STATE FINANCES."

The State Reserve Fund consists of the Revenue Stabilization Account and other reserve funds, which together totaled $701.8 million at the end of fiscal year 2009. The Revenue Stabilization Account was established to retain State revenues for future needs and to reduce the need for future tax increases. Current estimates for the close of fiscal year 2010 project a total reserve balance of $614.1 million, of which $612.1 million is projected to be in the Revenue Stabilization Account. In the proposed 2011 budget, the Revenue Stabilization Account balance as a percentage of general fund revenues as stated in the 2009 annual report of the Board of Revenue Estimates equaled 5.0%. The percentage decreased to 4.8% due to increased revenues as a result of legislation enacted during the 2010 Session. See "STATE FINANCES — State Reserve Fund."

STATE DEBT

Maryland had $9,205.3 million of net State tax-supported debt outstanding as of March 31, 2010. General obligation bonds accounted for $6,523.2 million of that amount. In fiscal year 2010, debt service on general obligation bonds was paid primarily from State property tax receipts. Department of Transportation bonds outstanding account for another $1,535.9 million of State tax-supported debt as of March 31, 2010; the debt service on those bonds is payable from taxes and fees related to motor vehicles and motor vehicle fuel and a portion of the corporate income tax and a portion of the sales and use tax. Debt obligations issued by the Maryland Stadium Authority in the form of lease-backed revenue bonds and equipment lease financing account for $249.7 million of State tax-supported debt outstanding as of March 31, 2010. Rental payments under the leases are subject to annual appropriation by the General Assembly. The State has also financed construction and acquisition of various other facilities and equipment through lease-type financing, subject to annual appropriation by the General Assembly, in the amount of $200.5 million as of March 31, 2010. There was $651.8 million of Grant Anticipation Revenue Vehicle ("GARVEE") Bonds outstanding as of March 31, 2010. Debt Service is paid from a portion of Maryland's federal highway aid. The Maryland Department of Environment had Bay Restoration Revenue Bonds outstanding in the amount of $44.2 million as of March 31, 2010.

The State had $1,183.5 million of authorized but unissued debt as of March 31, 2010. The current offering is the first general obligation bond sale of fiscal year 2011; one additional sale is anticipated during fiscal year 2011. See "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM – Tax Supported Debt Outstanding and Debt Data."

APPLICATION OF PROCEEDS

The proceeds of the Second Series A, Second Series B, and Second Series C Bonds will be applied for a variety of public purposes, including the acquisition and construction of State facilities; capital grants to local governments for public schools, community colleges, and jails and correctional facilities; and matching fund loans and grants to local governments, nonprofit institutions, and other entities for hospitals, cultural projects and other projects.

The proceeds of the Second Series D Bonds will be applied for capital grants to local governments for public school construction and renovation.

CONTINUING DISCLOSURE	The State will provide annual financial and other information, including notices of certain events, in order to assist bidders in complying with SEC Rule 15c2-12(b)(5). Appropriate periodic credit information will be provided to the rating agencies maintaining ratings on the Bonds. See Appendix F – "FORM OF CONTINUING DISCLOSURE AGREEMENT".

THE FOREGOING INFORMATION IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT.

STATE OF MARYLAND
Official Statement

$489,760,000*
General Obligation Bonds
State and Local Facilities Loan of 2010, Second Series

consisting of

$200,000,000* Second Series A Tax-Exempt Bonds (Negotiated)	$165,000,000* Second Series B Tax-Exempt Bonds (Competitive)	$75,000,000* Second Series C Taxable Build America Bonds (Competitive)	$49,760,000* Second Series D Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (Competitive)

THE STATE

The State of Maryland (the "State") ratified the United States Constitution on April 28, 1788. The capital of the State is Annapolis, where the principal activities of the State Government are centered. The State's 2009 population was 5,699,478. Maryland ranks 42nd among the states in land area with 9,844 square miles. The largest city in the State is Baltimore with a 2009 population of 637,418 (2,690,886 for the primary metropolitan statistical area).

* Preliminary, subject to change.

THE BONDS

General

The $489,760,000* aggregate principal amount of general obligation bonds offered by this Official Statement constitute the State and Local Facilities Loan of 2010, Second Series. The Bonds consist of $200,000,000* Second Series A Tax-Exempt Bonds (the "Second Series A Bonds"), $165,000,000* Second Series B Tax-Exempt Bonds (the "Second Series B Bonds"), $75,000,000* Second Series C Taxable Build America Bonds (the "Second Series C Bonds"), and $49,760,000* Second Series D Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (the "Second Series D Bonds"). The Second Series A, B, C, and D Bonds are sometimes collectively referred to herein as "the Bonds". Interest on the Bonds will accrue from the date of issuance and delivery of the Bonds, expected to occur on or about August 10, 2010, and will be payable February 1, 2011, and semiannually thereafter on August 1 and February 1 until maturity unless redeemed prior to maturity as provided herein under "Redemption Provisions". Payment of the principal of and interest on the Bonds shall be in such currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. The Bonds will initially be maintained under a book-entry-only 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 under "OTHER INFORMATION — Book-Entry Only System." So long as the Bonds are maintained under a book-entry only system, the Treasurer will serve as Bond Registrar and Paying Agent.

Interest on the Bonds will be paid on the date payable or, if that date is not a Business Day (hereinafter defined), on the next succeeding Business Day, to the person in whose name the Bond is registered on the registration books (the "Bond Register") maintained by the Bond Registrar as of the close of business on the 15th day of the month immediately preceding each interest payment date for the Bonds. "Business Day" means a day other than a Saturday, Sunday, or day on which banking institutions are authorized or obligated by law or required by executive order to remain closed. Principal will be payable upon presentation of the Bonds at the principal office of the Paying Agent, or at the principal office of any other Bond Registrar and Paying Agent appointed by the Treasurer, 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 a book-entry-only system, interest will be paid by electronic funds transfer on the interest payment date with respect to Bonds held by The Depository Trust Company, New York New York ("DTC") from funds sent to DTC.

So long as the Bonds are maintained in a book-entry-only system, Beneficial Owners will not have physical possession of the Bonds and transfers of their interest in the Bonds will be made through DTC. Beneficial owners should look to the institution from which their Bonds were purchased for payment.

See "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM — General Obligation Bonds" for a description of the constitutional and other legal foundations of general obligation bonds of the State.

Second Series A Bonds (Negotiated)

The State has determined to issue the Second Series A Bonds as tax-exempt bonds, sold on a negotiated basis to the retail markets through a group of underwriters represented by Citigroup Global Markets Inc. during a negotiated sale period, as described herein under "UNDERWRITING – SECOND SERIES A BONDS."

Second Series B Bonds (Competitive)

The State has determined to issue the Second Series B Bonds as tax-exempt bonds, sold on a competitive basis as described herein under "SALE AT COMPETITIVE BIDDING – SECOND SERIES B BONDS" and pursuant to the Official Notice of Sale for the Second Series B Bonds, attached hereto as Appendix E.

* Preliminary, subject to change.

Second Series C – Taxable Build America Bonds (Competitive)

The America Recovery and Reinvestment Act of 2009 ("ARRA") authorizes the State to issue taxable bonds known as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment (a "BABs Subsidy Payment") from the United States Department of Treasury ("Treasury Department") equal to the amount of 35% of each interest payment on such taxable bonds. The State has determined to issue the Second Series C Bonds as federally taxable Build America Bonds sold on a competitive basis as described herein under "SALE AT COMPETITIVE BIDDING – SECOND SERIES C BONDS" and pursuant to the Official Notice of Sale for the Second Series C Bonds, attached hereto as Appendix E. Subsidy Payments will be paid to the State; no registered owner of Second Series C Bonds will be entitled to a tax credit or BABs Subsidy Payment, and interest paid to registered owners of Second Series C Bonds will be subject to federal income tax, but will be exempt from Maryland income tax. See "TAX MATTERS - Federally Taxable Build America Bonds – Second Series C Bonds." The BABs Subsidy Payments have not been pledged to the payment of the Second Series C Bonds. To the extent such BABs Subsidy Payments are paid by the federal government to the State, such amounts would be part of the State's general revenues. Any failure by the State to qualify for the BABs Subsidy Payments or any offset of the BABs Subsidy Payments will not alter the State's obligation to pay the principal of and interest on the Second Series C Bonds. The BABs Subsidy Payments are not full faith and credit obligations of the United States.

Second Series D – Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (Competitive)

The Second Series D Bonds will be issued as $45,220,000* in Qualified School Construction Bonds ("QSCBs") and $4,540,000* in Qualified Zone Academy Bonds ("QZABs") under the provisions of ARRA, the Hiring Incentives to Restore Employment ("HIRE") Act of 2010, and applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), including §54A, §54AA, §54F (relating to QSCBs), and §54E (relating to QZABs). The Second Series D Bonds will be sold on a competitive basis as described herein under "SALE AT COMPETITIVE BIDDING – SECOND SERIES D BONDS" and pursuant to the Official Notice of Sale for the Second Series D Bonds, attached hereto as Appendix E.

The total amount of QSCBs that may be issued nationally in calendar year 2010 is limited by the Code to $11.0 billion, and the Treasury Department has allocated a portion of such limit to the State for calendar year 2010 (the "2010 QSCB Allocation") in the amount of $45,190,000. In addition, the State did not issue its entire 2009 QSCB Allocation, and has carried forward $34,000 of the State's 2009 QSCB Allocation. The Maryland Consolidated Capital Bond Loan ("MCCBL") of 2009 (Chapter 485 of the 2009 Laws of Maryland) authorized the sale and issuance of up to $260,000,000 for the Maryland Public School Construction Program. Consequently, the State has determined to issue $45,220,000* of the $260,000,000 in Public School Construction bonds authorized by the MCCBL of 2009 in the form of taxable QSCBs as part of the Second Series D Bonds.

The total amount of QZABs authorized under ARRA for calendar year 2008 was limited to $400.0 million, and the Treasury Department has allocated a portion of such limit to the State for calendar year 2008 (the "2008 QZAB Allocation") in the amount of $4,543,000. The Aging School Program – Qualified Zone Academy Bonds Loan of 2010 (Chapter 523 of the 2010 Laws of Maryland) authorized the sale and issuance of $4,543,000 in QZABs, representing the 2008 QZAB Allocation. The State has determined to issue $4,540,000* in the form of taxable QZABs as part of the Second Series D Bonds.

In accordance with the provisions of the HIRE Act, the State has elected to receive a subsidy payment (a "QSCB/QZAB Subsidy Payment", and when referred to with the BABs Subsidy Payments, the "Subsidy Payments") from the Treasury Department for the Second Series D Bonds in an amount equal to the lesser of: (i) 100% of the amount of interest payable on the Second Series D Bonds; or (ii) 100% of the amount of interest that would have been payable if interest were determined at the applicable Qualified Tax Credit Bond rate published by the United States Treasury on the sale date of the Second Series D Bonds. QSCB/QZAB Subsidy Payments will be paid to the State; no registered owner of Second Series D Bonds will be entitled to a tax credit or QSCB/QZAB Subsidy Payment, and interest paid to registered owners of Second Series D Bonds will be subject to federal income tax but will be exempt from Maryland income tax. See "TAX MATTERS - Federally Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds – Second Series D Bonds." The QSCB/QZAB Subsidy Payments have not been pledged to the payment of the Second Series D Bonds. To the extent such QSCB/QZAB Subsidy Payments are paid by

* Preliminary, subject to change.

the Federal government to the State, such amounts would be part of the State's general revenues. Any failure by the State to qualify for the QSCB/QZAB Subsidy Payments or any offset of the QSCB/QZAB Subsidy Payments will not alter the State's obligation to pay the principal of and interest on the Second Series D Bonds. The QSCB/QZAB Subsidy Payments are not full faith and credit obligations of the United States.

Authorization for the Bonds

The State Constitution prohibits the contracting of State debt unless authorized by a law providing for the collection of an annual tax or taxes sufficient to pay the interest when due and to discharge the principal within 15 years of the date of debt issuance. The State Constitution also provides that the taxes levied for this purpose may not be repealed or applied to any other purpose until the debt is fully discharged. As a matter of practice, general obligation bonds, other than refunding bonds, are issued to mature in serial installments designed to provide payment of interest only during the first two years and an approximately level annual amortization of principal and interest over the remaining years. Since the State issued its State and Local Facilities Loan of 2010, $400,000,000 First Series A as Build America Bonds with generally longer maturities, the State has determined to issue the Second Series A Bonds and the Second Series B Bonds with generally shorter maturities, in order to achieve approximately level annual amortization of the combined 2010 First Series A Bonds and the 2010 Second Series A, Second Series B and Second Series C Bonds.

Beginning with its 1990 session, the General Assembly annually has enacted a Maryland Consolidated Capital Bond Loan Act (the "MCCBL") that consolidates within a single enabling act authorizations for various capital programs administered by State agencies and other projects for local governments or private institutions.

The Board of Public Works (the "Board"), a constitutional body composed of the Governor, the Comptroller, and the Treasurer, by resolution authorizes the issuance of bonds in a specified amount for part or all of the loans authorized by various enabling acts. Since 1969, the Board has used its statutory authority to issue and sell general obligation bonds authorized by various enabling acts on a consolidated basis as a single issue designated as a "State and Local Facilities Loan" of a numerical series indicating the order of sale during the calendar year. The Bonds have been authorized for issuance under this procedure.

The General Assembly annually enacts an MCCBL authorizing funds for various capital projects and programs to be financed through the sale of State general obligation bonds. The total amount of general obligation bonds authorized by various MCCBLs but unissued as of March 31, 2010, was $1,183,538,797. See "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM – Capital Programs" and Appendix B – SUPPLEMENTARY DEBT SCHEDULES.

The Program Open Space Acquisition Opportunity Loan of 2009 (Chapter 419 of the 2009 Laws of Maryland) separately authorized the sale and issuance of $70.0 million in special obligation bonds ("POS Bonds"), secured solely by a portion of the State's transfer taxes allocated to Maryland Program Open Space for property and easement acquisitions. In 2010, the General Assembly amended the authorization to allow the POS Bonds to be sold and issued as general obligation bonds (Chapter 372 of the 2010 Laws of Maryland). The $70.0 million authorization for the POS Bonds is in addition to the total amount of authorized but unissued general obligation bonds noted above.

In addition, The Aging School Program – Qualified Zone Academy Bonds Loan of 2010 (Chapter 523 of the 2010 Laws of Maryland) separately authorized the sale and issuance of $4,543,000 in QZABs as general obligation bonds. The $4,543,000 authorization for QZABs is included in the total amount of authorized but unissued general obligation bonds noted above, and $4,540,000* of the authorization is included in the Second Series D Bonds.

Based upon the State's anticipated capital needs, the Board has authorized this sale and issuance of up to $500,000,000 in Second Series A, B, C and D Bonds to fund capital improvements. It is anticipated that the proceeds of the sale of the Second Series A, B, C, and D Bonds will be expended for authorized projects in the categories shown in "THE BONDS – Use of Proceeds".

Security for the Bonds

The Bonds will be general obligations of the State to the payment of which the full faith and credit of the State are pledged.

* Preliminary, subject to change.

Sinking Fund Deposits for Second Series D Bonds

The State anticipates that it will make fifteen (15) annual deposits into a sinking fund (the "Sinking Fund") commencing on or prior to each anniversary date of the issuance of the Second Series D Bonds. The amount of such annual deposits shall be calculated based on investment earnings rates such that upon maturity of the Second Series D Bonds in 2025 the amount of the deposits in the Sinking Fund including investment earnings will equal $49,760,000*.

Redemption Provisions

No Optional Redemption Provisions for Second Series A Bonds

The Second Series A Bonds are not subject to optional or mandatory sinking fund redemption prior to their stated maturities.

Optional Redemption for the Second Series B Bonds

The Second Series B Bonds are subject to redemption prior to their respective maturities as a whole or in part at the option of the State at any time on at least 30 days' notice and, if in part, in any order of maturity at the option of the State, at the redemption price of par, plus accrued interest, if any, to the redemption date. The Second Series B Bonds maturing on or after August 1, 2019 are subject to redemption on or after August 1, 2018.

Make-Whole Optional Redemption for Second Series C Bonds and Second Series D Bonds

The Second Series C Bonds and the Second Series D Bonds (the "Taxable Bonds") are subject to redemption prior to maturity at the option of the State, in whole or in part, on any Business Day, on at least 30 days notice, at the Make-Whole Redemption Price (as defined herein). The "Make-Whole Redemption Price" is the greater of:

(i) 100% of the principal amount of the Taxable Bonds to be redeemed; or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Taxable Bonds are to be redeemed, discounted to the date on which the Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 30 basis points, plus, in each case, accrued and unpaid interest on the Taxable Bonds to be redeemed on the redemption date.

For purpose of determining the Make-Whole Redemption Price, the following definition applies:

"Treasury Rate" means, with respect to any redemption date for particular Taxable Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bonds to be redeemed; provided, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Event Redemption of Second Series C Bonds and Second Series D Bonds.

The Taxable Bonds will be subject to redemption as a whole or in part at any time, at the option of the State, on at least 30 days' notice, upon the occurrence of an Extraordinary Event (as defined below), at the Extraordinary Event Redemption Price (as defined herein). The "Extraordinary Event Redemption Price" is the greater of:

(i) 100% of the principal amount of the Taxable Bonds to be redeemed; or

* Preliminary, subject to change.

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Taxable Bonds are to be redeemed, discounted to the date on which the Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year of twelve 30-day months, at the Treasury Rate (described below) plus 100 basis points, plus, in each case, accrued interest on the Taxable Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the State determines that a material adverse change has occurred to Sections 54AA or 6431 of the Code (as such Sections are in effect on the date of issuance of the Taxable Bonds), or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections of the Code or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the State to satisfy the requirements to qualify to receive (i) in the case of Second Series C Bonds, the BABs Subsidy Payments, pursuant to which the BABs Subsidy Payments are reduced or eliminated and (ii) in the case of the Second Series D Bonds, the QSCB/QZAB Subsidy Payments, pursuant to which the QSCB/QZAB Subsidy Payments are reduced or eliminated.

"Treasury Rate" means, with respect to any redemption date for particular Taxable Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bond to be redeemed; provided, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Mandatory Redemption Provisions for Second Series D Bonds

The Second Series D Bonds are subject to extraordinary mandatory redemption, in whole or in part, on or about August 1, 2013, or, in the event of an extension negotiated with the Treasury Department, on a date that occurs between August 1, 2013 and the Treasury Department-approved extension date, in authorized denominations, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, in an amount equal to the unexpended Available Project Proceeds (as defined below) of the Second Series D Bonds, plus accrued interest, if any, on the Second Series D Bonds to be redeemed to the redemption date, but only to the extent that the State fails to expend all of such Available Project Proceeds within three years of issuance of the Second Series D Bonds and no extension of the period for expenditure has been granted by the Treasury Department.

For the purposes of extraordinary mandatory redemption of the Second Series D Bonds, "Available Project Proceeds" means the sum of the excess of the proceeds of sale of the Second Series D Bonds (including any investment earnings on the proceeds of the Second Series D Bonds), over costs of issuance paid for out of such proceeds (to the extent such costs do not exceed 2 percent of such proceeds).

Redemption Procedures – Second Series B Bonds, Second Series C Bonds and Second Series D Bonds

If less than all of the Second Series B Bonds, the Second Series C Bonds or the Second Series D Bonds shall be called for redemption, the particular Second Series B Bonds, Second Series C Bonds or the Second Series D Bonds to be redeemed shall be selected by the Paying Agent in such manner as, in its discretion, it shall determine, except that so long as DTC or its nominee is the sole registered owner of the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds, the particular Second Series B Bonds, Second Series C Bonds or Second Series D Bonds to be redeemed shall be selected by DTC, in such manner as DTC shall determine.

In case part but not all of the Second Series B Bonds, the Second Series C Bonds or the Second Series D Bonds shall be selected for redemption, then upon its surrender, there shall be issued without charge to the registered owner replacement bonds in any authorized denominations as specified by the registered owner. The aggregate principal amount of bonds so issued shall be equal to the unredeemed balance of the principal amount of the bond surrendered, and bonds so issued shall bear the same interest rate and shall mature on the same date as the bond surrendered. Should the redemption of all or a portion of the Second Series B Bonds, the Second Series C Bonds or the Second Series D Bonds be required, the State shall provide a redemption notice (i) by first class mail, postage prepaid, at least 30 days prior to the redemption date to each registered owner as identified within the Bond Register and (ii) as

may be further required in accordance with the Continuing Disclosure Agreement; provided, however, that neither the failure to mail the redemption notice nor any defect in the notice shall affect the validity of the redemption proceedings.

The redemption notice shall state: (1) whether the Second Series B Bonds, Second Series C Bonds or the Second Series D Bonds are to be redeemed in whole or in part and, if in part, the portions of the principal amount of the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds to be redeemed; (2) the redemption date and the redemption price or prices; (3) that the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds to be redeemed shall be presented for redemption and payment on or after the redemption date at the principal office of the Paying Agent; and (4) that interest on the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds called for redemption shall cease to accrue on the redemption date.

From and after the redemption date, if notice has been duly and properly given and if funds sufficient for the payment of the redemption price of the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds called for redemption are available on such date, the bonds so called for redemption shall become due and payable at the redemption price or prices on the redemption date, interest on the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds shall cease to accrue, and the registered owners of the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds so called for redemption shall have no rights in respect thereof except to receive payment of the redemption price plus accrued interest to the redemption date. Upon presentation and surrender of Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds called for redemption in compliance with the redemption notice, the Paying Agent shall pay the redemption price of such Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds. If Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds so called for redemption are not paid upon presentation and surrender as described above, such bonds shall continue to bear interest at the rates stated therein until paid.

Remedies

Based upon the provisions of Sections 34 and 52 of Article III of the State Constitution, general statutory law, and the enabling legislation for general obligation bond authorizations, in the opinion of the Attorney General, the courts of Maryland have jurisdiction to entertain proceedings and power to grant mandatory injunctive relief to: (1) require the Governor to include in the annual Budget an appropriation sufficient to pay all general obligation bond debt service for the ensuing fiscal year; (2) prohibit the General Assembly from taking action to reduce any such appropriation below the level required for that debt service; (3) require the Board of Public Works to fix and collect a tax on all property in the State subject to assessment for State tax purposes at a rate and in an amount sufficient to make such payments to the extent that adequate funds are not provided in the annual Budget; and (4) provide such other relief as might be necessary to enforce the collection of these taxes and payment of the proceeds to the holders of general obligation bonds, *pari passu*, subject to the inherent limitations of the Constitution referred to below.

It is also the opinion of the Attorney General that, while the mandatory injunctive remedies would be available and while the general obligation bonds of the State are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute. Enforcement of a claim for payment of the principal of or interest on the Bonds could be subject to the provisions of any statutes that hereafter may be constitutionally enacted by the United States Congress or by the General Assembly extending the time for payment or imposing other constraints upon enforcement.

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Estimated Sources and Uses of Funds

Second Series A, B, C, and D Bonds

	Second Series A Bonds	Second Series B Bonds	Second Series C Bonds	Second Series D Bonds	Total
Sources:					
Bond Proceeds:					
Par Amount	$	$	$	$	$
Plus Original Issue Premium (Discount)*					
Total Sources	$	$	$	$	$
Uses:					
Deposit to State and Local Facilities Loan Fund	$	$	$	$	$
Deposit to the Annuity Bond Fund					
Costs of Issuance**					
Underwriters' Discount					
Total Uses	$	$	$	$	$

* The premium earned on the sale of the Bonds will be applied first to pay the underwriters' discount and costs of issuance.
**Estimated. Includes fees for legal, rating agency, financial advisory services and other miscellaneous expenses.

Use of Proceeds

Second Series A, B, and C Bonds. The proceeds from the sale of the Second Series A, B and C Bonds will be deposited in the State and Local Facilities Loan Fund, and expended as needed on any project authorized by an enabling act, whether or not bonds have been sold to specifically fund that project. "Project" accounting will be maintained to assure that individual project expenditures will not exceed individual project authorizations. The expenditure of bond proceeds for capital improvements is accounted for on a "cash flow" basis rather than a "project" basis.

The proceeds of the Second Series A, B, and C Bonds deposited to the State and Local Facilities Loan Fund are reasonably anticipated to be expended for the following purposes:

Education	$
Health and Hospital	
Public Safety	
Environment	
Housing	
Utilities	
Other	
Total	$

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Second Series D Bonds. The proceeds from the sale of the Second Series D Bonds will be deposited in the special accounts for QSCBs and QZABs within the State and Local Facilities Loan Fund, and will be expended for qualified school construction and renovation projects in accordance with the requirements of ARRA and §§ 54A, 54F and 54E of the Code.

Proceeds of the Second Series D Bonds in the amount of $45,220,000* will be deposited in a special account for QSCBs. The projects listed below are designated to use the proceeds of the QSCBs, meet the requirements for QSCBs, including using federal Davis-Bacon wages rates, and are projected to be completed within three years of the issuance of the Second Series D Bonds.

Baltimore City	
William H. Lemmel Middle	$ 3,310,000
Paul Laurence Dunbar Middle	3,600,000
Calvert County	
Calvert High	8,450,000
Caroline County	
Col. Richardson High	3,767,061
Dorchester County	
New Dorchester School of Technology	8,938,000
Queen Anne's County	
Sudlersville Middle	5,150,000
Washington County	
Antietam Academy	6,000,000
Eastern Primary	1,150,000
Wicomico County	
J.M. Bennett High	9,975,425
Total	$50,340,486

Proceeds of the Second Series D Bonds in the amount of $4,540,000* will be deposited in a special account for QZABs. On May 19, 2010 the State allocated QZAB authorizations among twenty-four local education agencies, which are now preparing applications for projects that meet all requirements for use of QZABs, including using federal Davis-Bacon wages rates, and that will be completed within three years of the issuance of the Second Series D Bonds. The QZAB projects are expected to be approved by the Interagency Committee on School Construction in the fall of 2010. See "STATE GOVERNMENT – Interagency Committee on School Construction/Public School Construction Program."

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 General Assembly may meet in special sessions, but no extended or special session may last for longer than 30 days except for the purpose of enacting the Budget.

Executive Branch

The Executive Branch includes four officials 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.

* Preliminary, subject to change.

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 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, to prescribe the form of completing and stating these accounts, and to superintend and enforce the collection of all taxes and revenue. 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. 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. Acting on behalf of the Board of Public Works, the Treasurer manages the State's general obligation debt program, including all matters relating to the issuance and oversight of general obligation bonds.

Principal Departments

The executive functions of State Government are organized into 20 major departments, 19 of which are headed by a Secretary appointed by the Governor with the advice and consent of the Senate. The State Department of Education is headed by the State Board of Education, the members of which are appointed by the Governor for overlapping five-year terms, and the State Superintendent of Schools, who is appointed by the Board for a four-year term. The departments and their principal responsibilities are as follows:

The Department of Aging administers the delivery of services and activities for the elderly.

The Department of Agriculture is responsible for supervising, administering, and promoting agricultural activities in the State.

The Department of Budget and Management analyzes and plans budgetary matters and provides coordination and liaison for the Governor with the General Assembly, State operating agencies, and the public on matters relating to the operating and capital budgets, analysis of program revenues and budget implications, and performance auditing; manages and coordinates employee health benefits; administers personnel policies with respect to State employees; and reviews executive agency procurements of services.

The Department of Business and Economic Development promotes economic development, industrial opportunities, tourism, and economic resources of the State; and provides for and assists in financing industrial and commercial development.

The Department of Disabilities is responsible for developing, maintaining, revising, and enforcing Statewide disability policies and standards.

The Department of the Environment is responsible for fostering and protecting the State's natural environment and administers various State programs regulating air, water, and hazardous waste pollution.

The Department of General Services advises the Board of Public Works and State agencies on matters of engineering, construction, and contracts in connection with capital expenditures; coordinates land acquisitions and the design and construction of State public works projects; and purchases supplies and equipment for the use of State agencies.

The Department of Health and Mental Hygiene is responsible for matters concerning public health in the State, including the direct delivery of health care services through State-owned health centers and hospitals and the financing of health services to low-income individuals through the Medicaid program.

The Department of Housing and Community Development administers the State's housing and community development assistance programs, including certain housing loan and mortgage insurance programs.

The Department of Human Resources administers, on the State level, the federal and State social service, public assistance, child support, and income maintenance programs.

The Department of Information Technology is responsible for Statewide Information Technology ("IT") policy, oversight of large IT projects and expenditures, and centralizations of common IT functions and assets statewide.

The Department of Juvenile Services is responsible for State programs serving delinquent youths, children in need of supervision, and children in need of assistance.

The Department of Labor, Licensing, and Regulation administers various State regulatory agencies and licensing boards responsible for licensing and regulating professions, businesses, and trades, and has responsibility for the direction, coordination, and monitoring of all State employment and training and unemployment insurance programs.

The Department of Natural Resources is responsible for developing, coordinating, and administering policies and programs involving the natural resources and wildlife of the State.

The Department of Planning is the principal agency for planning matters concerning the development and effective use of the natural and other resources of the State and also is responsible for various historical and cultural programs.

The Department of Public Safety and Correctional Services is responsible for public safety, State correctional facilities, and parole and probation.

The Department of State Police is responsible for law enforcement and crime prevention.

The Department of Transportation is responsible for State-owned transportation facilities and programs, including the planning, financing, construction, operation, and maintenance of highway, transit, rail, port, and aviation facilities.

The Department of Veterans Affairs assists the State's veterans in obtaining benefits and services, maintains veterans' cemeteries and war memorials, and operates the State's veterans' home.

The State Department of Education is charged with the general supervision of public elementary and secondary education and is responsible for establishing and administering State educational policies and programs.

See "STATE FINANCES — State Expenditures and Services" for information concerning the activities of the departments that administer functions requiring the largest expenditures of funds by the State.

Judiciary

The Judiciary, a separate branch of government established in the State Constitution, includes two courts of appellate jurisdiction. The Court of Appeals, originally created by the State Constitution of 1776, is the State's highest court; today this court's appellate jurisdiction is almost entirely discretionary. The Court of Special Appeals was established in 1966 as an intermediate appeals court having statewide jurisdiction; almost all initial civil and criminal appeals are now included in the jurisdiction of this court.

The Circuit Courts, which function as trial courts of general jurisdiction, are the common law and equity courts of record exercising original jurisdiction within the State, and handle the major civil and the more serious criminal matters. A Circuit Court sits in each county and in Baltimore City. The District Court of Maryland, created in 1970, is divided into 12 geographic districts throughout the State, and exercises limited civil and criminal jurisdiction.

Board of Public Works

The Governor, Comptroller, and Treasurer are the members of the Board of Public Works. The Constitution of Maryland, Article XII, Section 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 of Transportation, 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 ("IAC"), the State program for payments to the counties and Baltimore City for public school construction.

Interagency Committee on School Construction/
Public School Construction Program

The IAC was established by the Board in 1971, and is responsible for the annual Public School Construction Capital Improvement Program ("PSCCIP"), the QSCB Program, and the QZAB Program, among other funding programs. The IAC is composed of the State Superintendent of Schools (chairperson), the Secretary of the Department of General Services, the Secretary of the Maryland Department of Planning, and two members of the public appointed respectively by the Speaker of the House and the President of the Senate. The Public School Construction Program ("PSCP") is an independent agency of the Board that coordinates the efforts of the IAC agencies and is responsible for management of the State funding allocations to the local educational agencies ("LEAs"), as well as compliance by the LEAs with State regulations regarding design, procurement, project delivery, financing, and Minority Business Enterprise participation.

The PSCCIP is the primary instrument for the distribution of State grants to LEAs for public school construction projects. Since the founding of the program, the State has provided over $5.7 billion in PSCCIP funding to the LEAs. Funds are allocated to support the eligible costs of projects within defined PSCCIP categories of work: new and replacement schools, complete and limited renovations, systemic renovations, and the movement of State-owned relocatable classroom facilities. The funding allocations for individual projects are developed using, among other factors, a State-local cost share formula that takes into account local wealth as well as student enrollment and the age of buildings. State participation is calculated using either a formula approach for the majority of large projects, or the actual or estimated cost of construction for smaller projects and certain large projects. Funding recommendations for each LEA are based strictly on the eligibility and priority of submitted projects, not on a pre-determined formula for distribution of the funds. Both planning and funding recommendations reflect State policies regarding community growth, economic development, sustainable building design, and Base Realignment and Closure ("BRAC") readiness.

The IAC approves the award of all contracts between the LEA and the contractor or construction manager of the project. The responsibility for procurement of design and construction services and the management of projects has been delegated to the LEAs. State funding is disbursed on a reimbursement basis, either directly against approved contractor requisitions or against reimbursement requests from LEAs which have paid the contractor. State funds are usually used by the LEAs before local funds.

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STATE FINANCES

Budgetary System

The Maryland Constitution governs the system for making appropriations from the Treasury and requires the submission and enactment of an annual balanced Budget. Section 52 of Article III requires the Governor to submit to the General Assembly, shortly after the beginning of its annual session, a Budget containing a complete plan of proposed expenditures and estimated revenues for the ensuing fiscal year, together with a statement showing: (1) the revenues and expenditures for the preceding fiscal year; (2) the current assets, liabilities, reserves, and surplus or deficit of the State; (3) the debts and funds of the State; (4) an estimate of the State's financial condition as of the beginning and end of the preceding fiscal year; and (5) any explanation the Governor may desire to make as to the important features of the Budget and any suggestions as to methods for reduction or increase of the State's revenue. The Budget is required to include a total for all appropriations and all estimated revenues; total appropriations may not exceed the estimated revenues, either as submitted by the Governor or as enacted by the General Assembly. The Constitution requires the Governor to include appropriations for certain matters, including specifically an appropriation to pay and discharge the principal and interest of the debt of the State in conformity with Article III, Section 34 of the Constitution and all laws enacted pursuant thereto. See "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM."

The Governor also is required to include in his annual Budget sufficient appropriations to fund programs for which specific statutory spending levels or rates have been established by the General Assembly at a preceding session. With the submission of the Budget for the ensuing year, the Governor also presents to the General Assembly any deficiency appropriations that he may deem necessary to supplement the current year's appropriations in light of current conditions. By law the Governor has the power, with the approval of the Board of Public Works, to reduce by not more than 25% any appropriation that he may deem unnecessary, except appropriations for the payment of interest and the retirement of State debt, the legislature, the public schools, the judiciary, the salaries of public officers during their terms of office, and the salaries of non-temporary employees in the State Personnel Management System (except in accordance with statutory provisions).

The General Assembly is prohibited by the Constitution from amending the Budget to affect certain specified provisions, including the obligations or debt of the State under Article III, Section 34 of the Constitution. Except for these specified provisions, the General Assembly may amend the Budget to increase or decrease appropriations relating to the legislative and judicial branches and it may strike out or reduce executive branch appropriations submitted by the Governor. The General Assembly must enact a balanced Budget. After the enactment of the Budget, and not before, the General Assembly is permitted to enact supplementary appropriations but may not enact any supplementary appropriation unless embodied in a separate bill that is limited to a single object or purpose and provides the revenue necessary to pay the appropriation by a tax to be levied and collected under the terms of the bill.

State expenditures are made pursuant to the appropriations in the annual Budget, as amended from time to time by budget amendment. The various units of State government may, with the Governor's approval, amend the appropriations for particular programs in their individual budgets funded from the General Fund, provided they do not exceed their total general fund appropriations as contained in the annual Budget. Additionally, appropriations for programs funded in whole or in part from funds other than the General Fund may permit expenditures in excess of original appropriations to the extent that revenues from the particular non-General Fund sources exceed original Budget estimates and the additional expenditures are approved by the Governor.

The Department of Budget and Management is headed by a Secretary who assists the Governor in the preparation and administration of the Budget and constitutes a statutorily created department that currently employs approximately 331 persons.

The Department of Legislative Services provides full-time professional assistance to all committees and subcommittees of the General Assembly including those involved with budget, taxation and fiscal matters. The Department also conducts research into fiscal and policy issues. The Office of Legislative Audits is part of the Department and is required by law to examine and report on the books and accounts of all agencies of State government at least every three years. See Appendix A — "FINANCIAL AND ACCOUNTING SYSTEM."

The Spending Affordability Committee consists of certain designated officers of the General Assembly and other members as may be appointed by the President of the Senate and the Speaker of the House of Delegates. Each

year the Committee must submit a report to the Legislative Policy Committee of the General Assembly and to the Governor recommending the level of State spending, the level of new debt authorization, the level of State personnel, and the use of any anticipated surplus. See also, "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM – Capital Debt Affordability Committee."

State Revenues

The State derives most of its revenue from a combination of specialized taxes and user charges. Substantial changes were made to Maryland's revenue structure at the 2007 Special Session of the General Assembly, most of which became effective in January 2008, and one of which had an effective date of July 1, 2008. These changes are described below. The following are principal sources of the State's revenues:

Income Taxes. An income tax is imposed on: (1) the federal adjusted gross income of individuals, subject to certain positive and negative adjustments and minus certain deductions and personal exemptions; and (2) the federal taxable income of corporations, subject to certain positive and negative adjustments. Individuals may elect to use a standard deduction in lieu of itemized deductions. The standard deduction is 15% of the individual's Maryland adjusted gross income, but not less than $1,500 nor more than $2,000 in the case of most individual returns, and not less than $3,000 nor more than $4,000 in the case of a joint return or an individual return of a head of household or surviving spouse.

For tax years prior to 2008, $2,400 was allowed for each regular personal exemption and aged dependent, and $1,000 was allowed for each aged or blind personal exemption. The rate of tax for individuals was 2% on the first $1,000 of taxable income, 3% on the second $1,000, 4% on the third $1,000, and 4.75% on taxable income in excess of $3,000. For tax year 2008 and later, regular personal exemptions are determined based on federal adjusted gross income, ranging from $3,200 for those with federal adjusted gross income under $150,000/$100,000 (joint/single returns) to $600 for those with federal adjusted gross income over $250,000/$200,000 (joint/single returns). The tax brackets have also been restructured with the addition of 5%, 5.25% and 5.5% brackets beginning at net taxable income levels of $200,000/$150,000 (joint/single returns), $350,000/$300,000 (joint/single returns), and $500,000 (for both joint and single returns), respectively.

In the 2008 Legislative Session, an income tax surcharge was imposed for tax years 2008 through 2010 to address budget shortfalls. The State's top marginal income tax rate increases from 5.5% to 6.25% for net taxable income of $1,000,000 or more.

In addition to the above, each county and Baltimore City must levy a local income tax at the rate of at least 1% but not more than 3.2% of the individual's Maryland taxable income. There are a number of credits available against the income taxes, including a refundable earned income credit (which was increased from 20% to 25% of the federal credit for tax year 2008 and later) and a credit for rehabilitation of historic properties. An additional tax on the income of non-residents is imposed in the amount of the lowest county income tax rate in effect (currently 1.25%).

For tax year 2007 and earlier, corporations (domestic and foreign), including financial institutions and utilities, paid tax at the rate of 7% on the portion of net taxable income allocable to the State. Beginning with tax year 2008, the rate increased to 8.25%. Manufacturing corporations apportion their income based on sales only, rather than the historically applicable three-factor apportionment of sales, property, and payroll, where the sales factor is double-weighted. Corporate taxpayers are required to add to income any payments made for interest or intangibles to a related company and, as of tax year 2007, any payments made as dividends by "captive" Real Estate Investment Trusts, in order to prevent out-of-state subsidiaries from sheltering income from the Maryland corporate income tax.

Sales and Use Taxes. Effective January 3, 2008, the State imposed a 6% sales and use tax on a retail sale or use of tangible personal property in the State and certain enumerated services (including custom telephone, detective and building cleaning services among others); most services are exempt. The prior sales tax rate was 5%. Among the exemptions from the sales and use tax are sales of food for consumption off the premises by a vendor who operates a substantial grocery or market business at the same location, medicines, medical supplies and medical aids, agricultural equipment and supplies, manufacturing and research and development equipment and supplies, tangible personal property used in a production activity, residential utilities and fuel, motor vehicles and vessels subject to excise taxes, and sales to nonprofit charitable, educational or religious organizations to enable the organizations to carry on their exempt activities.

Property Taxes. Generally, all real property in the State is assessed at full cash value once every three years, with any increase in full cash value arising from the assessment 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. Certain farm, marshland, woodland, country club, and planned development property is assessed under special valuation techniques while public utility property is assessed at fair market value determined by reference to both income and property values.

The State imposes a tax at a rate expressed per $100 of assessed value on all real property subject to taxation. For fiscal years 1982 through 2003, the effective State property tax rate was maintained at a constant level (8.4 cents). For fiscal years 2004 through 2006, the State property tax rate was set at 13.2 cents. For fiscal years 2007 through 2011, the State property tax rate was set at 11.2 cents. Properties exempt from the State property tax include public property and property owned by certain nonprofit organizations for their designated purposes. The Homestead Property Tax Credit limits to 10% the maximum annual increase in assessments for owner-occupied principal residences that are subject to the State property tax. Revenues from the State property tax are credited to the Annuity Bond Fund and used to service general obligation debt.

Each of the counties and Baltimore City levies its own property tax at rates established by them, as do most incorporated municipalities. Tangible personal property and commercial and manufacturing inventory of businesses is assessed at fair market value determined from annual reports filed with the State Department of Assessments and Taxation. There is no State personal property tax but nineteen counties levy a tax on business personal property. See also, "STATE DEMOGRAPHIC AND ECONOMIC DATA — Assessed Value of Property."

Lottery Revenues. The State currently operates eight major lottery games: three- and four-digit games drawn twice daily; a six-number Maryland-only lotto-type game drawn daily; an 18-number, three-line lotto-type game drawn twice a week; a multi-state six-number lotto-type game (Mega Millions) drawn twice a week; Keno; Racetrax, a terminal game; and various instant ticket games. As of January 31, 2010, Powerball, another multi-state six number lotto type game drawn twice a week is also available in Maryland. Lottery tickets are sold by licensed agents under the supervision of the State Lottery Agency. In fiscal year 2009, the allocation of gross sales was 60.3% to prizes, 10.7% to administrative costs and agents' commissions, and 29.0% to State revenues. Except for administrative costs and a portion of Mega Millions revenues appropriated to the Maryland Stadium Authority, the State revenues are credited to the General Fund.

Video Lottery Terminals (VLT). In November 2008, voters approved a constitutional amendment authorizing a maximum of 15,000 VLT terminals at five geographic locations. State revenues are generated by a one-time licensing fee that must be paid in order to operate a facility as well as two thirds of the gross revenues from VLT play (after prize payments). All of the license fee revenue shall be deposited in the Education Trust Fund in order to support primary and secondary educational programs. The distribution of the gross VLT revenues is as follows:

- 1.5% to a small, minority, and women-owned business investment account;
- 2% to the State Lottery for administrative costs,
- 5.5% to local governments in which a video lottery facility is operating,
- 7% to a purse dedication account to enhance horse racing purses and funds for the horse breeding industry, not to exceed $100.0 million annually;
- 2.5% for an eight-year period to a Racetrack Renewal Fund, not to exceed $40.0 million annually; except for the first five years of operations at a video lottery facility in Allegany County, 2.5% to the video lottery operation licensee that agrees to purchase the Rocky Gap Lodge and Resort;
- except for the Allegany County facility, no more than 33% to video lottery operation licensees;
- and the remainder to Education Trust Fund (48.5-51.0%).

The Video Lottery Facility Location Commission has approved three facility licenses to date. Two of these facilities (Worcester and Cecil Counties) are scheduled to open in fiscal year 2011, while the third facility (Anne Arundel County) may open in fiscal year 2012, pending the outcome of a possible county zoning referendum, the legality of which is currently in litigation. The Commission plans to re-bid the licenses for the two facilities that have not yet been awarded later in calendar year 2010.

Public Service Company Franchise Taxes. The State imposes a franchise tax at the rate of 2% on the gross receipts from operations of public service companies engaged in the telephone business or in the transmission, distribution or delivery of electricity or natural gas in Maryland. In addition, a franchise tax of .062 cents for each kilowatt hour of electricity delivered for final consumption in Maryland, and of .402 cents for each therm of natural gas delivered for final consumption in Maryland, is imposed on each public service company engaged in the transmission, distribution or delivery of electricity or natural gas in Maryland. Public service companies subject to the tax on kilowatt hours of electricity and therms of natural gas are entitled to credits with respect to deliveries of such products to certain industrial customers.

Insurance Taxes. Insurance companies, including health maintenance organizations, are taxed at the rate of 2% on all new and renewal gross direct premiums (after certain deductions) allocable to the State.

Motor Vehicle Fuel and Titling Taxes and Registration Fees. The State imposes a per gallon tax of 23.5 cents on gasoline and motor fuels, 24.25 cents on special fuel other than aviation and turbine fuel, and 7 cents on aviation and turbine fuel. There is an excise tax imposed upon the issuance of original and subsequent certificates of title to motor vehicles at the rate of 6% of the fair market value of the vehicle, with an allowance for 100% of the value of a trade-in (prior to January 1, 2008, the excise tax rate was 5% and there was no trade-in allowance). The State requires a biennial registration fee on all motor vehicles that ranges from $2.50 to $1,800 per vehicle depending on the size and type of vehicle. Registration fees are generally imposed for two (2) years at time of titling or at the time registration is renewed. There are several classes of vehicles, and fees vary within a class depending on the size of the vehicle. For example, the registration fee for passenger cars (Class A) ranges from $128 to $180 depending on the weight of the vehicle. An annual surcharge of $13.50 is included in most registration fees and is dedicated to the statewide Emergency Medical Services System.

Transfer Taxes. The State imposes a tax upon the recordation of instruments conveying title to real or personal property and conveying leasehold interests in real property. These are special fund revenues, although in some fiscal years all or a portion of these revenues were transferred to the General Fund. The most recent transfer occurred in fiscal year 2010 when a total of $164.3 million in transfer taxes, including $31.0 million in fiscal year 2010 revenues and $133.3 million of previously allocated revenues, was transferred to the General Fund. Pursuant to the fiscal year 2011 Budget, $54.0 million in fiscal year 2011 transfer taxes will be transferred to the General Fund. Legislation enacted in the 2009 Session also requires that transfer taxes must first be used to pay principal and interest due on any POS Bonds before any other distribution.

Tobacco Taxes. Effective January 1, 2008, the State imposed a tax at the rate of $2.00 per pack of 20 cigarettes and 15% of the wholesale price of other tobacco products (the prior rate of tax for cigarettes was $1.00 per pack). All cigarette packs in retailers' and wholesalers' inventories on January 1, 2008 were subject to a floor tax of $1.00 per pack.

Death Taxes. The State's inheritance tax rate is 10% (bequests to direct relations and siblings are exempt). The State also imposes an estate tax and a generation-skipping transfer tax. These taxes were initially designed to capture the maximum revenue possible without imposing an additional tax burden on estates through a credit against the federal taxes. Despite the repeal of the federal tax for 2010, the State has retained its estate tax. For State estate tax purposes, the unified credit is fixed at $345,000, which effectively exempts $1.0 million from the estate tax.

Alcoholic Beverage Taxes. There is a tax at the rate of $1.50 per gallon on all alcoholic beverages, except beer and wine, sold or delivered by a manufacturer or wholesaler to any retail dealer in the State. Taxes at the rates of 40 cents per gallon of wine and 9 cents per gallon of beer are imposed on the sale or delivery of those beverages by a manufacturer to a wholesale or retail dealer in the State.

Bay Restoration Fee. All users of sewerage and septic systems in the State are charged a mandatory fee of $30 per year (or $30 per "equivalent dwelling unit"). Revenues from users of sewerage systems are pledged, to the extent necessary, as security for Bay Restoration Revenue Bonds issued by the Maryland Water Quality Financing Administration, the proceeds of which will be applied primarily to provide grant funds to upgrade wastewater treatment plants with enhanced nutrient removal technology. In fiscal year 2010 a total of $155.0 million in Bay Restoration Fee revenue was transferred to the General Fund. Pursuant to the fiscal year 2011 Budget, $45.0 million in fiscal year 2011 Bay Restoration Fee revenue will be transferred to the General Fund.

Other Revenues. Exclusive of the proceeds of bond issues, approximately 56.1% of State revenues in fiscal year 2009 were received from sources other than taxes and lottery receipts. The largest component (26.4% of total revenues) was received from the federal government for highway and transit reimbursements; reimbursements and grants for health care programs; categorical and matching aid for public assistance, social services, and employment security; aid for public education; and miscellaneous grants-in-aid to State agencies. In addition to federal funds, the State receives revenues from court fines and costs; patient payments for services in State hospitals; interest on invested funds; and tuition fees paid to institutions of higher education. The State also receives revenues from operations of the Maryland Transit Administration, the Maryland Port Administration, and the Maryland Aviation Administration, which are paid into the Transportation Trust Fund.

Revenue Estimates. The State's revenue estimates are based upon projections by the Board of Revenue Estimates, composed of the Comptroller, the Treasurer, and the Secretary of Budget and Management. The Board studies the findings and recommendations of the Bureau of Revenue Estimates, a statutory State agency administratively under the Comptroller, that reviews the findings and recommendations of other agencies responsible for economic monitoring and revenue administration, and reports the estimates of revenue to the Governor for submission to the General Assembly in connection with the Budget.

In its report issued each December, the Board of Revenue Estimates presents revised revenue estimates for the current fiscal year (based upon current economic factors and legislative changes), and the first official estimates for the next succeeding fiscal year based upon current laws and administrative practices. The revised estimate for the current year is made seven months before the end of that fiscal year, while the Budget estimate for the next succeeding fiscal year is made 19 months before the end of that fiscal year. The estimates are reviewed in March, prior to final action on the Budget by the General Assembly, and any appropriate adjustments to the estimates are made at that time. The following table shows the accuracy of General Fund revenue estimates for the 2005 through 2009 fiscal years.

Historic General Fund Revenue Estimates and Actual Collections
($ in millions)

Fiscal	Actual	Original Estimate		Final Estimate	
Year	Collections	Amount	% (a)	Amount	% (a)
2005	$11,394.7	$10,391.1	109.66%	$10,972.1	103.85%
2006	12,369.9	11,306.3	109.41	12,319.1	100.41
2007	12,940.2	12,843.2	100.76	12,849.6	100.71
2008	13,545.6	13,452.8	100.69	13,557.8	99.91
2009	12,892.6	14,743.1	87.45	13,220.5	97.52

(a) Actual collections as a percentage of estimates.
Note: Estimated and actual collections exclude transfers and other actions appearing in Appendix C, page C-3 as extraordinary transfers.

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Receipts from the State property tax, all of which are devoted to debt service on general obligation bonds and which provided approximately 90% of the current revenues available for general obligation bond debt service payment in fiscal year 2009 (see "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM — General Obligation Bonds"), are credited to a separate account known as the Annuity Bond Fund. The Board of Public Works is required annually to fix the property tax rate by May 1, after the end of the regular legislative session, in an amount sufficient to pay all debt service for the ensuing fiscal year on general obligation bonds after taking account of the amounts and sources of funds provided in the Budget for that fiscal year, which begins July 1. The Commission on State Debt (consisting of the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, the Director of the State Department of Assessments and Taxation, and one individual appointed by the Governor and not otherwise affiliated with State government) makes an original estimate approximately three months before July 1 of the year to which the property tax rate will apply and a revised estimate approximately nine months after that date. The following table portrays the accuracy of estimates of State property tax revenue in fiscal years 2005 through 2009.

State Property Tax Revenue Estimates
($ in millions)

Fiscal Year	Property Tax Rate (a)	Actual Collections	Original Estimate Amount	Original Estimate % (b)	Final Estimate Amount	Final Estimate % (b)
2005	13.2¢	$516.6	$512.9	100.71%	$512.8	100.72%
2006	13.2	575.1	567.6	101.33	573.3	100.31
2007	11.2	552.7	547.5	100.95	552.1	100.09
2008	11.2	625.7	619.4	101.02	642.0	97.47
2009	11.2	698.6	691.2	101.07	700.9	99.67

(a) The property tax rate is per $100 of assessed valuation.
(b) Actual collections as a percentage of estimates.

General fund revenues and State property tax revenues (once the rates and structures are set) are entirely independent of the expenditures from the funds into which they flow, thus accurate forecasting is important. On the other hand, the vast majority of federal funds are received under matching programs or State administered programs where receipts vary directly with expenditures or expenditures are directly controlled by receipts. See Appendix C, "Supplemental Revenue Schedules – State of Maryland" pages C-1 and C-2 for a more detailed comparison of revenue estimates to actual collections. See also page C-3 for details as to the sources of and adjustments to these revenues.

State Expenditures and Services

State expenditures and services for capital and operating programs include a typical range of direct governmental services and activities, as well as State support and aid to local governmental units, primarily in the areas of education and transportation.

Public Education. The agencies administering public education spend the largest portion of State revenue. In the fiscal year 2010 Budget, as amended, public education accounted for 52% of general fund appropriations and 38% of all appropriations.

Elementary and Secondary Education. The school boards of the 23 counties and Baltimore City are responsible for much of the administration of public elementary and secondary schools, including charter schools. There are no special, separate school districts in Maryland. The State supports the elementary and secondary education programs of the counties and Baltimore City through a number of aid programs. The major programs are described as follows: (1) under a formula equalized for ability to pay and based on wealth and enrollment factors, the State distributes aid to the local school systems for current expenses; (2) for personnel in local public schools, the State pays directly the employer's portion of the retirement system contributions; and (3) the State also distributes aid based on the number of students receiving free or reduced price meals, under various components of the Students with Disabilities Aid Program, and for pupil transportation. In addition to these major programs, the State Department of Education provides aid for local libraries, food service, and various educational activities and, through the State Department of Education's Interagency Fund, distributes funds to address the service needs of children at risk.

Higher Education. The public higher education system consists of the University System of Maryland and Morgan State University, each governed by its respective Board of Regents; St. Mary's College of Maryland, governed by its own Board of Trustees; Baltimore City Community College, a State institution governed by its Board of Trustees; and 17 community colleges, each governed by a local or regional Board of Trustees.

The Maryland Higher Education Commission is responsible for developing a statewide plan for higher education, approving mission statements, setting funding guidelines, administering State aid to local community colleges, aid to private colleges and universities, and student financial aid programs.

The State finances the State universities and colleges principally with State general fund revenues. In addition, the State finances a share of the cost of the locally owned two-year community colleges. State financial assistance is primarily in the form of general purpose formula grants. The State also makes grants to eligible private institutions of higher education under a formula based on State support for State four-year universities and colleges. In total, the higher education share of fiscal year 2009 expenditures was 15.8% and was 15.7% of the fiscal year 2010 Budget.

The following table presents the trends of enrollment (expressed in full-time equivalent students) at the State universities and colleges and the local community colleges for the fiscal years shown.

Enrollment (full-time equivalent students)
State Universities and Colleges

Fiscal Year	State Four Year Institutions	Community Colleges	Total
2006	101,596	90,815	192,411
2007	104,865	93,255	198,120
2008	108,545	96,135	204,680
2009	117,606	101,277	218,883
2010 estimate	121,022	101,008	222,030

Health and Mental Hygiene. The Department of Health and Mental Hygiene has general responsibility for public health in the State and provides direct services through 14 residential health facilities, finances medical services to the indigent, and aids local health departments on a matching formula basis. For fiscal year 2010, $8,433.2 million was budgeted for the Department of Health and Mental Hygiene, including $4,689.5 million in federal funds and $2,972.2 million in State general funds.

The largest expenditure is for the medical assistance (Medicaid) program under which the State makes payments to health service vendors providing services to eligible low income individuals and families. For fiscal year 2009, $5,245.8 million was spent on this program, virtually all of which was for services for which the State recovered approximately 50% from the federal government. For fiscal year 2009, the average monthly Medicaid enrollment was estimated at approximately 574,000. For fiscal year 2010, the Budget provided for 674,000 Medical Assistance enrollees and funding of $5,779.8 million.

The health centers operated by the Department of Health and Mental Hygiene provide care for psychiatric, intellectually disabled and chronically ill patients. In recent years the State has expanded programs to provide services within the community as an alternative to institutionalization in State facilities.

Transportation. Transportation is the third largest category of State expenditures. The Department of Transportation is responsible for most of the State's various transportation facilities and for developing and maintaining a State master plan for transportation. It administers the State highway system; operates a mass transit system in the Baltimore region; assists mass transit in the Washington D.C. region; operates and assists commuter rail systems and certain critical freight railroads; operates two airports, including Baltimore/Washington International Thurgood Marshall Airport ("BWI"); operates State-owned port facilities, primarily in Baltimore Harbor; and administers the licensing and regulation of motor vehicle drivers and dealers, as well as motor vehicles. For fiscal year 2010, the transportation budget totaled $3,367.8 million; on the same basis actual expenditures for fiscal year 2009 were $3,511.4 million. See "STATE FINANCES — Transportation Trust Fund" with respect to the principal revenues and expenditures related to the Department of Transportation.

The Maryland Transportation Authority ("MdTA") of which the Secretary of Transportation is Chairman, is responsible for the administration of the various toll revenue facilities, which consist of bridges over the Susquehanna, Patapsco, and Potomac Rivers and the Chesapeake Bay; two tunnels under the Baltimore Harbor; the John F. Kennedy Memorial Highway, and other transportation facilities. The MdTA's financial transactions are accounted for in a separate special revenue fund and are not included in the Transportation Trust Fund.

Human Resources. The Department of Human Resources administers State and federal programs relating to child welfare, foster care, public assistance, family investment services, adult services, energy assistance, legal services, victim services, child support enforcement, and work opportunity assistance for adults receiving public assistance. For fiscal year 2010, approximately $1,994.0 million was budgeted for the Department of Human Resources, including $1,275.1 million in federal funds and $607.3 million in State general funds.

Public assistance programs include Temporary Cash Assistance ("TCA"), food stamps, assistance to disabled citizens, and several emergency assistance programs. The largest categories of programs are TCA, in which the State/federal shares vary depending upon the areas to which the State directs its Maintenance of Effort and Food Stamps, which is 100% federal funds. The Department of Human Resources also provides a broad range of social services to the indigent and other eligible persons under both federal-State and State-only programs.

Public Safety and Correctional Services, State Police, Juvenile Services and Governor's Office for Crime Control and Prevention. The Departments of Public Safety and Correctional Services, State Police, and Juvenile Services include correctional agencies and institutions, parole units, the Maryland State Police, services and facilities for adjudicated youth, and related activities. The Governor's Office for Crime Control and Prevention administers federal and State grant programs focusing on crime control and prevention. For fiscal year 2010, approximately $1,902.1 million was budgeted for these departments, of which $1,500.0 million was from general funds.

Other Expenditures and Services. The State has numerous other operating units, including the judicial system; financial and revenue administration; labor, licensing and regulation; planning, budgetary activity, and personnel administration; natural resources and recreation; business and economic development; housing and community development; environment; and others, all of which accounted for approximately 8.3% of total expenditures for fiscal year 2009 and 9.8% of the fiscal year 2010 Budget. General obligation bond debt service accounted for approximately 2.4% of total expenditures for fiscal year 2009 and 2.4% of the fiscal year 2010 Budget.

State Reserve Fund

The State Reserve Fund is currently composed of four accounts: the Revenue Stabilization Account, which is established to retain State revenues for future needs and to reduce the need for future tax increases; the Dedicated Purpose Account, which is established to retain appropriations for major multi-year expenditures and to meet contingency requirements; the Economic Development Opportunities Program Account, which is to be used for extraordinary economic development opportunities as a supplement to existing programs; and the Catastrophic Event Account, which is to be used to respond quickly to a natural disaster or other catastrophic event that cannot be managed within existing appropriations. All interest earned on the State Reserve Fund is credited to the Revenue Stabilization Account.

The Governor is required to include in each annual budget bill an appropriation of $100.0 million if the balance in the Revenue Stabilization Account is less than 3.0% of estimated general fund revenues. If the balance in the Account is at least 3.0% of estimated general fund revenues but less than 7.5% of estimated general fund revenues, the Governor is required to include an appropriation to the Account of $50.0 million or the amount necessary to bring the balance of the Account to 7.5%, whichever is less. Maryland law defines estimated general fund revenues as those stated in the annual report of the Board of Revenue Estimates submitted to the Governor.

The Governor is also required to include an appropriation to the Revenue Stabilization Account equal to the unappropriated general fund balance in excess of $10.0 million from the second prior fiscal year. The appropriation required under this provision may be offset by any appropriation required to reach a certain percent of estimated general fund revenues, as discussed above.

Withdrawals that do not result in a Revenue Stabilization Account balance below 5.0% of estimated general fund revenues may be authorized by an act of the General Assembly or specifically authorized in the State Budget.

Withdrawals that result in a Revenue Stabilization Account balance below 5.0% of estimated general fund revenues must be authorized by an act of the General Assembly other than the State Budget Bill.

The following table presents the balances of the State Reserve Fund for the four fiscal years ended June 30, 2006 through June 30, 2009, and the estimate for the fiscal year ended June 30, 2010.

State Reserve Fund
Fiscal Years 2006–2010
($ in millions)

	Balance at Fiscal Year End			
Fiscal Year	**Revenue Stabilization Account**	**Other Accounts**	**Total State Reserve Fund**	**Revenue Stabilization Account as a % of General Fund Revenue**
2006	$758.8	$52.6	$811.4	6.1%
2007	1,432.2	157.6	1,589.7	11.1
2008 (a)	684.8	35.5	720.3	5.1
2009	691.8	10.0	701.8	5.4
2010 estimate (b, c)	612.1	2.0	614.1	4.8

(a) In fiscal year 2008, transfers to the General Fund included $978.0 million from the Revenue Stabilization Account and $100.0 million from the Dedicated Purpose Account.
(b) In the proposed 2011 budget, the Revenue Stabilization account balance as a percentage of general fund revenue as stated in the 2009 annual report of the Board of Revenue Estimated equaled 5.0%. The percentage decreased to 4.8% due to increased revenues as a result of legislation enacted during the 2010 Session.
(c) See also, "STATE FINANCES — General Fund Current Year Budget versus Prior Year Actual."

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FY 2005-2009 GAAP General Fund Results of Operations

The GAAP General Fund is that fund from which all general costs of State government are paid and to which taxes and other revenues not specifically directed by law to be deposited in separate funds are recorded in accordance with Generally Accepted Accounting Principles ("GAAP"). The following table presents the comparative statement of revenues, expenditures and changes in fund balances in the GAAP General Fund for fiscal years ended June 30, 2005 through 2009.

GAAP General Fund Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2005-2009
($ in thousands)

	2005	2006	2007	2008	2009
Revenues (a):					
Income taxes	$ 6,814,378	$ 7,108,573	$ 7,325,181	$ 7,868,899	$ 7,156,297
Sales and use taxes	3,153,676	3,382,851	3,447,896	3,748,933	3,851,752
Other taxes	1,585,267	1,748,366	1,687,223	1,816,652	1,554,732
Other licenses and fees	759,953	808,617	782,712	651,079	686,806
Charges for services	561,657	597,719	642,801	732,103	830,038
Interest and other investment income	93,819	201,783	292,262	296,636	154,895
Federal revenue	5,093,047	5,258,137	5,624,412	5,846,077	7,005,387
Other	314,019	99,236	206,076	188,575	358,044
Total revenues	18,375,816	19,205,282	20,008,563	21,148,954	21,597,951
Expenditures (a):					
General government	700,963	737,060	715,676	727,569	754,317
Health and mental hygiene	6,329,383	6,547,288	7,252,117	7,536,747	8,286,032
Education	5,881,899	6,352,121	7,151,741	7,997,946	8,289,393
Human resources	1,569,032	1,622,922	1,643,078	1,761,284	2,061,959
Public Safety	1,435,406	1,606,314	1,790,595	1,835,652	1,824,595
Judicial	462,568	490,861	527,618	556,056	585,778
Labor, licensing and regulation	166,787	154,607	164,255	166,848	182,751
Natural resources and recreation	167,018	165,439	177,553	188,675	205,876
Housing and community development	211,577	215,940	228,105	244,581	244,208
Environment	76,393	83,793	92,460	95,918	106,307
Agriculture	56,624	64,044	101,252	147,494	142,804
Business and economic development	57,287	56,374	65,774	94,503	90,892
Intergovernmental	555,810	553,941	503,014	408,208	354,617
Total expenditures	17,670,747	18,650,704	20,413,238	21,761,481	23,129,529
Excess (deficiency) of revenues over expenditures	705,069	554,578	(404,675)	(612,527)	(1,531,578)
Other sources (uses) of financial resources:					
Capital leases	38,318	71,798	50,575	31,185	27,945
Operating transfers in	664,660	653,163	613,148	648,718	602,745
Operating transfers out	(275,527)	(368,942)	(532,635)	(440,755)	(474,778)
Net other sources (uses) of financial resources	427,451	356,019	131,088	239,148	155,912
Net change in fund balances	1,132,520	910,597	(273,587)	(373,379)	(1,375,666)
Fund balances at the beginning of the year	1,489,437	2,621,957	3,532,554	3,258,967	2,885,588
Fund balances, June 30	$ 2,621,957	$ 3,532,554	$ 3,258,967	$ 2,885,588	$1,509,922
Fund balance as % of revenues	14.3%	18.4%	16.3%	13.6%	7.0%

(a) The budgetary system's principal departures from the modified accrual basis, i.e., GAAP, are with the classification of the State's budgetary funds and the timing of certain revenues and expenditures. See Appendix A – "Financial Statements".

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General Fund 2010 Budget

2010 Budget. On April 13, 2009, the General Assembly approved the Budget for fiscal year 2010. The Budget includes, among other things: (1) funds to the State's retirement and pension systems consistent with the "corridor" methodology of funding as prescribed by statute; (2) $5,736.3 million in aid to local governments from general funds reflecting full funding of the public school assistance enhancements enacted during the 2002 Session of the General Assembly ("Thornton"), as amended; (3) $60,000 for capital projects; (4) $139.9 million to the State Reserve Fund; and (5) deficiency appropriations of $273.0 million for fiscal year 2009, including $35.5 million for the State Department of Education, a reduction of $364.9 million in the Department of Health and Mental Hygiene primarily in Medicaid due to the availability of federal stimulus funds; $14.7 million to the Department of Juvenile Services primarily for personnel costs and per diem placements; and $15.3 million for the Department of Public Safety and Correctional Services mostly for overtime, fuel and utilities.

As part of the fiscal year 2010 Budget, the General Assembly enacted the Budget Reconciliation and Financing Act of 2009 (the "2009 Act") that authorizes various transfers and funding changes resulting in increased general fund revenues and decreased general fund appropriations.

The 2009 Act provided for transfers to the General Fund in fiscal year 2010 of $216.3 million, including $31.0 million of transfer tax revenues and $161.9 million from the local share of highway user revenues. The 2009 Act and other legislative actions cumulatively decrease fiscal year 2010 revenues by $24.8 million. Decreases included $45.0 million in corporate income taxes to reauthorize the Higher Education Investment Fund and $35.9 million in individual income taxes due to coupling with federal actions in the American Recovery and Reinvestment Act of 2009 ("ARRA"). Increases included $21.5 million in sales and motor fuel tax diversions from the Chesapeake Bay 2010 Fund, $8.6 million from reducing the commission earned by lottery sales agents, and $4.5 million from reducing the Mined Coal Tax Credit.

Reductions to required fiscal year 2010 general fund appropriations include $34.0 million in aid to community colleges; $24.0 million due to modifications in the local jail reimbursement program; $16.1 million representing a decrease in the State share (from 80% to 70%) of the cost of placing students with special needs in non-public establishments; and $11.8 million reflecting the elimination of a State match of employee contributions to the deferred compensation plan. The Budget did not include funds for any employee cost of living adjustment or merit increases.

The budget included $139.9 million for the Revenue Stabilization Account of the State Reserve Fund. The required payment of $63.0 million from the Dedicated Purpose Account to the Maryland Transportation Authority for the Intercounty Connector was reduced and funded with general obligation bonds instead. Transfers from the State Reserve Fund to the General Fund totaled $210.0 million in fiscal year 2010.

The Budget funds fiscal year 2010 debt service on the State's general obligation bonds with $785.0 million in special funds, primarily from State property tax revenues. The projected amount of State property tax revenues reflects a property tax rate of 11.2 cents (per $100 of taxable assessed value), a rate unchanged from fiscal year 2009.

State aid to primary and secondary schools includes $10.8 million in Education Trust Fund revenues generated through licensing fees for Video Lottery Terminals and $297.3 million in State Fiscal Stabilization Funds authorized by ARRA. The Budget also includes $660.0 million in additional federal fund attainment in the Medicaid program resulting from an increased federal matching percentage authorized by ARRA.

Based on the Board of Revenue Estimates March 2009 general fund revenue estimate and actions enacted by the General Assembly in the 2009 session, its was estimated that the general fund balance on a budgetary basis at June 30, 2010 would be $87.9 million.

Subsequent Events. In order to close emerging gaps between anticipated revenues and budgeted expenditures, the Governor proposed and the Board of Public Works approved General Fund budget reductions of $205.3 million on July 22, 2009, $223.3 million on August 26, 2009 and $102.8 million on November 18, 2009.

As part of the fiscal year 2011 Budget plan, the General Assembly enacted the Budget Reconciliation and Financing Act of 2010 (the "2010 Act"), legislation that authorizes various funding changes resulting in increased general fund revenues and decreased general fund appropriations. The 2010 Act authorized transfers to the General Fund in fiscal year 2010 of $317.4 million from various special fund balances including $136.2 million from a change

to the distribution of the Highway User revenue account, $133.3 million from University System of Maryland, $13.5 million from the Waterway Improvement Fund (consisting of $1.0 million in special fund and $12.5 million in capital-related fund transfers), $6.0 million from the State's reserve account with the Injured Workers Insurance Fund, and $5.2 million from the State Insurance Trust Fund. An additional $330.1 million in unexpended capital program balances were authorized for transfer to the General Fund for fiscal year 2010, including $155.0 million from the Bay Restoration Fund, $103.1 million from the local jurisdictions' share of Program Open Space funds, $22.7 million from the Program Open Space capital development program, $10.6 million from the Rural Legacy Program, and $10.0 million from the Maryland Agricultural Land Preservation Foundation.

The 2010 Act and other legislative actions cumulatively increase fiscal year 2010 general fund revenues by $58.8 million. Increases included $129.0 million in corporate income taxes related to the sale by Constellation Energy of a minority interest in its Nuclear Group including $34.0 million that otherwise would have gone to special fund accounts, $11.9 million resulting from changes in the allocation of accrued interest earnings that otherwise would be retained in special fund accounts, and $8.0 million from an adjustment to the distribution of taxes on short-term vehicle rentals that otherwise would be credited to the Chesapeake Bay 2010 Fund.

It is currently estimated that the general fund balance on a budgetary basis at June 30, 2010 will be $153.8 million. In addition, the balance in the Revenue Stabilization Account of the State Reserve Fund is estimated to be $612.1 million at June 30, 2010, equal to 4.8% of estimated general fund revenues. In the proposed 2011 budget, the Revenue Stabilization account balance as a percentage of general fund revenue as stated in the 2009 annual report of the Board of Revenue Estimates equaled 5.0%. The percentage decreased to 4.8% due to increased revenues as a result of legislation enacted during the 2010 Session.

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General Fund Revenues and Appropriations — Budgetary Basis
Fiscal Years 2009-2010
($ in millions)

	2009 Actual	2010 Original Budget	2010 Estimate (a)
General Fund Revenues			
Income Taxes	$7,027.9	$7,157.7	$6,729.6
Sales and Use Taxes	3,620.4	3,605.4	3,481.9
Lottery	473.2	507.1	506.1
Franchises, Excises, Licenses, Fees	1,771.1	1,726.8	1,963.3
Extraordinary Items (b)	7.9	-	20.7
Total	$12,900.5	$12,997.0	$12,701.6
General Fund Appropriations			
Public Education	$7,242.1	$7,033.6	$6,975.3
Human Resources	582.4	566.5	607.3
Public Health	3,361.3	3,165.0	2,792.2
Public Safety, State Police, and Juvenile Services	1,612.2	1,572.4	1,500.0
Capital Funding	13.7	0.1	0.1
State Reserve Fund – Revenue Stabilization & Dedicated Purpose Accounts	211.5	139.9	114.9
Administrative and Other	1,329.7	1,319.4	1,258.3
Total	$14,352.9	$13,796.9	$13,428.0

General Fund Balance — Budgetary Basis
Fiscal Years 2009-2010
($ in millions)

	2009 Actual	2010 Estimate (a)
Balance Beginning of Year (c)	$487.1	$ 87.2
Increases:		
Revenues	12,900.5	12,701.6
Transfer from Revenue Stabilization Account	170.0	210.0
Transfer from other funds	838.3	583.1
	13,908.8	13,494.7
Decreases:		
Appropriations	14,352.9	13,428.0
Reversion of Prior Year Encumbrances	(44.2)	-
	14,308.7	13,428.0
Balance End of Year (c)	$87.2	$153.8

(a) Estimated revenues include revenues recommended to the Governor by the Board of Revenue Estimates in March, 2010 and revenue adjustments incorporated in the fiscal year 2011 budget. Estimated appropriations are based on the budget as enacted, include Board of Public Works reductions of $531.4 million, deficiency appropriations of $195.8 million, and are net of estimated reversions of $63.7 million.
(b) Extraordinary revenues include a GAAP transfer of $7.9 million in fiscal year 2009 and tax amnesty revenues of $20.7 million in fiscal year 2010.
(c) Fund balance does not include amounts reserved for the State Reserve Fund or encumbrances. See "State Finances – State Reserve Fund."

*Totals may not add due to rounding.

General Fund 2011 Budget

2011 Budget. On April 12, 2010, the General Assembly enacted the Budget for fiscal year 2011. The Budget includes, among other things: (1) funds to the State's retirement and pension systems consistent with the "corridor" methodology of funding as prescribed by statute; (2) $5,741.6 million in aid to local governments from general funds; (3) $0.8 million for capital projects; (4) $15.0 million to the State Reserve Fund; and (5) deficiency appropriations of $195.8 million for fiscal year 2010, including $108.9 million for Medicaid, $39.3 million for Public Education, $17.3 million to the Department of Human Resources for Temporary Disability Assistance Payments, $13.3 million to the Department of Assessments and Taxation for tax credit payments, and $12.0 million for the Department of Public Safety and Correctional Services, mostly for staffing and inmate medical costs. The Budget does not include funds for any employee cost of living adjustment, merit increases, nor a match for contributions to deferred compensation.

As part of the fiscal year 2011 Budget plan, the General Assembly enacted the Budget Reconciliation and Financing Act of 2010 (the "2010 Act"), legislation that authorizes various funding changes resulting in increased general fund revenues and decreased general fund appropriations. The 2010 Act increases fiscal year 2011 general fund revenues by $35.5 million, including $22.1 million by diverting to the General Fund a portion of sales taxes and motor fuel taxes from the Chesapeake Bay 2010 Fund, $11.0 million resulting from changes in the allocation of interest earnings that otherwise would be retained in special funds accounts, and $2.4 million in Admissions and Amusement tax attributable to the cultural arts. The fiscal year 2011 Budget also includes net general fund revenue increases of $9.2 million, which includes $12.9 million from reimbursement of Heritage Tax Credit reserves, $6.0 million from reimbursement of Biotechnology Tax Credit reserves, $4.0 million in State hospital patient recoveries, $2.1 million from Lottery prize interception, $1.8 million from tobacco conversion loan repayment, $1.4 million from corporate purchasing card rebates, and a reduction of $19.0 million related to the Job Creation Tax Credit.

The 2010 Act authorizes transfers to the General Fund in fiscal year 2011 of $22.3 million, including $11.7 million from the University System of Maryland and $6.0 million in furlough-related savings from various special funds. The 2010 Act also authorizes transfers to the General Fund totaling $111.7 million from capital-related special fund balances, including $45.0 million from the Bay Restoration Fund and $54.0 million in transfer tax revenues.

Additionally, $123.8 million in transfers authorized in the 2009 Act are included in the fiscal year 2011 budget and include $21.9 million from the Central Collections Unit and $101.9 million in local Highway User revenues.

Reductions to required fiscal year 2011 general fund appropriations include $350.0 million in Aid to Education to be replaced with Education Trust Fund revenues being re-allocated from the Local Income Tax Reserve, $156.9 million from reducing operating budget funding for the Intercounty Connector, $42.1 in Higher Education funding to be replaced with Higher Education Investment Fund revenues, and $17.0 million due to an increase in quality assessments on nursing facilities.

The 2010 Act and other legislative actions cumulatively increase fiscal year 2011 revenues by $347.1 million. Increases include $22.1 million in sales and motor fuel tax diversions from the Chesapeake Bay 2010 Fund and $11.0 million resulting from changes in the allocation of interest earnings that otherwise would be retained in special funds accounts. Decreases include $42.1 million in corporate income taxes to reauthorize the Higher Education Investment Fund and $19.0 million in corporate income taxes for the Job Creation Tax Credit.

The 2011 Budget includes $15.0 million for the State Reserve Fund in the Dedicated Purpose Account for distribution to the Department of Health and Mental Hygiene for the Prince George's County Health Care System. The 2011 Budget also eliminates operating funds for the Intercounty Connector, which will be funded in fiscal year 2011 by general obligation bonds instead. No transfers from the State Reserve Fund to the General Fund are planned in fiscal year 2011.

The 2011 Budget funds fiscal year 2011 debt service on the State's general obligation bonds with $827.5 million in special funds, primarily from State property tax revenues. The projected amount of State property tax revenues reflects a property tax rate of 11.2 cents (per $100 of taxable assessed value), a rate unchanged from fiscal year 2010.

State aid to primary and secondary schools includes $114.0 million in Education Trust Fund revenues generated through $60.0 million in anticipated revenue from Video Lottery terminal (VLT) operations and $54.0

million in VLT licensing fees. The 2011 Budget also includes $389.0 million in additional federal fund attainment in the Medicaid program. The State anticipates federal legislation extending the enhanced federal Medicaid match provisions originally authorized by the American Recovery and Reinvestment Act of 2009. At this time, this legislation has not been enacted.

It is estimated that the general fund balance on a budgetary basis at June 30, 2011 will be $203.9 million. In addition, the balance in the Revenue Stabilization Account of the State Reserve Fund is estimated to be $630.7 million at June 30, 2011, equal to 4.8% of estimated general fund revenues. In the proposed 2011 budget, the Revenue Stabilization account balance as a percentage of general fund revenue as stated in the 2009 annual report of the Board of Revenue Estimates equaled 5.0%. The percent decreased to 4.8% due to increased revenues as a result of legislation enacted during the 2010 Session.

Interim General Fund Revenues and Expenditures

The State does not issue, nor does it have procedures in effect that provide interim financial statements; however, the Office of the Comptroller has compiled the following summary data with respect to the revenues and expenditures of the General Fund for the nine months ended March 31, 2009 and 2010. The General Fund is that fund from which all general costs of State government are paid and to which taxes and other revenues not specifically directed by law to be deposited in separate funds are recorded. Approximately 43.9% of revenues were accounted for in the General Fund in fiscal year 2009, and it is currently estimated that the General Fund will account for 37.9% of all revenues in fiscal year 2010. The presentation of these data does not purport to be, and should not be construed as, an interim Statement of General Fund Revenues, Expenditures, and Surplus; however, adjustments have been made to present the revenues on a basis reasonably comparable to the table of operating revenues included in the section "STATE FINANCES — State Revenues" presented elsewhere in this Official Statement.

General Fund Revenues. The following presents a summary of general fund revenues on a budgetary basis by major categories for the nine months ended March 31, 2009 and 2010.

General Fund Revenues
($ in millions)

	Nine months Ended March 31			
	Fiscal Year 2009		Fiscal Year 2010	
	Amount	% of FY Actual Revenues (a)	Amount	% of FY Estimated Revenues (a)
Income Taxes (b)	$4 616.0	62.7%	$4,368.0	66.2%
Sales and Use Taxes (b)	2,436.7	67.5	2,288.1	65.9
Motor Vehicle User Taxes, Fees	6.5	100.0	7.2	85.4
Property, Franchise, Excise Taxes	725.1	61.6	679.8	63.5
Sundry Fees, Licenses, Charges, Etc.	573.0	53.5	554.7	51.4
Federal	53.6	74.8	37.3	57.1
Total	$8,410.9	63.6%	$7,934.9	64.9%

(a) For the first nine months of fiscal year 2009, represents the percentage of actual revenues for the full fiscal year; for the first nine months of fiscal year 2010, represents the percentage of revenues as estimated by the Board of Revenues Estimates on March 10, 2010.

(b) Income taxes and sales and use taxes reflect amounts actually received from July through March, excluding amounts received in that period allocable to the preceding fiscal year.

* Totals may not add due to rounding.

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General Fund Expenditures. The following presents a summary of general fund expenditures on a budgetary basis by major category for the nine months ended March 31, 2009 and 2010 (see note (a)):

General Fund Expenditures
($ in millions)

	Nine months Ended March 31			
	Fiscal Year 2009		Fiscal Year 2010	
	Amount	% of FY Actual Expenditures (b)	Amount	% of FY Budget Expenditures (b)
Public Education	$5,843.8	80.7%	$5,641.7	80.9%
Human Resources	356.2	60.5	387.1	71.0
Public Health	2,770.9	81.4	2,105.1	72.3
Public Safety	1,059.4	69.4	1,013.2	71.6
Administrative & Other	1,016.9	70.4	974.4	73.0
Capital Funding (c)	1.0	100.0	-	-
State Reserve Fund - Revenue Stabilization Account	146.5	100.0	114.9	100.0
Total	$11,194.7	78.0%	$10,236.4	77.0%

(a) The State's accounting procedures do not require recording encumbrances (i.e., commitments evidenced by purchase orders or contracts) for financial reporting purposes except at the end of each fiscal year. Accordingly, no amounts of encumbrances have been recorded for the nine months ended March 31, 2009 and 2010. At June 30, 2008 and 2009, General Fund encumbrances charged to expenditures for the fiscal years ended totaled $179.7 million and $136.7 million, respectively. The Office of the Comptroller has no reason to believe that the current patterns of commitments are not in conformity with historical practices. See Appendix A, Notes 1 and 2 of Notes to Financial Statements and Notes to Required Supplementary Information as to certain changes, accrual methods, and practices affecting the presentation of expenditures.

(b) For the first nine months of fiscal year 2009, represents the percentage of actual expenditures for the full fiscal year; for the first nine months of fiscal year 2010, represents the percentage of current budget expenditures.

(c) Capital Funding is appropriated in the General Fund and transferred to the Capital Projects Fund at the beginning of the fiscal year.

* Totals may not add due to rounding.

Federal Stimulus Funding

The American Recovery and Reinvestment Act of 2009 ("ARRA") provides support to States by funding infrastructure, education programs and human services programs by providing discretionary and targeted funding. The table titled Impact of ARRA on Maryland shows that ARRA provides over $4.5 billion in formula funding to the State of Maryland.

ARRA grants to Maryland provide $421.7 million for educational programs, $765.2 million for infrastructure programs, and $477.7 million for other programs. These funds provide additional federal support and do not supplant general funds. ARRA also includes $101.8 million in grants to local governments and aid organizations that are not appropriated in the State budget. These funds will be distributed directly to the local governments and aid organizations.

ARRA also provides federal grants for which State and local governments must compete, including grants to support law enforcement, habitat conservation, and the arts. It is uncertain how much of these funds the State will receive and they are not included in ARRA estimates for Maryland.

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Funds Supporting State General Fund Commitments

ARRA's most significant impact for Maryland is the $2.9 billion that can support State general fund commitments. These funds support Medicaid, education, and discretionary State spending. The funds are used in the place of general funds to sustain State funding from fiscal years 2009 to 2011. When the funds are no longer available, the State will need to replace the funds or reduce spending.

Medicaid funds total $1,989.1 million and are available from October 2008 through the end of December 2010. A portion of the funds are attributable to a 6.2% increase in the State's Federal Medical Assistance Percentage.

Impact of ARRA on Maryland
Fiscal Years 2009 through 2011
($ in Millions)

Program	FY 2009	FY 2010 Estimate	FY 2011 Estimate	Estimated Total Award
Supporting State General Fund Commitments				
Fiscal Stabilization – Education	$0.0	$297.3	$422.3	$719.7
Fiscal Stabilization – Discretionary	1.5	79.6	79.0	160.1
Medicaid	443.5	767.6	778.0†	1,989.1
Subtotal	445.0	1,144.5	1,279.3	2,868.9
Education Grants Appropriated in the State Budget				
Special Education	0.0	229.4	0.0	229.4
Title I	0.0	136.0	0.0	136.0
Education Technology	0.0	8.5	0.0	8.5
School Improvement Program	0.0	20.3	19.7	40.0
Vocational Rehabilitation	0.8	7.0	0.0	7.8
Subtotal	0.8	401.2	19.7	421.7
Infrastructure Appropriated in the State Budget				
Highways	15.0	183.8	85.3	284.1
Transit Capital	0.0	105.2	126.4	231.6
Aviation Capital	0.0	15.0	0.0	15.0
Tax Credit Assistance Program (HOME)	0.0	31.7	0.0	31.7
Section 1602 Monetization	0.0	79.2	0.0	79.2
Clean Water	0.0	96.0	0.5	96.5
Drinking Water	0.0	27.0	0.1	27.1
Subtotal	15.0	537.9	212.3	765.2
Other Grants Appropriated in the State Budget				
State Energy Programs	0.0	35.2	14.8	50.0
Energy Efficiency and Conservation Block Grant	0.0	9.6	0.0	9.6
Weatherization	6.5	52.6	2.7	61.8
Community Services Block Grant	0.0	13.7	0.0	13.7
Homelessness Prevention	0.0	5.7	0.1	5.8
Community Development Block Grant	0.0	2.2	0.0	2.2
Foster Care	7.2	11.5	0.0	18.7
Food Assistance	33.4	47.2	21.7	102.3
Temporary Assistance for Needy Families	16.1	22.2	20.3	58.6
Ind. Living, Homeless Educ. & Work Study	0.0	1.3	0.4	1.7
Child Care & Development Block Grant	4.4	19.6	0.0	24.0
Child Support Enforcement	14.1	8.5	2.8	25.4
UI/Workforce Inv./Dislocated Workers	1.8	36.2	0.0	38.1
Preventative Health BG/Immunization	0.0	0.0	2.8	2.8
Byrne Grants/Public Safety Grants	0.1	15.6	11.9	27.5
Federal Subsidy on Build America Bonds	0.0	0.9	7.6	8.5
Other Grants	0.3	17.9	8.7	26.9
Subtotal	84.0	299.9	93.8	477.7
Total State Grants	544.8	2,383.5	1,605.1	4,533.4

Source: Department of Budget and Management.

* Totals may not add due to rounding.

† The Medicaid value for fiscal year 2011 includes $389 million proposed in separate legislation, which would extend the enhanced Federal Medical Assistance Percentage previously authorized in ARRA.

State Fiscal Stabilization Fund. The table below shows that ARRA provides $879.8 million to Maryland in Fiscal Stabilization funds. The legislation requires that 81.8%, or $719.7 million, support education programs. The education funds must first be used to restore elementary and secondary school reductions to fiscal year 2008 spending levels. Since Maryland has increased spending, this requirement does not apply. Remaining funds must be used to support State formula increases in fiscal years 2010 and 2011 for elementary and secondary education or to restore reductions made to State higher education funding below fiscal years 2008 or 2009 levels. The State has applied these funds to support elementary and secondary education increases. The fiscal year 2010 Budget included $297.3 million and $422.3 million is included in the 2011 Budget.

Finally, ARRA permits 18.2% of the Fiscal Stabilization funds to support general government services. These discretionary funds total $160.1 million, of which $1.5 million was spent in fiscal year 2009, $79.6 million was appropriated for fiscal year 2010 and the remaining $79.0 million is included in the 2011 Budget.

ARRA – Federal Stabilization Spending by Program
Fiscal Years 2009-2011
($ in Millions)

Program	FY 2009	FY 2010 Estimate	FY 2011 Estimate	Total
Fiscal Stabilization – Education	$0.0	$297.3	$422.3	$719.7
Fiscal Stabilization – Discretionary				
Maryland State Police	0.0	19.9	19.9	39.7
Department of Juvenile Services	0.0	4.5	4.5	9.0
Department of Human Resources	1.5	1.5	1.5	4.5
Department of Public Safety and Correctional Services	0.0	53.7	53.2	106.9
Subtotal	1.5	79.6	79.1	160.1
Total Fiscal Stabilization	$1.5	$376.9	$501.4	$879.8

* Totals may not add due to rounding.

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FY 2005-2009 General Fund Budget vs. Actual

The following statement presents a comparison of budget versus actual revenues, expenditures and encumbrances and changes in fund balance in the State's General Fund using the budgetary basis of accounting for each of the past five fiscal years ending June 30.

Statutory General Fund Comparative Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance Budget and Actual Fiscal Years 2005 to 2009 ($ in thousands)

	2005		2006		2007		2008		2009	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues:										
Income taxes	$ 6,017,543	$6,323,895	$ 6,831,911	$6,843,809	$ 7,167,363	$ 7,268,949	$7,545,165	$7,491,807	$7,363,803	$7,027,897
Sales and use taxes	3,109,302	3,129,352	3,350,608	3,355,168	3,457,229	3,420,149	3,691,717	3,675,263	3,610,951	3,620,431
Other taxes	885,269	902,448	976,705	945,458	956,817	961,416	1,083,077	1,100,788	1,113,177	1,056,124
Licenses and fees	164,342	187,284	181,709	198,533	212,457	209,504	205,284	205,314	190,969	207,169
Charges for services	282,118	287,762	292,566	296,653	294,546	306,806	308,532	299,709	290,861	298,377
Interest and other investment income	50,846	82,891	133,976	195,395	172,795	260,708	122,585	234,289	103,000	113,607
Other	613,760	718,906	572,042	928,778	588,371	1,477,980	601,428	837,322	547,693	878,185
Total revenues (a)	11,123,180	11,632,538	12,339,517	12,763,794	12,849,578	13,905,512	13,557,788	13,844,492	13,220,454	13,201,790
Expenditures and encumbrances by major function:										
Payments of revenue to civil divisions of the State	128,490	128,246	132,036	131,793	145,033	144,794	149,512	149,218	120,760	120,760
Public debt	-	-	-	-	-	-	29,349	29,349	-	-
Legislative	61,320	61,319	65,284	64,184	69,128	68,156	72,258	70,838	76,397	73,650
Judicial review and legal	368,100	365,310	392,974	392,541	432,829	429,676	457,197	453,810	485,384	477,529
Executive and administrative control	140,482	136,668	169,705	168,299	278,878	276,634	195,834	193,466	254,130	248,094
Financial and revenue administration	162,865	161,610	165,026	164,754	182,851	179,001	185,550	180,191	179,818	178,792
Budget and management	45,423	43,523	60,033	59,190	65,860	62,537	31,546	28,611	38,839	36,165
General services	51,523	51,381	50,388	50,387	59,815	58,814	58,062	58,062	55,284	55,284
Natural resources and recreation	68,545	68,408	65,529	65,298	75,692	75,387	76,856	76,476	57,855	57,718
Agriculture	25,654	25,526	24,822	24,812	30,292	30,021	34,392	33,710	29,155	28,884
Health, hospitals and mental hygiene	3,191,989	3,191,049	3,382,496	3,381,597	3,588,004	3,588,003	3,671,920	3,651,019	3,373,973	3,362,742
Human resources	562,954	562,952	551,865	550,865	569,924	569,924	575,743	575,743	589,585	589,215
Labor, licensing and regulation	18,505	18,034	19,020	16,681	16,004	15,728	15,880	15,440	12,829	12,743
Public safety and correctional services	822,979	819,696	890,577	890,305	1,034,310	1,033,397	1,034,831	1,034,830	1,076,908	1,076,861
Public education	5,030,484	5,026,284	5,523,831	5,517,071	6,201,859	6,197,845	7,014,660	7,007,355	7,246,594	7,242,123
Housing and community development	11,016	11,016	6,924	6,924	46,132	45,621	13,701	13,688	9,411	9,401
Business and economic development	63,057	63,057	59,939	59,939	103,205	103,086	95,708	95,670	81,198	80,788
Environment	37,192	37,171	34,472	34,472	50,835	50,340	44,527	44,471	44,951	44,941
Juvenile services	178,171	177,761	197,656	197,334	238,791	238,520	267,188	266,734	267,002	266,941
State police	212,444	211,515	230,966	230,555	245,559	245,559	247,375	246,745	180,461	178,772
State reserve fund	114,653	114,653	349,372	349,372	791,382	791,382	262,795	262,795	211,543	211,543
Reversions:										
Current year reversions	(20,000)	-	(20,000)	-	(20,000)	-	(30,000)	-	(30,000)	-
Prior year reversions	-	(11,368)	-	(14,863)	-	(29,971)	-	(49,268)	-	(44,216)
Total expenditures and encumbrances	11,275,846	11,263,811	12,352,915	12,341,510	14,206,383	14,174,454	14,504,884	14,438,953	14,362,077	14,308,730
Changes in encumbrances during fiscal year	-	(8,528)	-	2,834	-	(51,543)	-	26,735	-	42,998
Total expenditures	11,275,846	11,255,283	12,352,915	12,344,344	14,206,383	14,122,911	14,504,884	14,465,688	14,362,077	14,351,728
Excess of revenues over (under) expenditures	(152,666)	377,255	(13,398)	419,450	(1,356,805)	(217,399)	(947,096)	(621,196)	(1,141,623)	(1,149,938)
Other sources (uses) of financial resources:										
Operating transfers in (out)	-	380,125	-	30,386	-	(23,798)	-	(72,596)	-	688,515
Excess of revenues over (under) expenditures and other sources of financial resources	(152,666)	757,380	(13,398)	449,836	(1,356,805)	(241,197)	(947,096)	(693,792)	(1,141,623)	(461,423)
Fund balances at the beginning of the year	1,114,833	1,114,833	1,872,213	1,872,213	2,322,049	2,322,049	2,080,852	2,080,852	1,387,060	1,387,060
Fund balances, June 30 (b)	$ 962,167	$ 1,872,213	$ 1,858,815	$ 2,322,049	$ 965,244	$ 2,080,852	$ 1,133,756	$ 1,387,060	$ 245,437	$ 925,637

(a) This amount differs from the total general fund revenues noted in the "General Fund Revenues and Appropriations – Budgetary Basis" schedule due to the different treatment of transfers, including the transfer of revenues from the State Reserve Fund.
(b) Includes balances for the State Reserve Fund and encumbrances.

Cigarette Restitution Fund

All payments received by the State related to the tobacco settlement are to be deposited into the Cigarette Restitution Fund ("CRF"), which can only be spent through appropriations in the annual State budget. At least 50% of the appropriations must be for: the reduction of tobacco use by minors; implementation of the agriculture plan adopted by the Tri-County Council for Southern Maryland; public and school education campaigns to decrease tobacco use; smoking cessation programs; enforcement of laws regarding tobacco sales; support for programs that expand access to health care for the uninsured; primary health care in rural areas and those targeted by tobacco companies; prevention, treatment, and research, including capital projects, concerning cancer, heart disease, lung disease, and tobacco use and control; and substance abuse treatment and prevention programs. Thirty percent of appropriations funded by the CRF must be for the Medicaid program. The remainder of the CRF may be appropriated for any public purpose. Maryland law provides a framework for two of the primary uses of the CRF by creating and outlining two specific programs - the Tobacco Use Prevention and Cessation Program and the Cancer Prevention, Education, Screening, and Treatment Program.

The special fund appropriations of the CRF are limited to the available proceeds of the tobacco settlement. In its budgetary process, the State has made various revenue assumptions; in the event the anticipated revenues or funds are less than the State expects, the appropriations cannot be fully expended. Net expenditures from the fund were $192.7 million in fiscal year 2009 and are expected to be $166.0 million in fiscal year 2010.

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Transportation Trust Fund

The Transportation Trust Fund, administered by the Department of Transportation, is the largest of the special funds and consolidates into a single fund substantially all fiscal resources, excluding the Maryland Transportation Authority, dedicated to transportation, including the excise taxes on motor vehicle fuel and motor vehicle titles, sales and use tax on short-term vehicle rentals, a portion of the corporate income tax, wharfage and landing fees, rentals, and fare box revenues. See "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM — Department of Transportation Debt." All expenditures of the Department of Transportation are made from the Transportation Trust Fund. In addition, the various categories of transportation bonds are serviced from the Transportation Trust Fund, and the particular taxes and other designated revenues are both dedicated to the payment of such indebtedness and constitute the sole sources to which holders of transportation bonds legally may look for repayment.

Amounts in the Transportation Trust Fund do not revert to the General Fund if unexpended at the end of the fiscal year; however, from time to time, the General Assembly has enacted legislation requiring that certain unpledged revenue in the Transportation Trust Fund be delivered to the General Fund. In some instances, such legislation also has provided for the subsequent re-transfers from the General Fund to the Transportation Trust Fund.

The following table shows a condensed summary of the fund balances of the Department of Transportation for each of the past five fiscal years ended June 30, 2009.

Department of Transportation Fund Balances
Fiscal Years 2005-2009
($ in thousands)

	2005	2006	2007	2008	2009
Revenues	$3,598,395	$3,534,227	$3,501,115	$3,341,196	$3,405,611
Expenditures	3,755,239	3,650,196	3,670,657	3,769,682	3,622,650
Excess (deficiency) of revenues over expenditures	(156,844)	(115,969)	(169,542)	(428,486)	(217,039)
Net other sources (uses) of financial resources	128,437	158,510	111,077	249,319	402,639
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	(28,407)	42,541	(58,465)	(179,167)	185,600
Fund balance, July 1	373,749	345,342	387,883	329,418	150,251
Fund balance, June 30	$345,342	$387,883	$329,418	$150,251	$335,851

NOTE: The Department of Transportation Special Revenue and Debt Service Funds account for substantially all of the financial activities of the Transportation Trust Fund. The Maryland Transportation Authority ("MdTA") is not part of the Transportation Trust Fund. The above summary was prepared from the audited financial statements of the Department of Transportation which are prepared in accordance with Generally Accepted Accounting Principles.

Investment of State Funds

State statute provides that the investment of unexpended or surplus money over which the Treasurer has custody, which includes both general funds and special funds, is limited to: (1) obligations of the United States or its agencies or instrumentalities; (2) repurchase agreements collateralized in an amount not less than 102% of principal by obligations of the United States or its agencies or instrumentalities; (3) bankers' acceptances, money market mutual funds and commercial paper (limited to 10% of total investments) all only with the highest rating; and (4) the Maryland Local Government Investment Pool ("MLGIP").

Investment Portfolio Distribution
(par value)

	March 31, 2009	March 31, 2010
U.S. Treasuries	$895,000	$895,000
Agencies	4,703,714,000	3,315,712,000
Repurchase Agreements	636,699,628	1,330,212,741
Money Market Funds	26,903,898	77,092,851
MLGIP	216,229,285	230,733,862
Total*	$5,584,441,810	$4,954,646,453
Weighted Average Maturity in Days	1,379	1,157

* Totals may not add due to rounding.

At March 31, 2010, approximately 67% of the portfolio was invested in U.S. Treasuries and U.S. government agencies, and 27% of the portfolio was in shorter-term repurchase agreements. Investments in Treasuries and Agencies were approximately 84% of the portfolio on March 31, 2009, while repurchase agreements were approximately 11% at that time. The monthly weighted average portfolio interest rate was 2.468% for March 2010 compared to 3.148% for March 2009.

The portfolio size on March 31, 2010 was $629.8 million less than March 2009. Interest earnings are not expected to increase until the Federal Open Market Committee raises rates.

State Retirement and Pension System of Maryland

The State Retirement and Pension System of Maryland (the "System"), a multi-employer public employee retirement system, provides defined benefits, including death and disability benefits, to all State employees, teachers, and employees of participating governmental units. The System is administered by a 14-member Board of Trustees which has the authority to invest and reinvest the System's assets. The State is the guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits and expenses of the System.

Employee retirement benefits are based on years of service and the highest three-year average salary. Generally, full service retirement benefits are based on 30 years of service, but reduced benefits are provided for early service retirements. Retirement allowances are adjusted annually to provide for increases in the cost of living which, for certain members, are limited to 3% of the original allowance amount.

Pension enhancements passed by the Maryland General Assembly during the 2006 legislative session established the Alternative Contributory Pension Selection ("ACPS") plan within the Teachers' and Employees' Pension Systems. The ACPS provides for an increased annual benefit multiplier of 1.8% per year of service since July 1, 1998 and a 1.2% multiplier for prior years. Effective July 1, 2008, employees pay 5% of annual salary as the mandatory contribution.

By law, employer contribution rates are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. The unfunded actuarial accrued liability (UAAL) that existed as of the June 30, 2000 actuarial valuation is being amortized over the period ending on June 30, 2020. The UAAL for each fiscal year subsequent to the year ended June 30, 2000, represents a separate liability layer for actuarial funding purposes, and accordingly will be amortized over a 25-year period commencing July 1 of the following fiscal year. 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 is limited to not more than 120% nor less than 80% of the market value of assets.

The Budget Reconciliation and Financing Act of 2002 modified the methodology for determining the State's annual required employer contribution to the Teachers' and Employees' combined systems for fiscal years beginning after June 30, 2002. Accordingly, effective July 1, 2002, the State's employer contribution to the Teachers' and Employees' combined systems is determined by the System's actuary under a modified corridor funding method. This

method effectively maintains the contribution rate in effect for the Teachers' and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in the benefit structure) as long as such systems remain between 90 percent and 110 percent funded. If either system falls below 90 percent funded (i.e., below the corridor), then the contribution rate in effect for the subsequent fiscal year will 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 exceeds 110 percent funded (i.e., above the corridor), then the contribution rate in effect for the subsequent fiscal year will 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. The methodology for computing the State's employer contribution rates for the Law Enforcement Officers' Pension System, State Police Retirement System, and the Judges' Retirement System remains unchanged. For each of these three systems, the employer contribution rate is equal to the sum of the normal contribution and the accrued liability contribution rates.

The following table presents information regarding the unfunded actuarial accrued liability of the System for the years 2005 to 2009 as of June 30 valuation dates, derived from a report by the System's independent actuary.

Unfunded Actuarial Accrued Liability of the
State Retirement and Pension System of Maryland
($ in thousands)

Valuation Date June 30	Actuarial Accrued Liability	Actuarial Value Of Assets	Funded Ratio (Assets/Liab.)	Unfunded Actuarial Liability	Covered Payroll (Active Members)	UAL As a Percent of Payroll%
2005	$39,133,450	$34,519,500	88.2%	$4,613,950	$8,603,761	53.6%
2006	43,243,492	35,795,025	82.8	7,448,467	9,287,576	80.1
2007 (a)	47,144,354	37,886,936	80.4	9,257,418	9,971,012	92.8
2008	50,244,047	39,504,284	78.6	10,739,763	10,542,806	101.9
2009	52,729,171	34,284,569	65.0	18,444,603	10,714,241	172.2

(a) Beginning July 1, 2006, the System changed its funding method from the Aggregate Entry Age Normal method to the Individual Entry Age Normal method. 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 FY2009 Budget. It was included in the June 30, 2009 valuation and will be amortized as a portion of the UAAL commencing on July 1, 2010.

Like many pension funds, the investments of the Retirement and Pension System have been significantly impacted by the stock market decline since June 30, 2008. As of March 31, 2010 the unaudited market value of the assets was $33.8 million. For a more detailed discussion of the Retirement and Pension System, see Appendix A, Note 15 to Financial Statements.

Other Retirement Programs

In addition to the principal retirement programs administered by the Board of Trustees, the Maryland Transit Administration of the Department of Transportation provides pension benefits to its employees for the three unions it recognizes and for former union members promoted to management positions. All other management employees hired after April 30, 1970, are members of the State Employees' Retirement or Pension Systems for employees.

The annual funding of the plan is based upon a report of the consulting actuary. The Department of Transportation's budget for fiscal year 2010 provided $24.8 million for the plan. The most recent actuarial valuation by Milliman, Inc., for the plan year ended June 30, 2009, sets the past service liability of the plan at $205.0 million and places the present value of vested benefits under the plan at $307.0 million.

Other Post Employment Benefits (OPEB)

Retired State employees and their eligible dependents meeting certain qualifications may participate, on a subsidized basis, in the State Employees' Health Insurance Program (the "Plan"). As of July 1, 2009, the Plan membership included 84,164 active employees, 4,263 vested former employees and 55,987 retirees and beneficiaries. The Plan assesses a charge to retirees for post-employment health care benefits that is based on health care insurance charges for active employees. During fiscal year 2009, retiree plan members contributed $61.4 million and the State contributed $315.3 million for retiree health care benefits.

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

As of June 30, 2009, the actuarial accrued liability for benefits was $15.5 billion, and the actuarial value of assets was $174.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of $15.3 billion. The discount rate used was a blended rate of 4.3%. The ratio of the actuarial value of assets to the actuarial accrued liability was 1.1%. The covered payroll (annual payroll of active employees covered under the Plan) was $4.7 billion, and the ratio of the UAAL to the covered payroll was 322.3%.

The State's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan and the State's net OPEB obligation as of June 30, 2009.

Annual OPEB Cost and Net OPEB Obligation
Fiscal Year 2009
($ in millions)

Annual Required Contribution (ARC)	$1,145.7
ARC adjustment	(27.0)
Interest on Net OPEB Obligation	29.9
Total Annual OPEB Cost (AOC)	1,148.6
Less: Contributions made	(366.4)
Increase in net OPEB obligation	782.2
Net OPEB obligation - beginning of year	695.9
Net OPEB obligation - end of year	$1,478.1
Percentage of annual OPEB cost contributed	31.9%

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 Laws of 2007 created the Postretirement Health Benefits Trust Fund as an irrevocable trust. Funds of the Trust will be used to assist in financing the State's post-retirement health insurance subsidy. State law provides that the subsidy received by the State as a result of the federal Medicare Prescription Drug Improvement and Modernization Act of 2003, or similar federal subsidies, shall be deposited in the Trust Fund beginning in fiscal year 2008. During fiscal year 2009, $27.6 million of this subsidy was transferred to the Trust. The State also contributed $22.5 million in additional funding. The 2009 Budget Reconciliation and Financing Act redirects the subsidy to the State Employees and Retirees Health and Welfare Benefits Fund instead of the Trust Fund for fiscal years 2010 through 2012. The net assets held in trust for post-retirement health benefits as of June 30, 2009 were $146.4 million. This balance also reflects the activity for investment earnings and administrative expenses during the year.

For a more detailed discussion of the Other Post-employment Health Benefits, see Appendix A, Note 16 to the Financial Statements.

The 2006 General Assembly established a Blue Ribbon Commission (the "Commission") which is reviewing the assumptions and qualifications for assessing OPEB liability and is studying funding options. In an Interim Report released in December 2008, the Commission reported its view that Maryland cannot sustain into the future the current level of retiree health benefits. The Commission is continuing to explore options for redesigning retiree health benefits and/or the way the State pays for them to arrive at a solution that is both fiscally sound and fair to current and retired State employees.

The Commission is also required to:

- review the State's legal obligation to provide retiree health benefits;
- study the factors contributing to the rising cost of retiree health benefits;
- review current benefit levels for State employees and retirees;
- review the eligibility requirements for retiree health benefits;
- review alternatives for providing health benefits to State retirees;
- recommend a multi-year plan to fully fund State obligations for retiree health benefits; and
- issue a second interim report on or before December 31, 2010, and a final report on or before December 31, 2011, to the Governor and the General Assembly.

Public Employees' and Retirees' Benefit Sustainability Commission

The 2010 General Assembly established a Public Employees' and Retirees' Benefit Sustainability Commission (the "Sustainability Commission"), composed of the State Treasurer, three members to be appointed by the Governor, two members to be appointed by the President of the Senate, and two members to be appointed by the Speaker of the House. The Sustainability Commission is directed to study and make recommendations with respect to all aspects of State funded benefits and pensions provided to State and public education employees and retirees, and review and evaluate recruitment practices, retention incentives, actuarial liabilities and funding methods, employee contribution rates, and the comparability and affordability of State Employees' and Teachers' Retirement Systems and State Employee and Retiree Health Benefit Program.

The Sustainability Commission is directed to issue interim findings and recommendations on or before December 15, 2010, and to issue a final report of its findings and recommendations on or before June 30, 2011.

Labor Management Relations

As of March 31, 2010, the State had approximately 110,663 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 approximately 35,000 State employees. Eligible State employees are assigned to one of nine bargaining units. In 2001, collective bargaining was extended to approximately 10,000 employees of the University System of Maryland, St. Mary's College of Maryland, Morgan State University, and Baltimore City Community College.

Currently, State employees may join employee associations, and the State permits the deduction of dues from employees' salaries for these associations. Approximately 23,794 employees pay dues to 15 State employee associations.

Public school teachers throughout the State are not State employees but are employed and otherwise paid by the local school boards of education. The State, however, pays retirement benefit contributions on behalf of those employees. Teachers have been authorized by statute to form and participate in employee organizations for the purpose of representation on all matters relating to salaries, wages, hours, and other working conditions. Similar laws have been enacted to cover employees of Baltimore City and some counties.

The employees of the public community colleges and the public libraries are not State employees; the State, however, pays the employer's share of the retirement contribution.

Organizations certified as the exclusive bargaining representatives are entitled to negotiate wages, hours and working conditions on behalf of bargaining unit employees. Negotiated terms that require statutory changes or appropriations must be approved by the General Assembly.

Aid to Local Government

The State provides substantial assistance to local governments through a variety of direct and indirect assistance programs. Cash assistance is provided to support, among other local expenditures, community colleges, basic current expenses of elementary and secondary schools, pupil transportation, road construction and maintenance, the

education of students with disabilities, local health departments, and local police departments. In addition to cash grants, the State has paid directly the retirement contributions for local teachers and librarians. The State also has paid directly a major share of the debt service on bonds issued to pay for the construction of local elementary and secondary schools, community colleges, and water treatment facilities. Further, the State has assumed the non-federal share of the costs of providing medical assistance, income maintenance payments, and social services for the needy. In the transportation area, the State operates the mass transit program in the Baltimore area and provides grant assistance for the Maryland portion of the Washington metropolitan area transit system.

The following table presents a summary of major State financial support for fiscal years 2006 through 2009, and estimates for the 2010 fiscal year. Federal Funds are generally excluded except for State Fiscal Stabilization Funds for Education authorized by ARRA.

Major State Financial Support to Local Governments
Fiscal Years 2006–2010
($ in millions)

	2006	2007	2008	2009	2010 Estimated
Education	$4,245	$4,729	$5,462	$5,687	$5,810
Transportation	545	562	537	476	168
Health	62	64	67	57	37
Environment	46	136	97	20	9
Public Safety	101	105	110	109	90
Other	137	151	163	134	137
Total	$5,137	$5,746	$6,436	$6,483	$6,251

* Totals may not add due to rounding.

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STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM

The State issues general obligation bonds, to the payment of which the State ad valorem property tax is pledged, for capital improvements and for various State-sponsored projects. In addition, the Maryland Department of Transportation issues for transportation purposes its limited, special obligation bonds payable primarily from specific, fixed-rate excise taxes and other revenues related mainly to highway use. The State and certain of its agencies also have entered into a variety of lease-purchase agreements to finance the acquisition of capital assets. These lease agreements specify that payments thereunder are subject to annual appropriation by the General Assembly.

At least since the end of the Civil War, the State has paid the principal of and interest on its general obligation bonds when due. There is no general debt limit imposed by the State Constitution or public general laws. Although the State has the authority to make short-term borrowings in anticipation of taxes and other receipts up to a maximum of $100.0 million, the State has not issued short-term tax anticipation notes or made any other similar short-term borrowings for cash flow purposes.

Tax Supported Debt Outstanding

The aggregate principal amount of outstanding bonded indebtedness of the State is as follows:

Tax Supported Debt Outstanding
($ in millions)

	Outstanding at March 31, 2010	As Adjusted for this Sale
General Obligation Bonds (a)	$6,523.2	$7,013.0*
Consolidated Transportation Bonds (b)	1,535.9	1,535.9
Maryland Stadium Authority Bonds (c)	249.7	249.7
Capital Leases (d)	200.5	200.5
GARVEE Bonds (e)	651.8	651.8
Bay Restoration Revenue Bonds (e)	44.2	44.2
Net Tax Supported Debt	$9,205.3	$9,695.1*

(a) As of March 31, 2010 the authorized but unissued amounts before and after giving effect to the sale of the Bonds were $1,183.5million and $693.8 million respectively. See also Appendix B – "SUPPLEMENTARY DEBT SCHEDULES."
(b) See "Department of Transportation Debt."
(c) See "Maryland Stadium Authority Bonds."
(d) See "Lease and Conditional Purchase Financings."
(e) See "Other Tax Supported Debt."

*Preliminary, subject to change.

The above table excludes local debt as well as revenue and enterprise debt, all of which are not State tax-supported debt. (For further information on Revenue and Enterprise Debt see "MISCELLANEOUS REVENUE AND ENTERPRISE FINANCINGS" and Appendix B – "SUPPLEMENTARY DEBT SCHEDULES – Revenue and Enterprise Financings".

General Obligation Bonds

General obligation bonds are authorized and issued primarily to provide funds for State-owned capital improvements, including institutions of higher education, and the construction of locally owned public schools. General obligation bonds also have been issued to fund local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for repayable loans or outright grants to private, nonprofit, cultural, or educational institutions. In the fiscal year 2010 capital program, 49% of new general obligation bond authorizations represent financing of State-owned capital facilities and State programs, 50% represent financing of capital improvements owned by local government units, and 1% represent financing of capital improvements owned by non-profit or other private entities.

Dedication of State Property Tax to General Obligation Debt. As stated above, the State Constitution prohibits the contracting of State debt unless the debt is authorized by a law levying an annual tax or taxes sufficient to pay the

debt service within 15 years and prohibiting the repeal of the tax or taxes or their use for another purpose until the debt is paid. As a uniform practice, each separate enabling act that authorizes the issuance of general obligation bonds for a given object or purpose has specifically levied and directed the collection of a State ad valorem property tax on all taxable property in the State. The Board of Public Works is directed by law to fix by May 1 of each year the property tax rate necessary to produce revenue sufficient for the debt service requirements of the next fiscal year, which begins July 1, but the taxes so levied need not be collected if or to the extent that funds sufficient for debt service requirements in the next fiscal year have been appropriated in the annual Budget. Accordingly, the Board, in annually fixing the rate of property tax after the end of the regular legislative session in April, takes account of appropriations of general and other funds for debt service.

From fiscal year 1972 through fiscal year 2003, general funds were appropriated to the State Department of Education for payment of debt service for public school construction debt. Other general obligation bonds have been serviced to a lesser degree from general funds as well as from the State property tax. As a result, although all the enabling acts commit the State property tax to the service of general obligation debt, and all amounts collected from such tax are applied to that purpose, it had been the normal practice to devote a significant amount of general fund revenue to general obligation debt service. From fiscal years 2004 to 2006, however, an increase in the State property tax rate eliminated the need for general funds to subsidize funding of general obligation debt service. Although the state property tax rate was decreased in fiscal year 2007, property tax revenues were sufficient to make future debt service payments without any general fund subsidy except in fiscal year 2008.

In fiscal year 2009, the primary sources of current revenue of the Annuity Bond Fund, from which debt service on all general obligation debt is paid, were the State property tax (90%) and premium from bond sales (10%). For fiscal year 2010, the primary source of current revenues is the State property tax (92%) and premium from bond sales (8%). See Appendix B – "SUPPLEMENTARY DEBT SCHEDULES – General Obligation Bonds" for debt service requirements for General Obligation Bonds.

Department of Transportation Debt

Consolidated Transportation Bonds are limited obligations issued by the State Department of Transportation (the "Department"), the principal of which must be paid within 15 years from the date of issue, for highway, port, transit, rail, or aviation facilities or any combination of such facilities. Current law limits the outstanding aggregate principal amount of these bonds to $2.6 billion. Current law also provides that the General Assembly may establish in the Budget for any fiscal year a maximum outstanding aggregate amount of these bonds as of June 30 of the fiscal year that is less than $2.6 billion. For fiscal year 2010, the limit is $1,830.0 million. At March 31, 2010, the principal amount of outstanding bonds was $1,535.9 million. In June 2010, the Department issued $140.0 million of Consolidated Transportation Bonds.

Debt service on Consolidated Transportation Bonds is payable from those portions of the excise tax on each gallon of motor vehicle fuel and the motor vehicle titling tax, sales and use tax on short-term vehicle rentals, and the corporate income tax as are credited to the Department after distribution to the political subdivisions, plus all departmental operating revenues and receipts. The holders of these bonds are not entitled to look to other sources for payment. The Department has covenanted with the holders of outstanding Consolidated Transportation Bonds not to issue additional bonds unless certain revenue adequacy tests are met.

Nontraditional Debt. The 2009 General Assembly established a maximum outstanding principal amount of $661.8 million as of June 30, 2010, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a consolidated transportation bond or Grant Anticipation Revenue Vehicle ("GARVEE") Bond. Such debt includes, but is not limited to: certificates of participation (documented by conditional purchase agreements), debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by Maryland Economic Development Corporation ("MEDCO") or any other third party on behalf of the Department. As of March 31, 2010, the Department's nontraditional debt outstanding was $671.4 million and is projected to be $661.8 million at June 30, 2010. See Appendix B – "SUPPLEMENTARY DEBT SCHEDULES – State Tax Supported Lease and Conditional Purchase Financings" and "– Revenue and Enterprise Financings" for nontraditional debt of the Department.

Maryland Stadium Authority Bonds

The Maryland Stadium Authority (the "Authority") was created in 1986 as an instrumentality of the State responsible for financing and directing the acquisition and construction of professional sports facilities in Maryland. Since then, the Authority's responsibility has been extended to include convention centers in Baltimore City, Ocean City and in Montgomery County, the Hippodrome Theater in Baltimore City, and the Camden Station Renovation. At March 31, 2010, the principal amount of outstanding bonds and capital leases of the Authority was $249.7 million. See Appendix B – "SUPPLEMENTARY DEBT SCHEDULES – Maryland Stadium Authority" for a summary of outstanding debt and interest rate exchange agreements of the Authority and descriptions of the Authority's projects.

Lease and Conditional Purchase Financings

The State has financed and expects to continue to finance the construction and acquisition of various facilities and equipment through conditional purchase, sale-leaseback, and similar transactions. As of March 31, 2010, the total tax supported capital leases and conditional purchase financings outstanding were $210.6 million. See Appendix B – "SUPPLEMENTARY DEBT SCHEDULES – State Tax Supported Lease and Conditional Purchase Financings" for details of the total tax supported capital leases outstanding. All of the tax-supported lease payments under these arrangements are subject to annual appropriation by the General Assembly. In the event that appropriations are not made, the State may not be held contractually liable for the payments. These transactions generally are subject to approval by the Board of Public Works. In connection with certain of these facilities, local government agencies or other lessors have issued revenue bonds or sold certificates of participation to finance the facilities.

Financings of this type have been used, for example, for multi-agency office buildings in St. Mary's County and Calvert County and district court facilities in Baltimore and Prince George's Counties. In June 2002, MEDCO issued lease revenue bonds in the amount of $36.0 million to finance the construction of a new headquarters building for the Department of Transportation. On May 25, 2010, MEDCO partially refunded its June 27, 2002 Lease Revenue Bonds for this facility. In addition, in October 2004, the Department sold $15.5 million in Certificates of Participation for the acquisition of shuttle buses for Baltimore/Washington International Thurgood Marshall Airport ("BWI"). In July 2005, the Maryland Transportation Authority ("MdTA") issued lease revenue bonds in the amount of $23.8 million to finance the costs of a parking facility project for the Annapolis State Office complex, operated by the Maryland Department of General Services ("DGS"). Lease revenue payable by DGS is pledged for the repayment of the bonds.

The State consolidates equipment lease-purchases authorized in the budget into annual master lease agreements for all Executive agencies. The State also has a master lease-purchase agreement to provide financing for energy conservation projects at State facilities. Lease payments are made from the agencies' annual utility appropriations from the savings achieved through the implementation of energy performance contracts.

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Other Tax Supported Debt

Bay Restoration Revenue Bonds. During the 2004 legislative session, the Maryland General Assembly created the Bay Restoration Fund to be managed by the Water Quality Financing Administration of the Maryland Department of the Environment ("Administration"). The Bay Restoration Fund receives a mandatory fee of $30 per year per equivalent dwelling unit from users of sewerage systems in the State, as well as $30 per year from septic system users. The Bay Restoration Fund sewer fee generated $53.3 million in revenue (cash basis) during fiscal year 2009. Future sewer fee revenues are projected at approximately $55.0 million per year. The sewer fee revenues are pledged, to the extent necessary, as security for Bay Restoration Revenue Bonds issued by the Administration, the proceeds of which will be applied primarily to provide grant funds to upgrade wastewater treatment plants with enhanced nutrient removal technology. The first $50.0 million of Bay Restoration Revenue Bonds were issued on June 25, 2008. Between 2011 and 2014, the Administration expects to issue an additional $480.0 million in Bay Restoration Revenue Bonds. The fiscal year 2010 transfer of $155.0 million and the fiscal year 2011 transfer of $45.0 million from the Bay Restoration Fund to the General Fund pursuant to the Budget Reconciliation and Financing Act of 2010 will not affect the security of Bay Restoration Revenue Bonds.

GARVEE Bonds. In 2005, the General Assembly authorized funding for the Intercounty Connector highway project to be built in Montgomery and Prince George's Counties, Maryland. The MdTA is authorized to issue GARVEE bonds in an amount not to exceed $750.0 million, with a maximum maturity of 12 years. Debt service is paid from a portion of Maryland's federal highway aid. MdTA issued the first series of GARVEE bonds in June, 2007 in the amount of $325.0 million, and issued the second and final series of GARVEE bonds in December, 2008 in the amount of $425.0 million.

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Debt Data

The following tables present, at fiscal year end, various data showing: (1) the trend of outstanding general obligation debt, its relationship to assessed value of property, personal income, and population, and the trend of general obligation debt service and its relationship to revenues; (2) the trend of outstanding general obligation, transportation, and other State tax supported debt and debt service and their relationships to the same factors; and (3) the total combined tax supported debt of the State and debt of Baltimore City and all of the counties, towns, and special taxing districts within Maryland, and various relationships of such local combined debt to the assessed value of property, population and personal income. While the State is not obligated for local debt, the Combined State and Local Unit Debt Ratios demonstrate the total state and local debt obligations relative to Statewide assessed values, population and personal income, for general comparison with other states' debt levels.

The Capital Debt Affordability Committee ("CDAC") annually reports ratios for tax supported debt outstanding compared to personal income and tax supported debt service compared to revenues. Debt outstanding, personal income, debt service, revenues and population in the following tables are all as reported in the 2009 CDAC report. Because some of the numbers used in the CDAC report are preliminary, they may not agree with more recent figures reported elsewhere in this Official Statement.

General Obligation Bond Ratios
($ in millions except per capita amounts)

	Fiscal Years				
	2005	2006	2007	2008	2009
General Obligation Bonds (a)	$4,512	$4,868	$5,142	$5,494	$5,874
% Change (b)	10.0%	7.9%	5.6%	6.8%	6.9%
Assessed Value (c)	$398,416	$452,483	$527,182	$617,632	$707,490
Debt Ratio (d)	1.1%	1.1%	1.0%	0.9%	0.8%
Population (e)	5,576	5,602	5,619	5,634	5,678
Per Capita Debt	$809	$869	$915	$975	$1,035
Personal Income (f)	$232,951	$245,879	$261,115	$271,025	$274,704
Debt Ratio (d)	1.9%	2.0%	2.0%	2.0%	2.1%
General Obligation Debt Service	$554	$625	$654	$693	$745
Revenues (g)	$12,159	$13,012	$13,530	$14,208	$13,682
Debt Service Ratio (d)	4.6%	4.8%	4.8%	4.9%	5.4%

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Combined General Obligation, Transportation and Other State Tax Supported Debt Ratios
($ in millions except per capita amounts)

	Fiscal Years				
	2005	2006	2007	2008	2009
Debt (a)					
General Obligation Debt	$4,512	$4,868	$5,142	$5,494	$5,874
Transportation Bonds:					
Consolidated Transportation	1,070	1,078	1,111	1,269	1,583
County Transportation	1	-	-	-	-
Capital Leases	175	227	248	198	213
Stadium Authority	309	297	283	272	256
GARVEE Bonds	-	-	325	301	704
Bay Restoration Revenue Bonds	-	-	-	50	47
Total State Tax Supported Debt	$6,067	$6,470	$7,109	$7,584	$8,677
Assessed Value (c)	$398,416	$452,483	$527,182	$617,632	$707,490
Debt Ratio (d)	1.5%	1.4%	1.3%	1.2%	1.2%
Population (e)	5,576	5,602	5,619	5,634	5,678
Per Capita Debt	$1,088	$1,155	$1,265	$1,346	$1,528
Personal Income (f)	$232,951	$245,879	$261,115	$271,025	$274,704
Debt Ratio (d)	2.6%	2.6%	2.7%	2.8%	3.2%
Debt Service	$790	$842	$846	$931	$1,012
Revenues (h)	$14,266	$15,155	$15,652	$16,735	$16,319
Debt Service Ratio (d)	5.5%	5.6%	5.4%	5.6%	6.2%

Combined State and Local Unit Debt Ratios
($ in millions except per capita amounts)

	Fiscal Years				
	2005	2006	2007	2008	2009
Debt (a)					
State Tax Supported Debt	$6,067	$6,470	$7,109	$7,584	$8,677
Local Debt (i)	12,563	13,652	14,654	15,156	15,862
Total Combined Debt	$18,630	$20,122	21,763	22,740	24,539
Assessed Value (c)	$398,416	$452,483	$527,182	$617,632	$707,490
Debt Ratio (d)	4.7%	4.4%	4.1%	3.7%	3.5%
Population (e)	5,576	5,602	5,619	5,634	5,678
Per Capita Debt	$3,341	$3,592	$3,873	$4,036	$4,322
Personal Income (f)	$232,951	$245,879	$261,115	$271,025	$274,704
Debt Ratio (d)	8.0%	8.2%	8.3%	8.4%	8.9%

(a) Shows amount of debt outstanding at the end of fiscal years shown (June 30) less amounts advance refunded and net of any sinking funds. Local debt includes the debt of Baltimore City, counties, towns, and special districts. Local debt data are derived from compilations by the Department of Legislative Services of data reported by the local units as required by statute.
(b) Shows the percentage of increase or decrease of the dollar values from the preceding year's amount.
(c) Amounts for full value are stated as of January 1, the date assessments are made final for the fiscal year beginning the next July 1.
(d) The debt ratios are expressed as the principal amounts of outstanding debt as percentages of (i) assessed value and (ii) personal income. The debt service ratios are expressed as the total annual amounts of debt service as percentages of all revenues.
(e) Population is stated in thousands.
(f) Personal income is for the calendar year ended December 31 of the year shown. The 2009 figure is an estimate.
(g) Amounts of revenue represent general fund revenues, property taxes, and bond premium.
(h) Amounts of revenue represent general fund revenues, property taxes, bond premium, transportation revenues, and lottery revenues transferred to the Stadium Authority, federal capital highway revenues and bay restoration fees.
(i) Includes outstanding debt of component units.
* Totals may not add due to rounding.

See Appendix B – "SUPPLEMENTARY DEBT SCHEDULES – General Obligation Bonds" for (1) amounts of the outstanding general obligation bonds of the State at each fiscal year end for the period 2006 - 2009, and (2) for the annual debt service requirements on all general obligation bonds of the State for future fiscal years.

Capital Programs

General obligation debt is one of several sources of funds used to finance capital assets of the State and to provide State capital grants and repayable loans to local governments and the private sector (see "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM — General Obligation Bonds"). Other types of debt incurred by the State and its units to finance various capital facilities and programs include bonds issued by the Department of Transportation (see "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM — Department of Transportation Bonds"), bonds issued by the Maryland Stadium Authority (see "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM — Maryland Stadium Authority Bonds") and capital leases for the acquisition of property and equipment (see "STATE TAX SUPPORTED DEBT AND CAPITAL PROGRAM — Lease and Conditional Purchase Financings").

The State has also funded capital projects through current operating revenues and receipts. For example, the Department of Transportation funds roads, bridges, and other transportation facilities from current revenues from dedicated sources; and the Department of Natural Resources constructs waterway improvements, shore erosion and land development projects, purchases land for recreational and conservation purposes, and provides capital grants to local governments from revenues in its operating budget. Furthermore, the operating budget from time to time has included general funds for projects normally eligible for funding by general obligation bonds.

The General Assembly annually enacts a Maryland Consolidated Capital Bond Loan appropriating funds for the various capital programs to be funded through the sale of State general obligation bonds. Once authorized, the projects are implemented by various State agencies, generally under the supervision of the Board of Public Works. Project expenditures are accounted for in the Capital Projects Fund. General obligation bonds are issued as cash is needed to meet project requirements. General obligation bond proceeds are credited to the State and Local Facilities Loan Fund, and cash is transferred to fund capital project expenditures, as needed. For each fiscal year from 2006 through 2010, the following table arrays the amount of bonds authorized, issued, cancelled, and retired; the cumulative amount of general obligation bonds outstanding; and cumulative amount of bonds authorized but unissued.

Bonds Authorized, Issued, Cancelled and Retired
($ in thousands)

	Activity during Fiscal Year						Status at Fiscal Year End	
		Issued		Authorizations	Principal			
Fiscal Year	Authorized (a)	New	Refunding	Cancelled	Redeemed	Refunded	Outstanding	Authorized but Unissued
2006.....	$712,742	$750,000	$ -	$23,747	$393,355	$ -	$4,868,471	$1,774,484
2007.....	821,126	679,378	-	4,645	405,695	-	5,142,154	1,911,587
2008.....	937,644	779,986	-	5,393	428,310	-	5,493,830	2,063,852
2009	1,112,000	845,563	65,800	1,939	464,725	66,825	5,873,643	2,328,351
2010 (b)	0	1,140,883	798,080	3,929	482,754	806,630	6,523,222	1,183,538

(a) Amounts shown represent authorizations that become effective in the fiscal year indicated. The normal effective date is June 1, which is in the same fiscal year as the session of the General Assembly enacting the authorization; however, some authorizations are not effective until July 1, which is the first day of the following fiscal year.

(b) As of March 31, 2010.

* Totals may not add due to rounding.

The following table reflects activity and ending balances in the Capital Projects Fund on a budgetary basis.

Capital Projects Fund
($ in thousands)

Fiscal Year	Beginning Balance	Bond Proceeds (a)	Project Expenditures	Other (b)	General Fund Appropriation	Ending Balance
2005 (c).....	$(17,093)	$852,729	$ (660,626)	$ (86,097)	$ 4,232	$ 93,145
2006.....	93,145	751,638	(700,692)	109,212	4,290	257,593
2007.....	257,593	681,040	(855,953)	125,980	77,562	286,222
2008.....	286,222	794,833	(1,039,012)	168,971	11,810	222,824
2009 (d)	222,824	915,987	(1,027,414)	11,529	1,000	123,926

(a) Includes premiums on the sale of bonds used to pay underwriter's discount and costs of issuance.
(b) Consists primarily of State property transfer tax revenues and other transfers in (out).
(c) Total bond proceeds in FY 2005 were $1,793,320,000. Of these proceeds, $855,840,000 and $84,751,000 were refunding bonds and associated premiums, respectively, for existing debt.
(d) Bond proceeds in FY 2009 totaled $985,420,000. Of this amount, $65,800,000 and $3,633,000 were refunding bonds and associated premiums, respectively.

The largest component of the current five-year capital program is the general construction program. In January of each year, the State publishes a proposed capital improvements program for general construction projects for the five ensuing fiscal years. This program reflects a projection of the capital improvements that will be required to maintain the State's physical plant and to provide services mandated by the General Assembly. The State's anticipated capital needs for fiscal years 2011 through 2015 for projects included in the January 2010 proposed program that are to be funded through general obligation bond sales totaled $2,172.1 million as follows: 2011, $414.5 million; 2012, $348.8 million; 2013, $431.0 million; 2014, $478.3 million; and 2015, $499.5 million. The State's capital needs for projects included in the January 2009 program that were to be funded through general obligation bond sales for fiscal years 2010 through 2014 totaled $2,619.4 million.

Capital Debt Affordability Committee

The General Assembly created a Capital Debt Affordability Committee (the "CDAC"), the members of which are the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, and one person appointed by the Governor. The Chairs of the Capital Budget Subcommittees of the Senate Budget and Taxation Committee and the House Appropriations Committee participate as non-voting members. The CDAC is required to submit to the Governor by October 1 of each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized. Although the CDAC's responsibilities are advisory only, the Governor is required to give due consideration to the CDAC's finding in preparing a preliminary allocation of new general obligation debt authorizations for the next ensuing fiscal year.

The CDAC's most recent recommendation of December, 2009 encompasses all tax-supported debt, including, in addition to general obligation debt, Consolidated Transportation Bonds issued by the Department of Transportation, bonds issued by the Maryland Stadium Authority, State tax-supported capital lease transactions, GARVEE Bonds and Bay Restoration Revenue Bonds. The CDAC's December recommendation to the Governor and the General Assembly for fiscal year 2011 was to limit new general obligation bond authorizations to $1,140.0 million. The Committee's recommendation stated its clear intent that the 2010 authorization and future year recommendations continue to be within the adopted affordability benchmarks of 8% debt service to revenues and 4% debt outstanding to personal income. The Committee recognized that there are multiple authorization levels and patterns that would result in adherence to the benchmarks, depending on future levels of personal income and state revenue. The Committee's projections for future authorizations will reflect updated revenue and personal income projections and authorization levels to adhere to these affordability benchmarks.

The following table compares the CDAC's recommendations for bond authorizations with the authorizations enacted by the General Assembly during each of the last five sessions.

CDAC's Recommendations for Bond Authorizations
($ in thousands)

General Assembly Session	For Fiscal Year	CDAC Recommendations	Actual Authorizations (a)	Difference
2006	2007	$ 690,000	$690,000	$ -
2007	2008	810,000	821,126(b)	11,126(b)
2008	2009	935,000	935,000	-
2009	2010	1,110,000	1,112,000	2,000(c)
2010	2011	1,140,000	1,144,543(b)	4,453(b)

(a) Actual authorizations are net of deauthorizations for prior years' projects of $22.7 million, $19.8 million, $2.6 million and $30.8 million and $39.7 million for fiscal years, 2006, 2007, 2008, 2009 and 2010, respectively.
(b) Reflects bonds authorized for a special federal program (Qualified Zone Academy Bonds), which provide federal tax credits to bondholders in lieu of interest, and which the CDAC informally indicated should be considered outside its recommendation.
(c) $2,000,000 Local Government Infrastructure Financing Program Capital Reserve Fund Loan of 2009 – Chapter 719 Acts of 2009, effective June 1, 2009.

Total sales of general obligation bonds during the five fiscal years 2006 through 2010 follows:

Total Sales of General Obligation Bonds
Fiscal Years 2006-2010
($ in thousands)

	2006	2007	2008	2009	2010(a)
General Construction	$563,263	$205,029	$410,882	$455,200	$737,7441
State Public School Construction	170,836	323,291	351,822	380,046	329,251
Other	15,901	151,058	17,282	10,317	74,191
Total	$750,000	$679,378	$779,986	$845,563	$1,140,883
Refunding	$ —	—	—	65,800	798,080
Number of Sales	2	3	3	3	6

The sale of the Bonds described in this Official Statement, expected to be delivered on or about August 10, 2010, will be the first sale for the 2011 fiscal year.

(a) Through March 31, 2010.

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MISCELLANEOUS REVENUE AND ENTERPRISE FINANCINGS

Certain other units of the State government are authorized to borrow money under legislation that expressly provides that the loan obligations shall not be deemed to constitute a debt or a pledge of the faith and credit of the State. The Community Development Administration of the Department of Housing and Community Development, higher education institutions (including the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College), the Maryland Transportation Authority, the Maryland Water Quality Financing Administration, and the Maryland Environmental Service have issued and have outstanding bonds of this type. The principal of and interest on bonds issued by these bodies are payable solely from various sources, principally fees generated from use of the facilities or enterprises financed by the bonds. Outstanding revenue and enterprise debt of these State units, together with their non-State tax supported lease and conditional purchase financings, amounted to approximately $6,935.9 million at March 31, 2010. See Appendix B – "SUPPLEMENTARY DEBT SCHEDULES – Revenue and Enterprise Financings" for a summary of outstanding Revenue and Enterprise Financings.

On February 10, 1998, the Governor issued an Executive Order assigning responsibility to the Department of Budget and Management to report annually on the levels of debt issued and outstanding by certain State agencies and to recommend annual debt issuance amounts for those agencies. The Executive Order also provides that the Governor may establish the amounts of such debt to be issued during the fiscal year, which amounts may be amended by the Governor.

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STATE DEMOGRAPHIC AND ECONOMIC DATA

Introduction

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

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

Population

According to 2000 Census reports, Maryland's population on April 1 of that year was 5,296,486, an increase of 10.8% from the 1990 Census. Maryland's population is concentrated in urban areas; the eleven counties and Baltimore City located in the Baltimore-Washington region contain 50.1% of the State's land area and 87.0% of its population. The 2009 population for the Baltimore PMSA was estimated at 2,690,886 and for the Maryland portion of the Washington PMSA, 2,265,578. Overall, Maryland's population per square mile was 579 in 2009. The following table presents estimated population of Maryland and the United States from 2000 - 2009.

Population

	Maryland		United States	
Year	Population	Change	Population	Change
2000	5,310,579	1.1%	282,171,957	1.1%
2001	5,375,033	1.2	285,081,556	1.0
2002	5,439,913	1.2	287,803,914	1.0
2003	5,496,708	1.0	290,326,418	0.9
2004	5,542,659	0.8	293,045,739	0.9
2005	5,582,520	0.7	295,753,151	0.9
2006	5,612,196	0.5	298,593,212	1.0
2007	5,634,242	0.4	301,579,895	1.0
2008	5,658,655	0.4	304,374,846	0.9
2009	5,699,478	0.7	307,006,550	0.9

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

The 2009 population of Maryland and the United States was distributed by age as follows:

Age Distribution 2009

Age	Maryland	United States
Under 5 years	6.7%	6.9%
5 through 19 years	19.9	20.2
20 to 44 years	34.0	34.1
45 to 64 years	27.2	25.9
65 years and over	12.2	12.9
	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 $275.2 billion in personal income in 2009. Maryland's *Total Personal Income* increased at a rate of 1.0%, well above the national decline of -1.7%. Additionally, per capita income, remained significantly above the national average in 2009, $48,285 in Maryland compared with the national average of $39,138. In 2009, Maryland's per capita personal income ranked fourth 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	US	Change	Maryland Ranking
2000	$34,681	7.7%	$30,318	7.0%	4
2001	36,276	4.6	31,145	2.7	4
2002	37,160	2.4	31,462	1.0	4
2003	38,200	2.8	32,271	2.6	4
2004	40,598	6.3	33,881	5.0	4
2005	42,547	4.8	35,424	4.6	4
2006	45,041	5.9	37,698	6.4	4
2007	46,922	4.2	39,392	4.5	5
2008	48,164	2.6	40,166	2.0	6
2009	48,285	0.3	39,138	-2.6	4

Source: US 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 2009, the sources of personal income in the State and the comparable sources of personal income for the nation were as follows:

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Sources of Personal Income
2009
($ in millions)

	Maryland	Percentage of Personal Income Before Residence Adjustment: Maryland	Percentage of Personal Income Before Residence Adjustment: United States
Mining, forestry, fishing	$ 250	0.1%	1.0%
Construction	12,398	5.0	3.9
Manufacturing	10,028	4.1	7.4
Trade, transportation & utilities	24,413	9.2	11.3
Information services	4,816	1.9	2.4
Finance, insurance & real estate	13,570	5.5	6.6
Professional & business services	34,785	14.1	11.7
Educational & health services	24,413	9.9	9.2
Leisure & hospitality services	6,899	2.8	3.1
Other services	7,220	2.9	2.8
Government			
Federal, civilian	21,573	8.7	2.6
Military	4,350	1.8	1.5
State & local	23,485	9.5	9.5
Farm income	342	0.1	0.5
Earnings by place of work	188,538		
Less:			
Personal contributions for social insurance	(21,844)	(8.8)	(8.0)
Plus:			
Dividends, Interest and Rent	45,383	18.4	17.1
Transfer Payments	35,110	14.2	17.6
Personal income before residence adjustment	247,187	100.0%*	100.0%*
Residence adjustment	28,015		
Total Personal Income	$275,202*		

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

* Totals may not add due to rounding.

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Over the past five years, total personal income in Maryland has grown 4.1% annually, compared to national personal income growth of 3.9%. Wage and salary income, roughly half of total personal income, has grown at a higher rate in Maryland than it has nationally. Supplements to wages and salaries essentially nonwage benefit have grown more quickly in Maryland, while dividend, interest and rent income and proprietor's income have grown more slowly. Proprietor's income growth was subdued nationally, though veered negative in Maryland for the first time in the series' history. The disparity in growth of the residence adjustment income earned by residents who work outside of Maryland or the nation is not as meaningful as it might appear, since the residence adjustment is roughly 10% of Maryland personal income, but only half a basis point of national personal income.

Growth of Personal Income Components
(Five-Year Average, 2005 - 2009)

	Maryland	United States
Wages and Salaries	3.7%	3.0%
Supplements to Wages and Salaries	4.5	3.2
Proprietors' Income	-0.2	0.1
Contributions for Social Insurance	4.6	3.2
Residence Adjustment	3.7	-2.4
Dividends, Interest, and Rent	4.6	5.1
Transfer Payments	8.0	8.3

Source: US Department of Commerce, Bureau of Economic Analysis (State Annual Personal Income, Series SA04).
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.

Employment

Maryland's labor force totaled just under 3.0 million individuals in 2009, 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
2009

	Maryland	United States
Construction & mining	6.1%	5.1%
Manufacturing	4.7	9.1
Trade, transportation & utilities	17.5	19.1
Information services	1.8	2.1
Financial activities	5.7	5.9
Professional & business services	15.2	12.7
Educational & health services	15.6	14.7
Leisure & Hospitality services	9.1	10.0
Other services	4.6	4.1
Government		
Federal	5.2	2.2
State & local	14.3	15.1
Total	100.0%*	100.0%*

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

In 2009, Maryland experienced its sharpest drop in employment in nearly two decades, resulting in flat employment growth over the past five years. As the housing market collapsed, the construction and finance industries lost the greatest percentage of jobs during the recession; they also declined more rapidly in Maryland than across the nation. Maryland manufacturing employment has declined steadily over the past five years, though not as quickly as the manufacturing sector nationally. Maryland's high income and proximity to the federal government has enabled continued growth in professional and business services. As is often the case, government employment in Maryland has acted as a stabilizing influence.

Employment Growth
(Five – Year Average, 2005-2009)

	Maryland	United States
Construction & mining	-2.8%	-2.3%
Manufacturing	-3.4	-3.7
Trade, transportation & utilities	-1.2	-0.5
Information services	-1.6	-2.1
Financial activities	-1.5	-0.7
Professional & business services	0.3	0.2
Educational & health services	2.5	2.5
Leisure & hospitality services	0.8	1.0
Other services	0.0	-0.2
Government		
Federal	0.7	0.7
State & local	1.5	0.9
Total Non-agricultural Employment	0.0%	-0.1%

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

Recent employment trends in Maryland are shown in the following table. Maryland's unemployment rate has been lower than the rest of the country for the past ten years, while the labor force has grown more slowly than the rest of the country in seven of the last ten years.

Employment Trends

Year	Unemployment Rate in Maryland	Unemployment Rate in the United States	Growth in Maryland Labor Force	Growth in United States Labor Force
2000	3.5%	4.0%	1.0%	2.3%
2001	4.1	4.7	0.6	0.8
2002	4.5	5.8	1.3	0.8
2003	4.5	6.0	0.5	1.1
2004	4.3	5.5	0.4	0.6
2005	4.1	5.1	1.8	1.3
2006	3.8	4.6	1.9	1.4
2007	3.5	4.6	0.3	1.1
2008	4.4	5.8	0.5	0.8
2009	7.0	9.3	-1.3	-0.1

Source: Maryland Department of Labor, Licensing and Regulation.
Note: In May 2010 the unemployment rate was 7.2% in Maryland and 9.7% in the United States.

State Unemployment Insurance Trust Fund

In fiscal year 2009, the Maryland Unemployment Insurance Trust Fund (the "Fund"), which provides funding for unemployment benefits in the State, received approximately $371.0 million in annual contributions from employers and workers while paying out approximately $890.0 million in regular, annual state unemployment benefits (excluding benefits paid entirely by the federal government.) The State's unemployment rate, which was 5.4% in December 2008, rose to 7.5% in December 2009 and was 7.7% in March 2010.

The State has borrowed from the U.S. Department of Labor ("DOL") $133.8 million for cash advances to provide funding for unemployment insurance benefits. Increased unemployment insurance tax payments from employers resulting from automatic rate adjustments began to flow into the Fund during April, 2010 and the Fund expects to repay the advance to DOL by December 31, 2010. Repayment of these advances to DOL is solely the obligation of the Fund and is not an obligation of the State's General Fund. If the advance is paid by year end, no interest will be due.

The need for this advance was due to unprecedented demand on the Fund because of the economic downturn. The Fund pays up to 26 weeks of benefits for Marylanders who lose jobs through no fault of their own. Extended benefits beyond the first 26 weeks are paid for by federal funds.

While the Fund in Maryland has held up better than those in many other states, its reserves declined to less than $100.0 million in early February 2010, from $755.0 million at the end of 2008. As of May 10, 2010, the Fund balance is $540.0 million which includes $126.8 million in additional federal funding because of modernization adjustments to the State unemployment insurance laws. It is currently paying approximately $18.0 million a week in benefits.

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Educational Levels

Maryland's work force is more highly educated than that of the rest of the country. The percentage of the population (25 years and over) with a Bachelor's degree or higher is 35.2% as compared to 27.7% for the rest of the country. 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 better is 88.0% in Maryland compared to 85.0% in the United States. This educational attainment facilitates the rapid growth of the professional services and information services sectors, which require an educated workforce.

Educational Attainment of Population 25 Years and Over in 2008

	Maryland	United States
Less than High School	12.0%	15.0%
High School Diploma	26.4	28.5
Some College	20.3	21.3
Associate's Degree	6.2	7.5
Bachelor's Degree	19.8	17.5
Graduate or Professional Degree	15.4	10.2

Source: 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 2010, the tax rate is 11.2 cents per $100 of assessment (28 cents on utility operating property). From 1992 through 2001, most real property was assessed at 40% of full cash value. Beginning in fiscal year 2002, all property is assessed at 100% of full cash value. Tax rates, and in some cases assessments, have been adjusted to offset this change.

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
2002	$317,031,724	2,161,893	$319,193,617	4.9%*
2003	334,732,221	2,165,542	336,897,763	5.5
2004	360,626,451	1,299,590	361,926,041	7.4
2005	397,093,127	1,323,073	398,416,200	10.1
2006	451,090,503	1,392,322	452,482,825	13.6
2007	525,706,233	1,476,219	527,182,452	16.5
2008	616,526,923	1,105,319	617,632,242	17.2
2009	706,403,763	1,086,209	707,489,972	14.5
2010	750,498,802	1,069,237	751,568,039	6.2
2011	738,595,518	1,074,582	739,670,100	-1.6

Source: State Department of Assessments and Taxation, March 31, 2010.

Note: See also, "STATE FINANCES – State Revenues, Property Taxes and State Property Tax Revenue Estimates."

*In FY 2002 Real Property began to be assessed at 100%, a change from 40% in FY 2001. In determining the percent change in assessed values for FY 2002, the Real Property base of $120,850,617 was multiplied by 2.5.

Residential Construction

The value of all residential unit permits issued in 2009 declined by 6.3% as a result of a weak housing market. The total number of residential building permits declined by 14.6%. Home sales declined in 2006, 2007 and 2008, while home prices, which showed double-digit growth in the five years prior, stagnated in 2006 and 2007 before turning downwards in 2008. The rate of price decline increased in 2009, although volume increased for the first time since 2005.

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
2000	$3,232.1	4.2%	30,358	2.0%
2001	3,228.0	-0.1	29,059	-4.3
2002	3,517.9	9.0	29,293	0.8
2003	3,723.6	5.8	29,914	2.1
2004	3,822.7	2.7	27,382	-8.5
2005	4,687.6	22.6	30,180	10.2
2006	3,889.9	-17.0	23,262	-22.9
2007	3,768.8	-3.1	18,582	-20.1
2008	2,229.7	-40.8	13,018	-29.9
2009	2,089.0	-6.3	11,123	-14.6

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
2000	61,836	7.0%	$131,792	-0.1%
2001	80,169	29.6	152,748	15.9
2002	84,870	5.9	173,484	13.6
2003	89,371	5.3	200,334	15.5
2004	98,056	9.7	241,454	20.5
2005	98,858	0.8	292,214	21.0
2006	82,787	-16.3	307,910	5.4
2007	63,585	-23.2	307,744	-0.1
2008	46,834	-26.3	285,082	-7.4
2009	52,591	12.3	256,217	-10.1

Source: Maryland Association of Realtors.

Taxable Retail Sales

Sales accelerated strongly in 2000 with a booming economy, high levels of consumer confidence and the "wealth effect" generated by the robust equity market. The 2001 recession caused a steep slowdown in 2002 and 2003, while a relatively strong economy, low interest rates and high levels of mortgage refinancing resulted in robust growth in 2004 through 2006. As the economy slowed in fiscal year 2007, and the boost from mortgage refinancing and other housing-related issues faded, growth slowed precipitously. The onset of the current recession coupled with high gas prices resulted in declining taxable retail sales for fiscal year 2008. Fiscal year 2009 saw continued reductions in retail

sales as declining wealth, increased unemployment, and a lack of credit weighed heavily across all categories of the base. The following table illustrates the changes in taxable sales for fiscal 2000 through 2009.

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

Fiscal Year	Taxable Retail Sales	Change
2000	$62,040,240	9.4%
2001	65,177,540	5.1
2002	66,562,680	2.1
2003	67,788,320	1.8
2004	73,296,320	8.1
2005	77,427,480	5.6
2006	81,933,900	5.8
2007	82,568,490	0.8
2008	80,120,978	-3.0
2009	72,413,624	-9.6

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

The Maryland Economy. While most of the current difficulties caused by the recession are affecting the State's economy, these problems have not hit Maryland as hard as many other states. One positive future development for the State is the implementation of the 2005 decisions of the Base Realignment and Closure Commission ("BRAC").

Real Estate. Home sales in Maryland started to slow in 2005; prices began to substantively decline in 2008. The Maryland Realtors Association reports the median price for a home sold in 2009 declined 10.1% from the median price in 2008. More recently, as of May 2010, the year over year rate of median home price decline has moderate (though still negative) since a trough of -15.8% in April 2009, displaying the first positive trend since March 2005. The construction industry has contracted as new home construction slowed significantly and commercial construction was unable to compensate. In addition, retail sales of items such as appliances and furniture, typically associated with a strong housing market, have declined.

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, thriving pharmaceuticals industry and one of the most highly educated workforces in the country has created growth opportunities for the biotech companies that have located or started up here.

Base Realignment and Closure. The State is poised to receive more federal jobs than any other state in the country from the 2005 BRAC process. BRAC will also bring indirect jobs, families with income, and increased demand for goods and services. In the aggregate, Maryland total BRAC related job creation estimates range between 45,300 and 60,000. The majority of these jobs are expected to be located within an eight county area in central Maryland (Anne Arundel, Howard, Montgomery, Prince George's, Harford, Baltimore and Cecil counties, and Baltimore City). Although direct federal job realignment has a statutory end date of September 15, 2011, many positions have already transferred to Maryland. Notably, the Army's Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance unit (C4ISR) began to move to Aberdeen Proving Ground in 2007 and expects the majority of the transfers to occur in 2010 and 2011. In addition, the Defense Information Systems Agency (DISA) expects to begin shifting jobs in 2010 and 2011, following accompanying the completion of a new seven-building, 1,070,000 square foot campus. Many contractors have already relocated and/or added new offices and positions in Maryland with many more related expansions expected over an indefinite timeline.

LEGAL MATTERS

Legality of the Bonds

The legality of the issuance of the Bonds offered by this Official Statement will be passed upon by the Honorable Douglas F. Gansler, Attorney General of Maryland, and by Ballard Spahr LLP, Baltimore, Maryland, Bond Counsel. However, Bond Counsel will rely upon the opinions of the Attorney General addressed to Bond Counsel with respect to the validity of the specified State loans or installments thereof represented by the Bonds and as to compliance with State law. Delivery of the Bonds is conditioned upon delivery by the Attorney General and Bond Counsel of unqualified opinions substantially in the respective forms set forth in Appendix D.

Litigation

The State and its units are parties to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse effect on the State's financial position.

TAX MATTERS

Treasury Circular 230 Disclosure

To ensure compliance with Treasury Circular 230, taxpayers are hereby notified that: (a) any discussion of U.S. federal tax issues in this Official Statement is not intended or written by us to be relied upon, and cannot be relied upon, by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

Federal Tax-Exemption – Second Series A and Second Series B

In General. In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Second Series A and the Second Series B Bonds (the "Tax-Exempt Bonds") (including original issue discount treated as interest, if any), is excludable from gross income for federal income tax purposes. Interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax ("AMT") and is not includible in adjusted current earnings for purposes of corporate AMT. The opinions described in the preceding sentence assume the accuracy of certain representations and compliance by the State with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Tax-Exempt Bonds. Failure to comply with such requirements could cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. The State has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Tax-Exempt Bonds.

Original Issue Discount. Certain maturities of the Tax-Exempt Bonds may be issued at an initial public offering price which is less than the amount payable on such Bonds at maturity (collectively, the "Discount Bonds"). The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (other than "qualified stated interest") constitutes original issue discount. For federal income tax purposes, original issue discount on a Tax-Exempt Bond accrues periodically over the term of the Tax-Exempt Bond as interest with the same tax exemption and AMT status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Tax-Exempt Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Owners of Discounted Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Original Issue Premium. Certain maturities of the Tax-Exempt Bonds may be issued at an initial public offering price which is in excess of the stated redemption price of such Tax-Exempt Bonds at maturity (collectively, the "Premium Bonds"). For federal income tax purposes, original issue premium is amortizable periodically over the term of a Tax-Exempt Bond through reductions in the holder's tax basis for the Tax-Exempt Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible

expense or loss. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

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

Federally Taxable Build America Bonds - Second Series C Bonds

The State has determined to issue the Second Series C Bonds as "Build America Bonds" authorized by the American Recovery and Reinvestment Act of 2009 ("ARRA"). The information contained under this caption, "Federally Taxable Build America Bonds - Second Series C Bonds," shall be applicable to the Second Series C Bonds.

In General. The State has elected to designate the Second Series C Bonds as taxable "Build America Bonds" pursuant to Section 54AA(d) of the Code and as "Qualified Bonds" pursuant to Section 54AA(g) of the Code. Although the Second Series C Bonds are issued by the State, interest on the Second Series C Bonds (including original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Second Series C Bonds will be fully subject to federal income taxation. Thus, owners of the Second Series C Bonds generally must include interest (including original issue discount) on the Second Series C Bonds in gross income for federal income tax purposes.

Direct Pay Bonds. Pursuant to the election as Qualified Bonds, the State will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Second Series C Bonds (the "BABs Subsidy Payments"). The Code imposes requirements on the Second Series C Bonds that the State must continue to meet after the Second Series C Bonds are issued in order to receive the BABs Subsidy Payments. These requirements generally involve the way that Second Series C Bond proceeds must be invested and ultimately used. If the State does not meet these requirements, it is possible that the State may not receive the BABS Subsidy Payments and the Second Series C Bonds may fail to be "Build America Bonds" under Section 54AA(d) of the Code and "Qualified Bonds" under Section 54AA(g) of the Code retroactively to the date of issuance of the Second Series C Bonds. Any such failure to qualify as Build America Bonds will not alter the State's obligation to pay the principal and interest due on the Second Series C Bonds.

In certain circumstances, the BABs Subsidy Payments to be made to the State may be reduced (offset) by amounts determined to be applicable under the Code and Regulations. For example, offsets may occur by reason of any past-due legally enforceable debt of the State to any federal agency. The amount of any such offset is not predictable, and even if any such BABs Subsidy Payments are offset, such offset does not alter the State's obligation to pay principal and interest due on the Second Series C Bonds.

Federally Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds – Second Series D Bonds

The State has determined to issue $45,220,000* and $4,540,000* of the Second Series D Bonds as "Qualified School Construction Bonds" ("QSCBs") and "Qualified Academy Zone Bonds" ("QZABs"), respectively. The information contained under this caption, "Federally Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds – Second Series D Bonds," shall be applicable to the Second Series D Bonds.

In General. The State has elected to designate the Second Series D Bonds as taxable QSCBs and QZABs pursuant to Sections 54F and 54E of the Code, respectively, and as "Qualified Bonds" pursuant to Section 54AA(g) of

* Preliminary, subject to change.

the Code. Although the Second Series D Bonds are issued by the State, interest on the Second Series D Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Second Series D Bonds (including original issue discount) will be fully subject to federal income taxation. Thus, owners of the Second Series D Bonds generally must include interest on the Second Series D Bonds in gross income for federal income tax purposes.

Direct Pay Bonds. Pursuant to the Hiring Incentives to Restore Employees Act enacted on March 18, 2010 ("HIRE"), the State has elected to receive cash subsidy payments from the United States Treasury equal to the lesser of (i) 100 percent of the amount of interest payable on the Second Series D Bonds, or (ii) 100 percent of the amount of interest that would have been payable if the interest were determined at the applicable tax credit bond rate published by the United States Treasury on the sale date of the Second Series D Bonds (the "QSCB/QZAB Subsidy Payments"). The Code imposes requirements on the Second Series D Bonds that the State must continue to meet after the Second Series D Bonds are issued in order to receive the QSCB/QZAB Subsidy Payments. These requirements generally involve the way that Second Series D Bond proceeds must be invested and ultimately used. If the State does not meet these requirements, it is possible that the State may not receive the QSCB/QZAB Subsidy Payments and the Second Series D Bonds may fail to be "Qualified School Construction Bonds" and "Qualified Academy Zone Bonds" under Sections 54F and 54E of the Code, respectively, and "Qualified Bonds" under Section 54AA(g) of the Code retroactively to the date of issuance of the Second Series D Bonds. Any such failure to qualify as QSCBs and QZABs will not alter the State's obligation to pay the principal and interest due on the Second Series D Bonds.

In certain circumstances, the QSCB/QZAB Subsidy Payments to be made to the State may be reduced (offset) by amounts determined to be applicable under the Code and Regulations. For example, offsets may occur by reason of any past-due legally enforceable debt of the State to any Federal agency. The amount of any such offset is not predictable, and even if any credits are offset, any such offset does not alter the State's obligation to pay principal and interest due on the Second Series D Bonds.

Certain Federal Income Tax Considerations - Second Series C and Second Series D Bonds

Original Issue Discount. Certain maturities of the Second Series C Bonds and the Second Series D Bonds may be issued at an initial public offering price which is less than the amount payable on such Bonds at maturity (collectively, the "Discount Bonds"). The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (other than "qualified stated interest") constitutes original issue discount. For federal income tax purposes, original issue discount on a Second Series C Bond and a Second Series D Bond accrues periodically over the term of such Bond as interest with the same tax exemption and AMT status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Second Series C Bond and the Second Series D Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders should consult their tax advisers for an explanation of the accrual rules.

Original Issue Premium. Certain maturities of the Second Series C Bonds and Second Series D Bonds may be issued at an initial public offering price which is in excess of the stated redemption price of such Second Series C Bonds and Second Series D Bonds at maturity (collectively, the "Premium Bonds"). For federal income tax purposes, original issue premium is amortizable periodically over the term of a Second Series C Bond and Second Series D Bond through deductions in determining taxable income. Holders should consult their tax advisers for an explanation of the amortization rules.

Backup Withholding. Certain purchasers may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Second Series C and Second Series D Bonds if the purchasers, upon issuance or subsequent purchase, fail to supply their brokers, or any other person required to collect such information pursuant to the Code, with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the Second Series C and Second Series D Bonds and the amount of tax withheld thereon.

Foreign Investors. A holder of a Second Series C Bond or a Second Series D Bond which is not a U.S. person ("foreign holder") will not be subject to U.S. federal income or withholding tax in respect of interest income or gain on

the Second Series C Bond or Second Series D Bond if certain conditions are satisfied, including: (1) the foreign holder provides an appropriate statement, signed under penalties of perjury, identifying the foreign holder as the beneficial owner and stating, among other things, that the foreign holder is not a U.S. person, (2) the foreign holder is not a "10 percent shareholder" or "related controlled foreign corporation" with respect to the State, and (3) the interest income is not effectively connected with a United States trade or business of the foreign holder. The foregoing exemption does not apply to contingent interest or market discount. To the extent these conditions are not met, a 30% withholding tax will apply to interest income on the Second Series C and Second Series D Bonds, unless an income tax treaty reduces or eliminates such tax or the interest is effectively connected with the conduct of a trade or business within the United States by such foreign holder. In the latter case, such foreign holder will be subject to U.S. federal income tax with respect to all income from the Second Series C and Second Series D Bonds at regular rates applicable to U.S. taxpayers, and may be subject to the branch profits tax if it is a corporation. A "U.S. person" is: (i) a citizen or resident of the United States, (ii) a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions.

Generally, a foreign holder will not be subject to federal income tax on any amount which constitutes capital gain upon the sale, exchange, retirement or other disposition of a Second Series C Bond or a Second Series D Bond unless such foreign holder is an individual present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain other conditions are met, or unless the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder. If the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder, such holder will generally be subject to U.S. federal income tax with respect to such gain in the same manner as U.S. holders, as described above, and a foreign holder that is a corporation could be subject to a branch profits tax on such income as well.

Tax–Exemption - State of Maryland Taxation

In the opinion of the Attorney General and of Bond Counsel, under existing law of the State of Maryland, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in the sale or exchange thereof, will be exempt from taxation within the State of Maryland by the State or by any of its political subdivisions, municipal corporations, or public agencies; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon.

Changes in Federal and State Tax Law

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

UNDERWRITING – SECOND SERIES A BONDS

The Second Series A Bonds are being purchased by Citigroup Global Markets Inc. as representative of a group of underwriters named in the Bond Purchase Agreement hereinafter referred to (the "Underwriters"). The Underwriters have agreed to purchase the Second Series A Bonds for a purchase price of $_____ (which is equal to the aggregate principal amount of the Second Series A Bonds of $_____, plus original issue premium of $_____, less underwriters' discount of _____). The Underwriters' obligation to purchase the Second Series A Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain matters by Bond

Counsel, and certain other conditions. The yields or prices shown on the inside cover page of this Official Statement for the Bonds were furnished by the Underwriters for the Bonds. All other information concerning the nature and terms of any reoffering of the Bonds should be obtained from the Underwriters for the Bonds and not from the State.

Certain matters will be passed upon for the Underwriters by Miles and Stockbridge P.C.

Citigroup Inc., the parent company of Citigroup Global Markets Inc., an underwriter of the Second Series A Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Second Series A Bonds.

J.P. Morgan Securities Inc. ("JPMSI"), one of the underwriters of the Second Series A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with both UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain municipal securities offerings, including Second Series A Bonds, at the original issue prices. Pursuant to each Dealer Agreement, both UBSFS and CS&Co. will purchase Second Series A Bonds from JPMSI at the original issue price less a negotiated portion of the selling concession applicable to any Second Series A bonds that such firm sells.

SALE AT COMPETITIVE BIDDING – SECOND SERIES B, SECOND SERIES C AND SECOND SERIES D BONDS

The Second Series B, Second Series C and Second Series D Bonds will be offered by the State for sale by separate competitive bidding on July 28, 2010, in accordance with the respective forms of the Official Notices of Sale set forth in Appendix E. The interest rates shown on the inside cover page of this Official Statement are the interest rates per annum payable by the State resulting from the award of the Bonds at the competitive bidding. The yields or prices shown on the inside cover page of this Official Statement for the Bonds were furnished by the successful bidders for the Bonds. All other information concerning the nature and terms of any reoffering of the Bonds should be obtained from the successful bidders for the Bonds and not from the State.

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OTHER INFORMATION

Report of Independent Public Accountants

The General Purpose Financial Statements of the State of Maryland for the year ended June 30, 2009, included in the section Appendix A - "FINANCIAL STATEMENTS" of this Official Statement have been audited by Abrams, Foster, Nole & Williams, P.A., independent certified public accountants, as stated in their report appearing herein.

Financial Advisor

Public Financial Management, Inc. of Philadelphia, Pennsylvania served as financial advisor to the State for the issuance of the Bonds. Public Financial Management, Inc. is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiable instruments.

Ratings

As noted on the cover page of this Official Statement, Moody's Investors Service, Inc., Standard & Poor's, a Division of the McGraw-Hill Companies, Inc., and Fitch Ratings have given the Bonds ratings of Aaa, AAA, and AAA respectively. An explanation of the significance of a particular rating may be obtained from the rating agency furnishing it. The State furnished to the rating agencies the information contained in a preliminary form of this Official Statement and other information. 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 or withdrawn by any or all rating agencies, if in the judgment of any or all, circumstances should warrant such actions. Any downward revision or withdrawal of any of the ratings could have an adverse effect on market prices for the Bonds.

Book-Entry Only System

Book-Entry Only System — General. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. 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 bond will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries, as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 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 to be 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 to be 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 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 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 are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. 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).

Principal and interest 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 the State or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's. Payments by Direct and Indirect 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 Direct or Indirect Participant and not of DTC, DTC's nominee, the Paying Agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or its Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Book-Entry Only System — Miscellaneous. The information in the Section "Book-Entry Only System — General" has been obtained from DTC. The State takes no responsibility for the accuracy or completeness thereof. The State will have no responsibility or obligations 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 State 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.

Discontinuation of Book-Entry Only System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered. The State may also 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.

In the event that the Book-Entry Only System is discontinued, the Bonds in fully certificated form will be issued as fully registered bonds without coupons in the denomination of $5,000 each or any integral multiple thereof. Such Bonds will be transferable only upon the registration books kept at the principal office of the Bond 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 Bond Registrar, and duly executed by the registered owner or a duly authorized attorney. Within a reasonable time of such surrender, the State shall cause to be issued in the name of the transferee a new registered bond or bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond surrendered and maturing on the same date and bearing interest at the same rate. The new bond or bonds shall be delivered to the transferee only after due authentication by an authorized officer of the Bond Registrar. The State 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.

In the event that the Book-Entry Only System is discontinued, the Bonds may be transferred or exchanged at the principal office of the Bond Registrar. Upon any such transfer or exchange, the State shall execute and the Bond 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 Bond Registrar may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee or other governmental charge, shipping charges and insurance that 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 Bond Registrar shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as previously 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.

Continuing Disclosure

In order to enable the successful bidders for the Bonds to comply with the requirements of paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12, the Board of Public Works 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 F. Potential purchasers should note that certain of the eleven events listed in Section 4(a) of the Continuing Disclosure Agreement have been included for purposes of compliance with Rule 15c2-12 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 State has complied with its obligations under its existing Continuing Disclosure Agreements executed pursuant to Rule 15c2-12(b)(5). As of July 1, 2009, the State files its secondary market disclosures with the Electronic Municipal Market Access ("EMMA") system.

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Official Statement

This Official Statement has been approved and authorized by the Board of Public Works of Maryland for use in connection with the sale of the Bonds representing the $489,760,000* State and Local Facilities Loan of 2010, Second Series. The Underwriters and the successful bidders will be furnished without cost with up to 100 copies of this Official Statement and of any amendment or supplement that may be issued.

The Board of Public Works has been advised by Ballard Spahr LLP, Baltimore, Maryland, as Bond Counsel in connection with the issuance of the Bonds. See Appendix D to this Official Statement for the forms of the opinions of the Attorney General and Ballard Spahr LLP, Baltimore, Maryland, to be rendered at the time of delivery of the Bonds. The statement under "LEGAL MATTERS - Litigation" has been passed upon by the Honorable Douglas F. Gansler, Attorney General of Maryland, and as to legal conclusions, is stated upon the authority of the Attorney General.

The forms of the Official Notices of Sale for the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds, attached as Appendix E to this Official Statement, set forth the terms and conditions of the public sale and delivery of and payment for, respectively, the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds. Reference is particularly made to the Official Notices of Sale for statements of the legal opinions as to the validity of the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds, the legal opinions and other certifications relating to the accuracy and completeness, in all material respects, of the Official Statement, and the other signed documents to be delivered to the successful bidders for the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds at or prior to closing as a condition to the bidders' obligations to accept delivery of and to pay for the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds.

BOARD OF PUBLIC WORKS
OF MARYLAND

MARTIN O'MALLEY
Governor

PETER FRANCHOT
Comptroller

NANCY K. KOPP
Treasurer

Annapolis, Maryland
July __, 2010

_____
* Preliminary, subject to change.

Appendix A

FINANCIAL AND ACCOUNTING SYSTEM

The financial statements and other financial data contained in this Official Statement have been prepared by the Office of the Comptroller. The financial statements and notes thereto contained on pages A-8 through A-107 have been prepared in accordance with accounting principles generally accepted in the United States and, with respect to the Basic Financial Statements for the year ended June 30, 2009, have been audited by Abrams, Foster, Nole & Williams, P.A., independent certified public accountants, whose report thereon is included in this Official Statement on pages A-8 to A-9. Pagination references within the body of the financial statements in the CAFR refer to the pages in the CAFR.

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its comprehensive annual financial reports for fiscal years 1979 through 2008. 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.

Effective June 30, 2002, the State implemented the new reporting model required by GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*." These basic financial statements include Management's Discussion and Analysis, which provides a narrative overview and analysis of the State's financial activities. Furthermore, they include government-wide financial statements, (i.e., the statement of net assets and the statement of activites), which provide both short-term and long-term information about the State's financial position. The statement of activities demonstrates the degree to which the direct expenses of a given function of the State's activities are offset by its program revenues. These statements provide statewide financial information distinguished between governmental activities, business-type activities and component units. Included with these statements are reconciliations between the entity-wide statements, prepared on the full accrual basis, and the fund level statements prepared on the modified accrual basis. In addition, there are reconciliations between the fund level and budgetary statements. Detailed information on the new reporting model is provided in the Management's Discussion and Analysis section and in Note 1 of the "Notes to the Financial Statements."

State statutes require an audit of every unit of State government, including the Office of the Comptroller, by the Legislative Auditor at least every three years or more as determined by the Legislative Auditor. The Legislative Auditor is required to be, and is, a certified public accountant. The Legislative Auditor conducts fiscal, compliance, and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. Although certain of those reports include presentations of detailed financial data and contain expressions of opinion thereon, the audits usually are not made for that purpose. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

The State maintains accounts on a budgetary basis for each program within an agency, and places strong reliance upon the checks, balances, and controls inherent in the constitutional budgetary system. Under constitutional and statutory requirements, a balanced State Budget must be adopted each year, and expenditures may not be made in excess of appropriations. Agencies must report on an object and program basis to the Office of the Comptroller which, in turn, reports to the Department of Budget and Management, which monitors compliance with the Budget. See "STATE FINANCES – Budgetary System." In addition, for year end reporting purposes, the State converts its financial statements prepared on a budgetary basis to financial statements prepared in accordance with generally accepted accounting principles.

Although the accounts maintained by the State on a budgetary basis conform in many respects to accounting principles generally accepted in the United States, there are certain departures from these principles that are dictated by statutory requirements and historical practices. The principal departures are the classification of the State's principal funds and the timing of recognition of certain revenues, expenditures, and expenses.

The State's accounting system is maintained by the Comptroller in compliance with State law and in accordance with the State's budgetary funds. In addition to the accounting systems maintained by the Comptroller, certain individual agencies that are not subject to the State Budget maintain accounting systems that permit financial reporting on the basis of generally accepted accounting principles.

For the purpose of reporting its financial activities in accordance with generally accepted accounting principles, at the fund level the State records its activities in Governmental, Proprietary, and Fiduciary Fund types. See Note 1 to "Notes to the Financial Statements." On a budgetary basis, the State reports its financial activities in the General, Special, Federal, Annuity Bond (Debt Service), Capital Projects, and Higher Education, Current Unrestricted and Current Restricted Funds.

The *General Fund* is the fund in which all general transactions of the State are recorded unless otherwise directed by law to be included in another fund. The General Fund includes most of the governmental operating assets, liabilities, revenues, and expenditures. To the extent that the Budget enacted by the General Assembly uses an estimated fund balance at the end of the current fiscal year, in establishing the Budget for the next succeeding year, that amount of General Fund balance existing at June 30 of the current fiscial year is recorded as designated to supplement the new year's Budget. See "STATE FINANCES – Budgetary System."

The *Annuity Bond Fund* (Debt Service Fund) is used to account for all payments of debt service on general obligation bonds.

The *Capital Projects Fund is* a group of accounts, each set up for a particular legislated authorization. The proceeds of general obligation bonds, the transfers from the General Fund, and the expenditures of the funds obtained thereby (which are almost entirely for capital projects) are accounted for in each of the accounts.

The *Federal Funds* are used to account for most grants from the federal government.

The *Special Funds* include the transportation activities of the State, including related indebtedness, except for federal transportation grants, which are accounted for in Federal Funds. In addition to the transportation activities, transactions related to dedicated funds, such as fishery and wildlife funds and shared taxes, are recorded in Special Funds.

The *Higher Education, Current Unrestricted and Current Restricted Funds* are used to account for higher education activities. Higher Education, Current Unrestricted and Current Restricted Funds include all revenues used or available for carrying out the current operations of the State's universities and colleges.

Under budgetary reporting, revenues generally are recognized when cash is received except for (i) significant self-assessed taxes, which are recorded in the period to which they apply, and (ii) federal grants, which are recorded when earned. Expenditures generally are recorded when cash is disbursed or upon the approval of encumbrances against appropriations. At the fund level under generally accepted accounting principles, revenues generally are recognized when earned, subject in certain cases to their availability to fund appropriations. Expenditures and expenses are recognized when liabilities are incurred, subject to certain modifications for interest and principal on general long-term debt, retirement costs, compensated absences and claims and judgments See Note 2 of "Notes to the Financial Statements" for further information concerning the significant accounting policies employed by the State in preparing its financial statements in accordance with accounting principles generally accepted in the United States.

A summary of the effects of fund structure and timing differences on the General Fund balances between the budgetary basis and generally accepted accounting principles basis for fiscal years 2009 and 2008 follows.

	(in thousands)	
	2009	2008
Year end fund balance on budgetary basis……	$ 925,637	$ 1,387,060
Fund structure reclassifications……	1,100,317	1,394,749
Adjustments to the budgetary accounting system:		
Cash and cash equivalents……	51,751	57,914
Investments……	13,754	6,696
Other accounts receivable……	118,194	280,386
Other assets……	(148,474)	(150,268)
Accounts payable and accrued liabilities……	(305,308)	(117,326)
Deferred revenue……	(245,949)	26,377
Year end fund balance on generally accepted accounting principles basis……	$ 1,509,922	$ 2,885,588

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Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants

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Member: American Institute of Certified Public Accountants
and Maryland Association of Certified Public Accountants

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Peter Franchot
Comptroller of Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maryland (the State), as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements, schedules and supplementary information are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of (1) certain Economic Development-Loan Programs; (2) Unemployment Insurance Program; (3) Maryland State Lottery Agency; (4) Maryland Transportation Authority; (5) Economic Development Insurance Programs; (6) certain foundations included in the higher education component unit; (7) Maryland Environmental Service; (8) Maryland Food Center Authority; (9) Maryland Technology Development Corporation; (10) Investment Trust Fund; and (11) Deferred Compensation Plan, which represent the percentages of the assets, net assets, and operating revenues or contributions of the opinion listed below.

	Percentage of Opinion Unit		
	Total Assets	Total Net Assets	Total Operating Revenues/ Contributions
Business-Type Activities			
Economic Development - Loan Programs	46.78 %	39.44 %	8.82 %
Unemployment Insurance Program	5.50	10.92	15.60
Maryland State Lottery Agency	2.52	0.53	60.22
Maryland Transportation Authority	42.34	43.37	13.25
Economic Development Insurance Programs	1.00	1.83	0.09
Total percentage of business-type activities	98.14	96.09	97.98
Component Units			
Major -			
Higher Education Foundations	12.48	14.93	2.14
Non-Major -			
Maryland Environmental Service	1.27	0.34	3.41
Maryland Food Center Authority	0.30	0.44	0.13
Maryland Technology Development Corporation	0.34	0.09	0.66
Total percentage of component units	14.39	15.80	6.34
Fiduciary Funds			
Investment Trust Fund	6.14	7.60	72.88
Deferred Compensation Plan	4.65	5.79	2.68
Total percentage of fiduciary funds	10.79	13.39	75.56

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements and schedules, introductory section, statistical sections and financial schedules required by law, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report and the financial schedules required by law have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ahearn, Foster, Neale & Williams, P.A.

Hunt Valley, Maryland
December 11, 2009

STATE OF MARYLAND

Management's Discussion and Analysis

Management of the State of Maryland provides this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2009. Please read it in conjunction with the Comptroller's letter of transmittal, which can be found in the Introductory Section of this report and the State's financial statements which follow this section.

Financial Highlights

Government–wide

- Maryland reported net assets of $14.5 billion in fiscal year 2009 and $17.4 billion in fiscal year 2008.
- Of the net assets in fiscal year 2009, a deficit balance of $3.7 billion was reported as total unrestricted net assets, which includes a $5.2 billion deficit balance in governmental activities and a $1.5 billion balance in business-type activities.
- The State's total net assets decreased by $2.9 billion as a result of this year's operations. The net assets for governmental activities decreased by $2.5 billion (21.4%). Net assets of business-type activities decreased by $312 million (5.7%).
- The State's governmental activities had total expenses of $28.5 billion, total revenues of $25.5 billion and net transfers from business-type activities of $461 million for a net decrease of $2.5 billion.
- Business-type activities had total expenditures of $3.2 billion, program revenues of $3.3 billion, and transfers out of $461 million for a net decrease in net assets of $312 million.
- Total State revenues were $28.8 billion, while total costs for all programs were $31.7 billion.

Fund Level

- Governmental funds reported a combined fund balance of $2.0 billion, a decrease of $1.3 billion (40.0%) from the prior year.
- The General Fund reported an unreserved fund balance of $147 million and a reserved fund balance of $1.4 billion, compared to an unreserved fund balance of $1.5 billion and a reserved fund balance of $1.4 billion last year. This represents a net decrease of $1.4 billion in General Fund, fund balance. The total unreserved fund balance in the governmental funds was $42 million, compared to the unreserved fund balance of $1.4 billion in the prior year.
- Governmental funds reported a total reserved fund balance of $1.9 billion in 2009, compared to $1.9 billion in the prior year.

Long-term Debt

- Total bonds and obligations under long-term leases at year end was $14.0 billion, a net increase of $1.0 billion (7.9%) over the prior year.
- $911 million General Obligation Bonds of which, $66 million were refunding bonds, and $390 million Transportation Bonds were issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State of Maryland's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists readers in assessing the State's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include the following two statements.

The *Statement of Net Assets* presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The above financial statements distinguish between the following three types of state programs or activities:

Governmental Activities - The activities in this section are typically supported by taxes and intergovernmental revenues, i.e., federal grants. Most services normally associated with State government fall into this category, including the Legislature, Judiciary and the general operations of the Executive Department.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include insurance and loan programs for economic development, the Unemployment Insurance Program, the Lottery, the Transportation Authority and Maryland Correctional Enterprises, a program which constructs office furnishings utilizing the prisons' inmate population.

Discretely Presented Component Units – The government-wide statements include operations for which the State has financial accountability, but are legally separate entities. Financial information for these component units is reported separately from the financial information presented for the primary government. The component unit activities include Higher Education, the College Savings Plans of Maryland, the Maryland Stadium Authority and other non-major proprietary activities. All of these entities operate similarly to private sector business and to the business-type activities described above. The component unit Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College and Baltimore City Community College and certain affiliated foundations. The non-major component units include the Maryland Food Center Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority and the Maryland Technology Development Corporation.

Complete financial statements of the individual component units can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

This report includes two schedules (pages 29 and 31) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned and other assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but are recognized on the government-wide statements.
- Deferred bond issuance costs are capitalized and amortized on the government-wide statements, but reported as expenditures in governmental funds.

- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and bonds and notes payable, only appear as liabilities in the government-wide statements.

- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.

- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

- Certain other transactions represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The government-wide financial statements can be found on pages 24-27 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental, enterprise, and fiduciary. Each of these categories uses a different accounting approach.

Governmental funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The State maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Department of Transportation-special revenue fund, both of which are considered to be major funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Data for the non-major governmental funds, namely, the debt service fund for general obligation bonds, the debt service fund for transportation revenue bonds and the capital projects fund, is provided in the form of combining statements elsewhere in this report. These funds are reported using modified accrual accounting, which measures cash and all other assets which can be readily converted to cash. The basic governmental funds financial statements can be found on pages 28 and 30 of this report.

Enterprise funds – Enterprise funds are used to show activities that operate similar to activities of commercial enterprises. These funds charge fees for services provided to outside customers including local governments. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for businesses in the private sector.

The State has six enterprise funds, four of which are considered to be major enterprise funds. These funds are: Economic Development Loan Programs, the Unemployment Insurance Program, the Lottery Agency and the Transportation Authority. Data

for the non-major enterprise funds, Economic Development - Insurance Programs and Maryland Correctional Enterprises, are combined into a single aggregated presentation. Individual fund data for these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic enterprise funds financial statements can be found on pages 34 - 38 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the State's own programs. Fiduciary funds use accrual accounting.

The State's fiduciary funds include the Pension and Other Employee Benefits Trust Funds (Pension Trust), the Investment Trust Fund, the Postretirement Health Benefits Trust Fund (OPEB Trust) and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan and the Deferred Compensation Plan. The Postretirement Health Benefits Trust Fund accumulates funds to assist with the costs of the State's postretirement health insurance subsidy. The Investment Trust Fund accounts for the transactions, assets, liabilities and fund equity of an external investment pool. Agency funds account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals. Individual fund detail for the fiduciary funds can be found in the combining financial statements.

The basic fiduciary funds financial statements can be found on pages 39 - 40 of this report.

Combining Financial Statements, Component Units – The government-wide financial statements present information for the component units in a single aggregated column in the Statement of Net Assets and the Statement of Activities. Combining Statement of Net Assets and Combining Statement of Activities have been provided for the Component Unit Proprietary Funds and provide detail for each major proprietary component unit, with a combining column for the non-major component units. Individual financial statement information for the non-major component units is provided elsewhere in this report.

The combining financial statements for the component units can be found on pages 42 - 44 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 46 - 97 of this report.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the budgetary general, special revenue and federal funds, along with a reconciliation of the statutory and Accounting Principles Generally Accepted in the United States of America (GAAP) General and Special Revenue Fund, fund balances at fiscal year end. This report also presents certain required supplementary information concerning the State's progress in funding obligations to provide pension benefits and other post-employment benefits and includes a footnote concerning budgeting and budgetary control. Required supplementary information immediately follows the notes to the financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with non-major governmental, enterprise, and fiduciary funds and non-major component units are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The State's combined net assets (government and business-type activities) totaled $14.5 billion at the end of 2009 and $17.4 billion at the end of 2008.

Net Assets as of June 30,
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 5,342	$ 6,348	$ 8,053	$ 8,569	$ 13,395	$ 14,917
Capital assets	19,265	18,812	3,207	2,428	22,472	21,240
Total assets	24,607	25,160	11,260	10,997	35,867	36,157
Long-term liabilities	11,369	9,478	5,375	5,027	16,744	14,505
Other liabilities	3,882	3,601	697	612	4,579	4,213
Total liabilities	15,251	13,079	6,072	5,639	21,323	18,718
Net assets:						
Invested in capital assets, net of related debt	14,381	14,267	1,368	1,685	15,749	15,952
Restricted	127	88	2,321	2,423	2,448	2,511
Unrestricted	(5,152)	(2,274)	1,499	1,258	(3,653)	(1,024)
Total net assets	$ 9,356	$ 12,081	$ 5,188	$ 5,358	$ 14,544	$ 17,439

The largest portion of the State's net assets, $15.7 billion, reflects investment in capital assets such as land, buildings, equipment and infrastructure, less any related debt to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens. Consequentially, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the State's net assets, $2.4 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net assets, a deficit of $3.7 billion, reflects the State's deficit of remaining assets to remaining liabilities.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year.

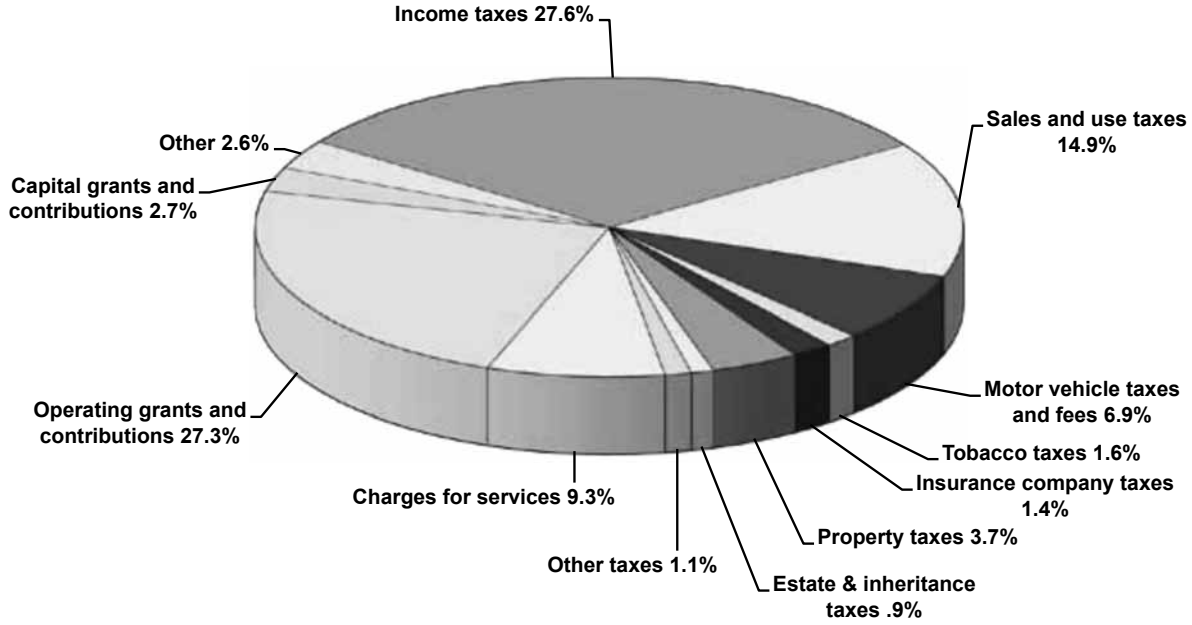
Changes in Net Assets

For the Year Ended June 30,

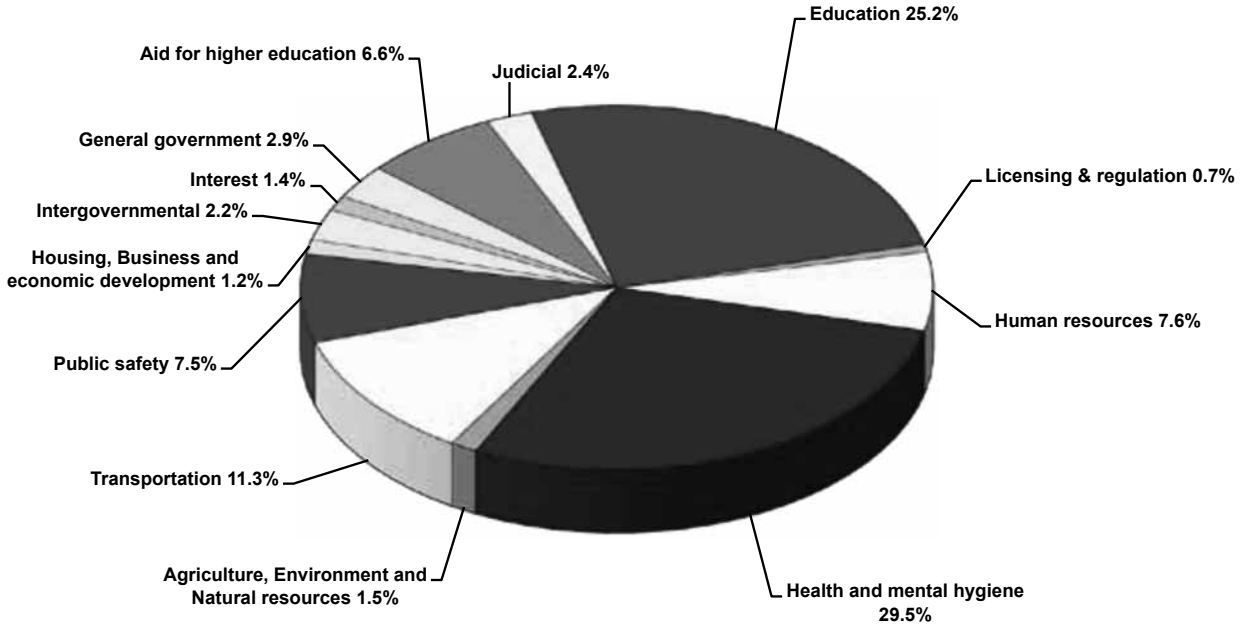
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 2,405	$ 2,067	$ 2,932	$ 2,886	$ 5,337	$ 4,953
Operating grants and contributions	7,080	5,925	391	58	7,471	5,983
Capital grants and contributions	692	677			692	677
General revenues:						
Income taxes	7,168	7,886			7,168	7,886
Sales and use taxes	3,857	3,749			3,857	3,749
Motor vehicle taxes	1,787	1,920			1,787	1,920
Tobacco taxes	406	376			406	376
Insurance company taxes	369	469			369	469
Property taxes	969	1,027			969	1,027
Estate & inheritance taxes	230	262			230	262
Other taxes	293	311			293	311
Unrestricted investment earnings	203	345	18	26	221	371
Total revenues	25,459	25,014	3,341	2,970	28,800	27,984
Expenses:						
General government	836	815			836	815
Health and mental hygiene	8,399	7,649			8,399	7,649
Education	7,173	6,835			7,173	6,835
Aid for higher education	1,878	1,851			1,878	1,851
Human resources	2,163	1,860			2,163	1,860
Public safety	2,134	2,100			2,134	2,100
Transportation	3,203	3,054			3,203	3,054
Judicial	682	634			682	634
Labor, licensing and regulation	204	186			204	186
Natural resources and recreation	219	180			219	180
Housing and community development	248	248			248	248
Environment	124	108			124	108
Agriculture	95	82			95	82
Business and economic development	95	98			95	98
Intergovernmental grants	625	742			625	742
Interest	390	352			390	352
Economic development insurance programs			9	5	9	5
Economic development loan programs			285	254	285	254
Unemployment insurance program			1,330	544	1,330	544
State Lottery			1,207	1,133	1,207	1,133
Transportation Authority			308	326	308	326
Maryland Correctional Enterprises			53	47	53	47
Total expenses	28,468	26,794	3,192	2,309	31,660	29,103
Increase in net assets before transfers and special items	(3,009)	(1,780)	149	661	(2,860)	(1,119)
Transfers and special items	461	478	(461)	(478)		0
Change in net assets	(2,548)	(1,302)	(312)	183	(2,860)	(1,119)
Net assets - beginning (as restated)	11,904	13,383	5,500	5,175	17,404	18,558
Net assets - ending	$ 9,356	$ 12,081	$ 5,188	$ 5,358	$ 14,544	$ 17,439

2009 REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



2009 EXPENDITURES BY FUNCTION - GOVERNMENTAL ACTIVITIES



Governmental Activities

Comparing current year activities to the prior year discloses that revenues increased by $445 million or 1.8%, while expenses increased by $1.7 billion or 6.2%. The revenue increase was primarily due to an increase of $1.2 billion or 19.5% in operating grants, while income taxes decreased by $718 million or 9.1%, sales and use taxes increased by $108 million or 2.9%, and all other taxes had a net decrease of $311 million or 7.1%. The increase was also offset by a $142 million decrease in unrestricted investment earnings. The increase in expenses was primarily due to increases of $750 million or 9.8% in health care programs, $365 million or 4.2% for education and $303 million or 16.3% for human resources. In addition, the beginning net assets balance for governmental activities was restated by a decrease of $177 million to reflect the State's recognition of pollution remediation obligations.

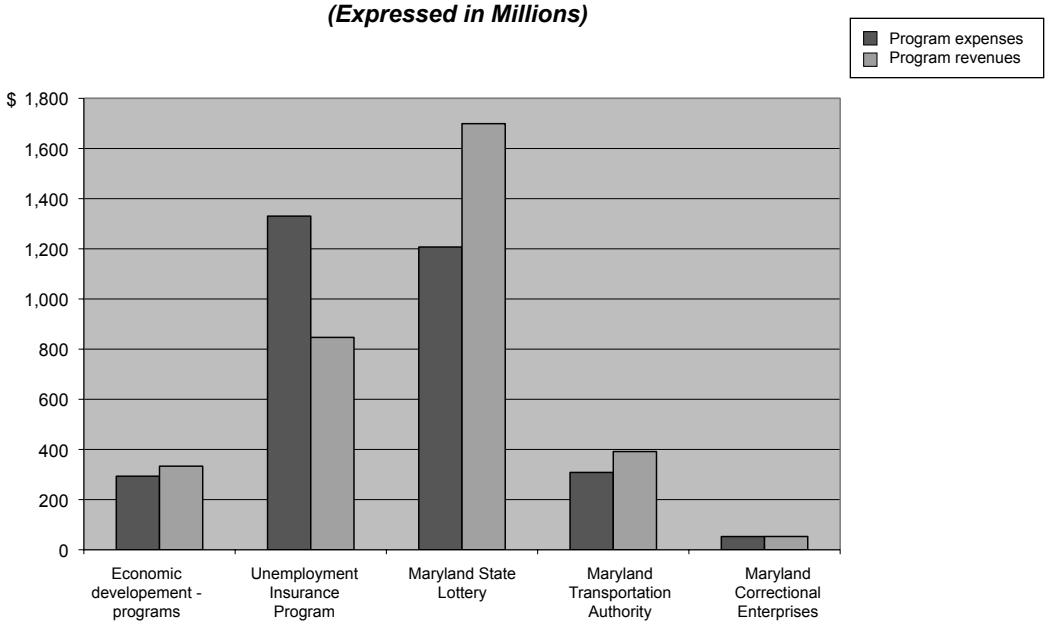
The increase in operating grants was primarily due to an increase in federal revenues for medical care costs and temporary assistance programs in human resources, while the decrease in taxes was primarily due to the declining economy nationwide.

Business-type Activities

Business-type activities increased the State's net assets by $149 million before transfers of $461 million to governmental activities, for an overall deficit in net assets of $312 million. The increase compares to an increase of $661 million before transfers of $478 million in the prior year. Key elements of this decrease are as follows:

- The change in net assets for the Unemployment Insurance Program was a decrease of $486 million compared to a decrease of $101 million in the prior year. Operating activities produced a deficit of $890 million compared to the prior year's operating deficit of $153 million. While the Program had an increase of $49 million (12.5%) in charges for services from the prior year, the benefit payments increased $786 million (144.5%) over the prior year due to the high increase in the number of Marylanders collecting unemployment benefits. In addition, the Program, in accordance with federal regulations, transferred $2.7 million to the governmental funds.
- Economic Development Loan Programs had an increase of $54 million (2.5%) in net assets compared to an increase of $128 million in the prior year. The difference between years is due to increased non-operating expenses, primarily interest expense and decreased federal grant revenue and transfers from the general fund.
- Lottery ticket sales were $1.7 billion, an increase of $25 million (1.5%) over last year. Operating expenses increased by $74 million and transfers to the governmental funds decreased to $493 million in 2009, from $529 million in 2008, a decrease of 6.8%. The Lottery received $39.5 million in license fees from applicants applying for a Video Terminal (VLT) license, pursuant to legislation enacted in 2007 relating to the legalization of video lottery terminals.

Expenses and Program Revenues - Business-type Activities
(Expressed in Millions)



Financial Analysis of the State's Funds

As of the end of the current fiscal year, the State's governmental funds reported a combined fund balance of $2.0 billion, a decrease of $1.3 billion from the prior year. The combined fund balance includes a deficit of $105 million in unreserved, undesignated for governmental funds and $147 million in unreserved, designated fund balance for the General Fund. In addition, it includes a fund balance of $167 million in unreserved, undesignated fund balance for the special revenue fund and a deficit of $271 million for the other governmental funds. The remainder of the fund balance is reserved because it has been committed to: 1) liquidate contracts and purchase orders of the prior period, ($649 million); 2) fund prepaid and inventory items, ($548 million); 3) restrict revenues, ($6 million); and 4) reserve for various loans, construction projects, and debt service, ($32 million). In addition, $702 million of the reserved fund balance is in the "State Reserve Fund," and is set aside to meet future financial needs. By law, the governor must appropriate to the State Reserve Fund, the General Fund surplus of the second preceding fiscal year that exceeds $10,000,000. The unreserved General Fund, fund balance, plus the amount in the State Reserve Fund, is approximately 3.0% of the total annual expenditures in governmental funds, compared with 8.2% for the prior year.

General Fund

The General Fund is the major operating fund of the State. At the end of the current fiscal year, the unreserved, designated, fund balance of the General Fund was $147 million, while total fund balance reached $1.5 billion. The fund balance of the State's General Fund decreased by $1.4 billion during 2009, compared to a decrease of $373 million for 2008. The reason for the decrease in General Fund, fund balance is due to continued increases in expenditures, $1.4 billion (6.3%), greater than increases in revenues, $449 million (2.1%).

Revenues increased by $449 million over the prior year, primarily due to increases in federal revenues of $1.2 billion (20.0%) and sales and use taxes, $103 million (2.7%), despite revenue decreases for income taxes of $713 million (9.1%), property taxes, $142 million (35.6%), and insurance company taxes, $99.7 million (21.2%). In addition, fiscal year 2009 income tax revenues were increased by $366 million due to legislation which transferred cash set aside in the agency fund, the Local Reserve Account, to the General Fund, and required the counties to fund the receivable over a ten year period starting in fiscal year 2013.

General Fund expenditures increased by $1.4 billion. Expenditures for education, health and mental hygiene and human resources increased by $291 million (3.6%), $749 million (9.9%) and $301 million (17.1%), respectively. These increases were the result of continued increased funding for education, and continued increases in Medicaid costs and funding for food stamps and temporary assistance due to the worsening economy.

Transfers out from the General Fund were $475 million this year compared to $441 million for the prior year. This increase was due primarily to an increase of $183 million in transfers to the Department of Transportation combined with a decrease of $132 million for Program Open Space and other capital projects.

Special Revenue Fund

The Maryland Department of Transportation special revenue fund accounts for resources used for operation of the State's transportation activities, not including debt service and pension activities. The fund balance of the Department's special revenue fund was $329 million as of June 30, 2009, an increase of $179 million (118.9%) from the prior fiscal year. This increase was primarily due to an increase in other financing sources of $321 million. The increase in other financing sources was primarily due to increased bonds issued and transfers from the general fund.

Budgetary Highlights

General Fund

Differences between the original budget and final amended budget, and the final budget and actual expenditures for the year are summarized as follows. The budgetary schedule may be found in the Required Supplementary Information Section.

Overall, the change between the original and final General Fund budget was a decrease of $687 million or (4.5%). The Department of Health and Mental Hygiene appropriations decreased by $478 million primarily because the general fund appropriation was supplemented by federal funds for additional projects from the American Recovery and Reinvestment Act (ARRA). There was a decrease in the Department of Budget and Management appropriations of $77 million which was primarily due to the reallocation of the original appropriation for salary cost of living adjustments from that department to the affected State agencies, with no effect on the overall appropriations, and to cost containment reductions for Major Information Technology Projects. In addition, there were cost containment reductions due to reduced revenue estimates throughout all functions of the general fund budget.

The difference between the final budget, $14.5 billion and actual expenditures, $14.4 billion, was $190 million or 1.3%. Of this amount, $53 million was returned to the General Fund, and the remaining $137 million was encumbered for future spending. The variance was primarily due to the cancellation of current and prior year encumbrances. Appropriations were cancelled primarily for Legislative, Judicial, Executive, Education and Business and economic development functions.

Capital Asset and Debt Administration

Capital assets

At June 30, 2009, the State had invested $22.5 billion (net of accumulated depreciation) in a broad range of capital assets (see table below). Depreciation expense for the fiscal year totaled $1.0 billion ($993 million for governmental activities and $48 million for business-type activities). The increase in the State's investment in capital assets, net of depreciation expense, for the current fiscal year was $1.2 billion, ($452 million for governmental activities and $780 million for business-type activities).

Capital Assets as of June 30,

(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and improvements	$ 2,995	$ 2,877	$ 396	$ 305	$ 3,391	$ 3,182
Art and historical treasures	28	28			28	28
Structures and improvements	3,541	3,529	24	27	3,565	3,556
Equipment	788	806	30	12	818	818
Infrastructure	8,457	8,357	1,376	1,526	9,833	9,883
Construction in progress	3,456	3,216	1,381	557	4,837	3,773
Total	$ 19,265	$ 18,813	$ 3,207	$ 2,427	$ 22,472	$ 21,240

Major capital asset events during the current fiscal year for governmental activities include continued widening and/or expansion of existing highways and bridges, and various transit, port and motor vehicle administration construction projects; the preservation of agricultural and open space land through the purchase of easements; the construction of new buildings for the district court and Office of the Medical Examiner; improvements to the statewide telecommunications network; energy efficiency improvements in State buildings; and building improvements in State prisons and hospitals. Elements of the increases in capital assets of business-type activities include the Inter-County Connector and electronic toll lane projects, which resulted in increases in land and improvements and construction in progress, and the restoration of existing facilities.

Additional information on the State's capital assets can be found in footnote 10 of this report.

Long-term debt

The State is empowered by law to authorize, issue and sell general obligation bonds, which are backed by the full faith and credit of the State. The State also issues dedicated revenue bonds for the Department of Transportation and various business-type activities. The payment of principal and interest on revenue bonds comes solely from revenues received from the respective activities. This dedicated revenue debt is not backed by the State's full faith and credit.

At June 30, 2009, the State had outstanding bonds totaling $12.9 billion. Of this amount $5.9 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining $7.0 billion was secured solely by the specified revenue sources.

Outstanding Bond Debt as of June 30,

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds (backed by the State)	$ 5,874	$ 5,494			$ 5,874	$ 5,494
Transportation Bonds (backed by specific revenues)	1,583	1,269			1,583	1,269
Revenue Bonds (backed by specific revenues)			$ 5,423	$ 5,041	$ 5,423	5,041
Total	$ 7,457	$ 6,763	$ 5,423	$ 5,041	$ 12,880	$ 11,804

The total increase in bonded debt in the current fiscal year was $1.1 billion ($380 million increase related to general obligation bonds, and $314 and $382 million increase related to transportation and revenue bonds, respectively). The State's general obligation bonds are rated Aaa by Moody's and AAA by Standard and Poors and Fitch. During fiscal year 2009, the State issued general obligation debt totaling $911 million at a premium of $74 million. Of this amount, $66 million and related premium of $4 million was for refunding bonds. On August 18 and November 3, 2009, (fiscal year 2010), the State issued general obligation bonds aggregating $685 million for capital improvements.

State law limits the amount of Consolidated Transportation Bonds, dedicated revenue debt that may be outstanding as of June 30 to the amount authorized in the budget, and this amount may not exceed $2.6 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2009, was $1.6 billion. The actual amount in Consolidated Transportation Bonds outstanding was $1.6 billion.

Additional information on the State's long-term debt can be found in footnote 11 of this report.

Economic Factors and Next Year's Budget

Maryland's economy has encountered a significant slow down in its revenues due to national and regional economic trends. Maryland is facing a cyclical economic downturn as are states across the nation. Maryland has seen deterioration in its key economic indicators. However, the State has maintained a fiscally responsible balanced budget. The fiscal year 2010 budget has been reduced by $1 billion to address the downturn in the economy which has resulted in reduced tax and other general fund revenues. Even though the short-term economic outlook for the State has worsened, medium to long-term growth in the Maryland economy is expected to accelerate due to its highly educated workforce, its public and private research facilities, significant economic activity in business services, technology, the government sector and to BRAC related military relocations in the State. It is unclear, however, how quickly such acceleration will occur.

Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Accounting Division, Office of the Comptroller, P.O. Box 746, Annapolis, Maryland 21404.

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BASIC FINANCIAL STATEMENTS

STATE OF MARYLAND
Statement of Net Assets
June 30, 2009
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 249,554	$ 16,055	$ 265,609	$ 94,243
Equity in pooled invested cash	1,680,014	720,853	2,400,867	1,239,658
Investments	100,392	434,929	535,321	486,221
Endowment investments				169,385
Foundation investments				720,721
Inventories	105,543	15,163	120,706	12,398
Prepaid items	442,388		442,388	5,862
Deferred charges	13,608		13,608	4,756
Taxes receivable, net	910,426		910,426	
Intergovernmental receivables	1,100,879		1,100,879	
Tuition contracts receivable				224,242
Due from primary government				3,264
Due from component units	921		921	
Other accounts receivable	524,729	175,791	700,520	439,658
Loans and notes receivable, net	19,999	584,854	604,853	77,522
Investment in direct financing leases		423,948	423,948	250,407
Other assets	5,223	34,228	39,451	24,249
Collateral for lent securities	131,122		131,122	
Restricted assets:				
Cash and cash equivalents	55,813	1,381,417	1,437,230	166,880
Investments	1,430	1,032,537	1,033,967	24,334
Deferred charges		16,359	16,359	
Loans and notes receivable, net		3,158,690	3,158,690	
Other		58,054	58,054	26
Capital assets, net of accumulated depreciation:				
Land	2,995,298	395,850	3,391,148	157,634
Art and historical treasures	27,795		27,795	384
Structures and other improvements	3,540,837	24,497	3,565,334	3,249,579
Equipment	788,144	29,579	817,723	395,222
Infrastructure	8,457,440	1,375,661	9,833,101	181,066
Construction in progress	3,455,728	1,381,193	4,836,921	487,952
Total capital assets	19,265,242	3,206,780	22,472,022	4,471,837
Total assets	24,607,283	11,259,658	35,866,941	8,415,663

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Liabilities				
Salaries payable	159,177		159,177	99,531
Vouchers payable	439,932		439,932	
Accounts payable and accrued liabilities	1,667,714	363,532	2,031,246	191,637
Internal balances	(52,043)	52,043		
Due to component units	3,264		3,264	
Due to primary government				921
Accounts payable to political subdivisions	280,771		280,771	
Unearned revenue	328,011	22,942	350,953	218,375
Accrued insurance on loan losses		13,863	13,863	9,693
Other liabilities				1,441
Collateral obligations for lent securities	131,122		131,122	
Bonds and notes payable:				
Due within one year	560,349	203,446	763,795	102,895
Due in more than one year	7,333,062	5,219,055	12,552,117	1,305,299
Other noncurrent liabilities:				
Due within one year	363,976	41,300	405,276	182,148
Due in more than one year	4,036,618	155,103	4,191,721	809,030
Total liabilities	15,251,953	6,071,284	21,323,237	2,920,970
Net Assets				
Invested in capital assets, net of related debt	14,381,207	1,368,562	15,749,769	3,418,400
Restricted for:				
Human resources	5,759		5,759	
Debt service	117,858	92,626	210,484	8,301
Capital improvements and deposits	2,661	513,896	516,557	18,723
Higher education-nonexpendable				574,593
Higher education-expendable				391,358
Unemployment compensation benefits		566,425	566,425	
Loan programs		1,041,350	1,041,350	75,837
Insurance programs		106,928	106,928	
Other	305		305	
Unrestricted (deficit)	(5,152,460)	1,498,587	(3,653,873)	1,007,481
Total net assets	$ 9,355,330	$ 5,188,374	$ 14,543,704	$ 5,494,693

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

STATE OF MARYLAND
Statement of Activities
For the Year Ended June 30, 2009
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary government -								
Governmental activities:								
General government	$ 835,858	$ 616,176	$ 75,445	$ 10,513	$ (133,724)		$ (133,724)	
Health and mental hygiene	8,398,880	564,677	4,142,664		(3,691,539)		(3,691,539)	
Education	7,173,417	66,053	896,945		(6,210,419)		(6,210,419)	
Aid for higher education	1,878,043	45,493	4,968		(1,827,582)		(1,827,582)	
Human resources	2,163,217	38,419	1,372,231		(752,567)		(752,567)	
Public safety	2,134,038	139,473	69,673		(1,924,892)		(1,924,892)	
Transportation	3,202,687	508,629	93,729	668,442	(1,931,887)		(1,931,887)	
Judicial	682,324	252,847	6,169		(423,308)		(423,308)	
Labor, licensing and regulation	204,027	30,454	132,682		(40,891)		(40,891)	
Natural resources and recreation	219,060	43,491	24,684	11,105	(139,780)		(139,780)	
Housing and community development	248,334	17,161	226,290		(4,883)		(4,883)	
Environment	123,854	38,246	22,585		(63,023)		(63,023)	
Agriculture	94,930	36,897	5,063	2,177	(50,793)		(50,793)	
Business and economic development	94,584	7,074	6,569		(80,941)		(80,941)	
Intergovernmental grants and revenue sharing.	624,475				(624,475)		(624,475)	
Interest	390,169				(390,169)		(390,169)	
Total governmental activities	28,467,897	2,405,090	7,079,697	692,237	(18,290,873)		(18,290,873)	
Business-type activities:								
Economic development - insurance programs	8,881	6,040				$ (2,841)	(2,841)	
Economic development - general loan programs	30,586	4,594				(25,992)	(25,992)	
Economic development - water quality loan programs	43,245	83,724	19,219			59,698	59,698	
Economic development - housing loan programs	210,603	219,688				9,085	9,085	
Unemployment insurance program	1,330,465	475,032	371,769			(483,664)	(483,664)	
Maryland State Lottery	1,207,171	1,699,156				491,985	491,985	
Maryland Transportation Authority	308,383	391,558				83,175	83,175	
Maryland Correctional Enterprises	52,664	52,870				206	206	
Total business-type activities	3,191,998	2,932,662	390,988			131,652	131,652	
Total primary government	$31,659,895	$5,337,752	$7,470,685	$692,237	(18,290,873)	131,652	(18,159,221)	

Component units								
Higher education	$ 4,225,501	$1,636,338	$1,233,950	$195,392				$(1,159,821)
Maryland Prepaid College Trust	54,502	56,196						1,694
Maryland Stadium Authority	67,320	33,280	21,035					(13,005)
Other component units	142,196	116,357	22,002	1,821				(2,016)
Total component units	$ 4,489,519	$1,842,171	$1,276,987	$197,213				(1,173,148)
General revenues:								
Income taxes					7,167,890		7,167,890	
Sales and use taxes					3,857,020		3,857,020	
Motor vehicle taxes					1,787,144		1,787,144	
Tobacco taxes					405,559		405,559	
Insurance company taxes					369,479		369,479	
Property taxes					968,892		968,892	
Estate & inheritance taxes					229,723		229,723	
Other taxes					293,391		293,391	
Grants and contributions not restricted to specific programs								1,168,986
Unrestricted investment earnings					202,682	18,038	220,720	(114,684)
Additions to permanent endowments								(3,354)
Transfers					461,194	(461,194)		
Total general revenues, additions to permanent endowments and transfers					15,742,974	(443,156)	15,299,818	1,050,948
Changes in net assets					(2,547,899)	(311,504)	(2,859,403)	(122,200)
Net assets - beginning of the year, as restated					11,903,229	5,499,878	17,403,107	5,616,893
Net assets - end of the year					$ 9,355,330	$ 5,188,374	$ 14,543,704	$5,494,693

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

STATE OF MARYLAND
Balance Sheet
Governmental Funds
June 30, 2009
(Expressed in Thousands)

	General	Special Revenue: Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 247,554	$ 2,000		$ 249,554
Cash and cash equivalents - restricted		38,413		38,413
Cash with fiscal agent - restricted			$ 17,400	17,400
Equity in pooled invested cash	1,336,795	180,350	162,869	1,680,014
Investments	12,147		88,245	100,392
Investments - restricted	1,430			1,430
Prepaid items	368,016	74,372		442,388
Taxes receivable, net	810,205	74,982	25,239	910,426
Intergovernmental receivables	864,567	227,609	8,703	1,100,879
Other accounts receivable	437,496	86,833	400	524,729
Due from other funds	57,980	109,980		167,960
Due from component units	921			921
Inventories	23,909	81,634		105,543
Loans and notes receivable, net	13,763	2,644	3,592	19,999
Collateral for lent securities	131,122			131,122
Total assets	$ 4,305,905	$ 878,817	$ 306,448	$ 5,491,170
Liabilities:				
Salaries payable	$141,749	$17,428		$ 159,177
Vouchers payable	328,728	54,350	$ 56,854	439,932
Accounts payable and accrued liabilities	1,154,167	341,091	34,834	1,530,092
Due to other funds	100,867	15,050		115,917
Due to component units	3,264			3,264
Accounts payable to political subdivisions	137,142	69,665	73,964	280,771
Deferred revenue	703,194	52,415	55	755,664
Accrued self-insurance costs	95,750			95,750
Collateral obligations for lent securities	131,122			131,122
Total liabilities	2,795,983	549,999	165,707	3,511,689
Fund balances:				
Reserved for:				
State reserve fund	701,812			701,812
Encumbrances	249,896	861	398,478	649,235
Prepaid items and inventories	391,925	156,006		547,931
Loans and notes receivable	13,363	2,644	3,150	19,157
Construction projects		2,661		2,661
Restricted revenues	6,064	79		6,143
Debt service			10,470	10,470
Unreserved:				
Designated	146,862			146,862
Undesignated, (deficit) reported in:				
Special revenue fund		166,567		166,567
Non-major debt service funds			104,238	104,238
Non-major capital projects fund			(375,595)	(375,595)
Total fund balances	1,509,922	328,818	140,741	1,979,481
Total liabilities and fund balances	$ 4,305,905	$ 878,817	$ 306,448	$ 5,491,170

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

STATE OF MARYLAND
Reconciliation of the Governmental Funds' Fund Balance to the Statement of Net Assets', Net Assets Balance
June 30, 2009
(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Assets (pages 24-25) differ from the amounts for the governmental funds' fund balances because of:	
Amount in governmental funds, fund balance (page 28)	$ 1,979,481
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	19,265,242
Taxes and other receivables that will not be available to pay for current-period expenditures and, therefore, are deferred in the funds	427,653
Accrued interest payable on bonds and capital leases are not liquidated with current financial resources in the governmental funds	(137,622)
Deferred charges not available to pay for current period expenditures	13,608
Other assets not available to pay for current period expenditures	5,224
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General Obligation Bonds	(5,945,401)
Deferred charges to be amortized over the life of the debt	31,407
Premiums to be amortized over the life of the debt	(312,293)
Transportation Bonds	(1,582,605)
Deferred charges to be amortized over the life of the debt	3,605
Premiums to be amortized over the life of the debt	(88,125)
Accrued self-insurance costs	(223,628)
Accrued annual leave	(307,882)
Pension liabilities	(1,016,617)
Other post-employment benefits liability	(1,478,130)
Pollution remediation	(179,972)
Obligation under capital leases	(848,208)
Obligations under capital leases with component units	(250,407)
Net assets of governmental activities (page 25)	$ 9,355,330

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

STATE OF MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds
For the Year Ended June 30, 2009
(Expressed in Thousands)

	General	Special Revenue: Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes	$ 7,156,297			$ 7,156,297
Sales and use taxes	3,851,752			3,851,752
Motor vehicle taxes and fees		$ 1,787,144		1,787,144
Tobacco taxes	405,559			405,559
Insurance company taxes	369,479			369,479
Property taxes	256,580		$ 712,312	968,892
Estate & inheritance taxes	229,723			229,723
Other taxes	293,391			293,391
Other licenses and fees	686,806			686,806
Charges for services	830,038	429,271		1,259,309
Revenues pledged as security for bonds		66,098		66,098
Interest and other investment income	154,895	3,998	2,803	161,696
Federal revenue	7,005,387	762,171		7,767,558
Other	358,044	13,260	5,823	377,127
Total revenues	21,597,951	3,061,942	720,938	25,380,831
Expenditures:				
Current:				
General government	753,821			753,821
Health and mental hygiene	8,286,032			8,286,032
Education	6,657,410		412,758	7,070,168
Aid to higher education	1,631,983		245,911	1,877,894
Human resources	2,061,959			2,061,959
Public safety	1,824,595			1,824,595
Transportation		1,333,618		1,333,618
Judicial	585,778			585,778
Labor, licensing and regulation	182,751			182,751
Natural resources and recreation	205,876			205,876
Housing and community development	244,208			244,208
Environment	106,307			106,307
Agriculture	142,804			142,804
Business and economic development	90,892			90,892
Intergovernmental grants and revenue sharing	354,617	801,031	269,858	1,425,506
Capital outlays		1,261,036	169,134	1,430,170
Debt service:				
Principal retirement			536,050	536,050
Interest			349,214	349,214
Bond issuance costs	496		2,869	3,365
Total expenditures	23,129,529	3,395,685	1,985,794	28,511,008
Deficiency of revenues under expenditures	(1,531,578)	(333,743)	(1,264,856)	(3,130,177)
Other financing sources (uses):				
Capital leases	27,945			27,945
Bonds issued		390,000	845,563	1,235,563
Refunding bonds issued			65,800	65,800
Bond premium		11	86,775	86,786
Payments to refunded bond escrow agent			(69,213)	(69,213)
Transfers in	602,745	373,638	226,605	1,202,988
Transfers out	(474,778)	(251,339)	(15,677)	(741,794)
Total other sources of financial resources	155,912	512,310	1,139,853	1,808,075
Net changes in fund balances	(1,375,666)	178,567	(125,003)	(1,322,102)
Fund balances, beginning of the year	2,885,588	150,251	265,744	3,301,583
Fund balances, end of the year	$ 1,509,922	$ 328,818	$ 140,741	$ 1,979,481

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

STATE OF MARYLAND

Reconciliation of the Statement of the Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2009

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Activities (pages 26-27) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds because of the following:		
Net change in fund balances - total governmental funds (page 30)		$ (1,322,102)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.		
Capital outlays	$ 1,639,625	
Depreciation expense	(992,773)	646,852
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
Net loss on disposals and trade-ins	(193,683)	(193,683)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Deferred revenues for taxes are recognized, net of revenue already recognized in the prior year	16,861	
Deferred revenues for other revenues are recognized, net of revenue already recognized in the prior year	28,292	
Revenues from other assets are recognized, net of revenue already recognized in the prior year	(286)	44,867
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.		
Debt issued, General Obligation Bonds	(911,363)	
Debt issued, Transportation Bonds	(402,639)	
Capital lease financing	(27,945)	
Premiums, discounts and issuance costs	37,369	
Principal repayments:		
General Obligation Bonds	464,725	
Transportation Bonds	76,210	
Capital leases	83,552	(680,091)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued interest	(8,924)	
Compensated absences	(31,510)	
Self-insurance	(3,115)	
Net pension obligation	(220,365)	
Other post-employment benefits liability	(782,931)	
Pollution Remediation liabilities	(2,104)	
Other long term liabilities	5,207	(1,043,742)
Change in net assets of governmental activities (page 27)		$ (2,547,899)

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

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STATE OF MARYLAND

ENTERPRISE FUND FINANCIAL STATEMENTS

Major Funds

Economic Development Loan Programs

This fund includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

Unemployment Insurance Program

This fund reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment assessments collected from employers, Federal revenue received and remittance of benefits to the unemployed.

Maryland State Lottery Agency

This fund accounts for the operation of the State Lottery.

Maryland Transportation Authority

This fund accounts for the activity of the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Non-major Funds

Other Enterprise Funds

Individual non-major enterprise funds are presented in the combining section following the footnotes.

STATE OF MARYLAND

Statement of Fund Net Assets
Enterprise Funds
June 30, 2009

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Assets -						
Current assets:						
Cash and cash equivalents			$ 1,803	$ 12,696	$ 1,556	$ 16,055
Equity in pooled invested cash	$ 523,069		73,434		124,350	720,853
Investments				364,972		364,972
Other accounts receivable	5,996	$124,763	27,292	13,346	4,394	175,791
Due from other funds	20,557	2,606		5,643		28,806
Inventories				4,086	11,077	15,163
Loans and notes receivable, net	25,628				124	25,752
Investment in direct financing leases				23,243		23,243
Other assets			36		327	363
Current restricted assets:						
Cash and cash equivalents	444,660		39,512	403,438		887,610
Cash on deposit with U.S. Treasury		493,807				493,807
Investments	41,133		29,572	324,352		395,057
Loans and notes receivable, net	103,688					103,688
Other accounts receivable	57,480		315			57,795
Total current assets	1,222,211	621,176	171,964	1,151,776	141,828	3,308,955
Non-current assets:						
Investments	68,847				1,110	69,957
Loans and notes receivable, net	558,714				388	559,102
Investment in direct financing leases				400,705		400,705
Other assets				33,865		33,865
Restricted non-current assets:						
Investments	531,210		106,270			637,480
Deferred charges	16,359					16,359
Loans and notes receivable, net	3,055,002					3,055,002
Other accounts receivable	259					259
Capital assets, net of accumulated depreciation:						
Land				395,850		395,850
Structures and improvements				23,489	1,008	24,497
Equipment	43		5,778	17,577	6,181	29,579
Infrastructure				1,375,599	62	1,375,661
Construction in progress				1,381,193		1,381,193
Total non-current assets	4,230,434		112,048	3,628,278	8,749	7,979,509
Total assets	5,452,645	621,176	284,012	4,780,054	150,577	11,288,464

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Liabilities-						
Current liabilities:						
Accounts payable and accrued liabilities	75,624	54,751	83,846	147,288	2,023	363,532
Due to other funds	3,418		43,748	32,276	366	79,808
Accrued insurance on loan losses	584				13,279	13,863
Other liabilities	8,356		29,638	1,814	1,492	41,300
Unearned revenue	26		2,413	17,069	3,434	22,942
Revenue bonds payable - current	122,028			81,418		203,446
Total current liabilities	210,036	54,751	159,645	279,865	20,594	724,891
Non-current liabilities:						
Due to other funds					1,041	1,041
Other liabilities	18,911		96,994	37,352	1,846	155,103
Revenue bonds payable	3,006,621			2,212,434		5,219,055
Total non-current liabilities	3,025,532		96,994	2,249,786	2,887	5,375,199
Total liabilities	3,235,568	54,751	256,639	2,529,651	23,481	6,100,090
Net Assets-						
Invested in capital assets, net of related debt	43		30	1,362,646	5,843	1,368,562
Restricted for:						
Debt service				92,626		92,626
Capital improvements				513,896		513,896
Unemployment compensation benefits		566,425				566,425
Loan programs	1,041,350					1,041,350
Insurance programs					106,928	106,928
Unrestricted	1,175,684		27,343	281,235	14,325	1,498,587
Total net assets	$2,217,077	$566,425	$ 27,373	$2,250,403	$127,096	$5,188,374

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

STATE OF MARYLAND
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended June 30, 2009
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Operating revenues:						
Lottery ticket sales			$ 1,698,074			$1,698,074
Charges for services and sales	$ 73,832	$ 440,186	896	$ 362,416	$ 54,737	932,067
Loan and grant recoveries	2,005					2,005
Unrestricted interest on loan income	16,097				538	16,635
Restricted interest on loan income	157,526					157,526
Other	3,636		186	11,368	47	15,237
Total operating revenues	253,096	440,186	1,699,156	373,784	55,322	2,821,544
Operating expenses:						
Prizes and claims			1,025,901			1,025,901
Commissions and bonuses			121,888			121,888
Cost of sales and services			22,596		43,677	66,273
Operation and maintenance of facilities				190,340		190,340
General and administrative	36,646		36,121	21,331	10,338	104,436
Benefit payments		1,330,465				1,330,465
Capital grant distributions	36,799					36,799
Depreciation and amortization	(1,111)		649	46,216	1,468	47,222
Provision for insurance on loan losses	34,223				6,062	40,285
Other	24,099					24,099
Total operating expenses	130,656	1,330,465	1,207,155	257,887	61,545	2,987,708
Operating income (loss)	122,440	(890,279)	492,001	115,897	(6,223)	(166,164)
Non-operating revenues (expenses):						
Unrestricted interest and other investment income	6,457		(335)	11,916		18,038
Restricted interest and other investment income	55,059	34,846		17,774	3,596	111,275
Interest expense	(153,778)		(16)	(50,496)		(204,290)
Federal grants and distributions	19,219	371,769				390,988
Other	(149)				(8)	(157)
Total non-operating revenues (expenses)	(73,192)	406,615	(351)	(20,806)	3,588	315,854
Income (loss) before transfers	49,248	(483,664)	491,650	95,091	(2,635)	149,690
Transfers in	18,351			30,000		48,351
Transfers out	(13,625)	(2,714)	(493,206)			(509,545)
Changes in net assets	53,974	(486,378)	(1,556)	125,091	(2,635)	(311,504)
Total net assets - beginning of the year, as restated.	2,163,103	1,052,803	28,929	2,125,312	129,731	5,499,878
Total net assets - end of the year	$2,217,077	$ 566,425	$ 27,373	$2,250,403	$127,096	$5,188,374

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

STATE OF MARYLAND

Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2009

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Cash flows from operating activities:						
Receipts from customers	$ 434,468	$ 420,000	$1,744,838	$ 362,955	$ 60,068	$ 3,022,329
Payments to suppliers	(1,617)		(44,676)	(118,822)	(35,181)	(200,296)
Payments to employees	(11,497)		(12,849)	(86,988)	(17,424)	(128,758)
Program loan disbursements	(482,173)					(482,173)
Other receipts	110,556			24,019	429	135,004
Other payments	(173,186)	(1,316,410)	(136,271)		(8,793)	(1,634,660)
Lottery prize payments			(1,022,251)			(1,022,251)
Net cash from operating activities	(123,449)	(896,410)	528,791	181,164	(901)	(310,805)
Cash flows from non-capital financing activities:						
Proceeds from the sale of revenue bonds	206,490					206,490
Payment on revenue bonds	(206,650)			(21,330)		(227,980)
Interest payments	(153,482)			(14,573)		(168,055)
Transfers in	26,447			30,000		56,447
Transfers out	(6,859)	(2,714)	(488,876)			(498,449)
Grants	19,611	371,769				391,380
Lottery installment payments			(47,990)			(47,990)
Transfers from other Mega Millions states			14,227			14,227
Net cash from non-capital financing activities	(114,443)	369,055	(522,639)	(5,903)	-	(273,930)
Cash flows from capital and related financing activities:						
Payments on interfund borrowings					(350)	(350)
Proceeds from notes payable and revenue bonds				443,020		443,020
Principal paid on notes payable and revenue bonds				(33,953)		(33,953)
Interest payments			(16)	(22,784)		(22,800)
Acquisition of capital assets				(670,707)	(799)	(671,506)
Payments of capital lease obligations			(490)			(490)
Net cash from capital and related financing activities			(506)	(284,424)	(1,149)	(286,079)
Cash flows from investing activities:						
Purchase of investments	(84,104)			(2,864,842)		(2,948,946)
Proceeds from maturity and sale of investments	268,427		33,762	2,805,472		3,107,661
Interest on investments	27,920	34,846		17,973	3,596	84,335
Receipts from investment in direct financing leases				18,528		18,528
Net cash from investing activities	212,243	34,846	33,762	(22,869)	3,596	261,578
Net changes in cash and cash equivalents	(25,649)	(492,509)	39,408	(132,032)	1,546	(609,236)
Balance - beginning of the year	470,309	986,316	1,907	548,166	10	2,006,708
Balance - end of the year	$ 444,660	$ 493,807	$ 41,315	$ 416,134	$ 1,556	$ 1,397,472

STATE OF MARYLAND

Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2009

(Continued)

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 122,440	$(890,279)	$492,001	$115,897	$(6,223)	$(166,164)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	(1,111)		649	46,380	1,468	47,386
Effect of changes in non-cash operating assets and liabilities:						
Equity in pooled invested cash	(36,067)		(14,290)		(7,762)	(58,119)
Investments	(455)					(455)
Other accounts receivable	(27,612)	(19,213)	7,313	31,945	3,506	(4,061)
Due from other funds	(97)	(974)				(1,071)
Inventories				490	913	1,403
Loans and notes receivable	(163,427)				28	(163,399)
Other assets	(220)		11	8,351	10	8,152
Accounts payable and accrued liabilities	(14,441)	14,056	43,248	(16,136)	(331)	26,396
Due to other funds	1,818			(3,661)		(1,843)
Accrued insurance on loan losses	(92)				5,547	5,455
Other liabilities	(4,183)		73	(3,032)	(7)	(7,149)
Unearned revenue	(2)		(214)	930	1,950	2,664
Total adjustments	(245,889)	(6,131)	36,790	65,267	5,322	(144,641)
Net cash from operating activities	$(123,449)	$(896,410)	$528,791	$181,164	$ (901)	$(310,805)
Non-cash transactions (amounts expressed in thousands):						
Unrealized gain (loss) on investments	$ 8,927		$ (335)	$ (6,231)		
Additions to leased capital assets			5,590			

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

STATE OF MARYLAND

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund	Agency Funds
Assets:				
Cash and cash equivalents	$ 3,375,758		$ 8,022	$ 160,427
Equity in pooled invested cash				801,959
Investments:				
U.S. Treasury and agency obligations	109,770	$1,472,175	14,650	
Repurchase agreements		183,413		
Bonds	2,045,200		21,810	
Corporate equity securities	11,465,156		94,081	
Commercial paper		217,065		
Bankers acceptances		74,245		
Mortgage related securities	2,185,823			
Mutual funds	4,704,722	598,514		
Guaranteed investment contracts	733,546			
Real estate	1,035,476		14,749	
Annuity contracts	118,910			
Private equity	959,143			
Investments held by borrowers under securities lent with cash collateral	4,860,510			
Total investments	28,218,256	2,545,412	145,290	
Taxes receivable, net				224,108
Intergovernmental receivables				366,779
Other receivables	616,744	1,796	1,000	2,410
Collateral for lent securities	5,017,132			
Total assets	37,227,890	2,547,208	154,312	1,555,683
Liabilities:				
Accounts payable and accrued liabilities	1,611,006	17,745	7,900	172,827
Accounts payable to political subdivisions				1,382,856
Collateral obligation for lent securities	5,017,132			
Total liabilities	6,628,138	17,745	7,900	1,555,683
Net assets:				
Held in trust for:				
Pension benefits (A schedule of funding progress for each of the plans may be found on pages 103 & 104)	28,672,502			
Deferred compensation benefits	1,927,250			
Local Government Investment Pool participants		2,529,463		
Postretirement health benefits			146,412	
Total net assets	$30,599,752	$2,529,463	$146,412	$ -

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

STATE OF MARYLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009
(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund
Additions:			
Contributions:			
Employers	$ 491,618		$ 22,517
Members	699,150	$ 5,112,162	
Sponsors	666,039		
On behalf payments			23,061
Total contributions	1,856,807	5,112,162	45,578
Investment earnings:			
Net decrease in fair value of investments	(8,526,881)		(27,906)
Interest	355,829	33,800	71
Dividends	245,466		4,308
Real estate operating net earnings	21,600		
Total investment earnings	(7,903,986)	33,800	(23,527)
Less: investment expense	94,673	722	
Net investment earnings	(7,998,659)	33,078	(23,527)
Total additions	(6,141,852)	5,145,240	22,051
Deductions:			
Benefit payments	2,469,850		
Distributions to participants		33,053	
Redemptions (unit transactions at $1.00 per unit)		4,839,347	
Refunds	22,324		
Administrative expenses	31,577		75
Total deductions	2,523,751	4,872,400	75
Changes in net assets	(8,665,603)	272,840	21,976
Net assets - beginning of the year	39,265,355	2,256,623	124,436
Net assets - end of the year	$ 30,599,752	$ 2,529,463	$ 146,412

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

STATE OF MARYLAND

COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

Higher Education

Higher education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single component unit. The financial information for certain foundations affiliated with the universities and colleges has not been included in this fund in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust is a program of the College Savings Plans of Maryland and directed by the Board to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education.

Maryland Stadium Authority

The Maryland Stadium Authority was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State.

Non-major Component Units

Other Component Units

Non-major component units are presented individually in the combining section following the footnotes.

STATE OF MARYLAND

Combining Statement of Net Assets
Component Units
June 30, 2009

(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Assets:					
Cash and cash equivalents	$ 82,544	$ 8,036	$ 341	$ 3,322	$ 94,243
Equity in pooled invested cash	1,187,680	410	6,485	45,083	1,239,658
Investments	3,937	444,995		37,289	486,221
Endowment investments	169,385				169,385
Foundation investments	720,721				720,721
Tuition contracts receivable	58,865	165,377			224,242
Other accounts receivable	386,971	1,814	7,573	43,300	439,658
Due from primary government			3,264		3,264
Inventories	12,398				12,398
Prepaid items	5,862				5,862
Deferred charges	1,865		2,891		4,756
Loans and notes receivable, net	72,529		4,156	837	77,522
Investments in direct financing leases			244,514	5,893	250,407
Other assets	16,448		1	7,800	24,249
Restricted assets:					
Cash and cash equivalents	166,806		74		166,880
Investments	6,533		8,808	8,993	24,334
Other	26				26
Capital assets, net of accumulated depreciation:					
Land	149,771			7,863	157,634
Art and historical treasures	384				384
Structures and improvements	3,039,235		183,115	27,229	3,249,579
Infrastructure	181,066				181,066
Equipment	376,952	95	10,340	7,835	395,222
Construction in progress	481,983			5,969	487,952
Total assets	7,121,961	620,727	471,562	201,413	8,415,663
Liabilities:					
Salaries payable	99,531				99,531
Accounts payable and accrued liabilities	144,561	271	9,423	37,382	191,637
Due to primary government	921				921
Unearned revenue	197,240	9,113	9,546	2,476	218,375
Accrued insurance on loan losses				9,693	9,693
Other liabilities	1,147	75		219	1,441
Bonds and notes payable:					
Due within one year	85,163		16,285	1,447	102,895
Due in more than one year	1,059,217		239,964	6,118	1,305,299
Other noncurrent liabilities:					
Due within one year	98,674	46,789	48	36,637	182,148
Due in more than one year	163,594	613,996	2,885	28,555	809,030
Total liabilities	1,850,048	670,244	278,151	122,527	2,920,970

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Net Assets:					
Invested in capital assets, net of related debt	3,203,759	95	177,702	36,844	3,418,400
Restricted:					
Debt service			3,830		3,830
Capital improvements and deposits		773	5,053	283	6,109
Nonexpendable:					
Scholarships and fellowships	215,600				215,600
Research	7,839				7,839
Other	351,154				351,154
Expendable:					
Debt service	4,471				4,471
Capital projects	12,614				12,614
Loans and notes receivable	75,837				75,837
Scholarships and fellowships	92,899				92,899
Research	86,862				86,862
Other	211,597				211,597
Unrestricted	1,009,281	(50,385)	6,826	41,759	1,007,481
Total net assets	$5,271,913	$ (49,517)	$ 193,411	$ 78,886	$ 5,494,693

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

STATE OF MARYLAND

Combining Statement of Activities
Component Units
For the Year Ended June 30, 2009

(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Expenses:					
General and administrative		$ 1,939	$ 7,404	$ 14,339	$ 23,682
Operation and maintenance of facilities	$ 346,588		19,478	95,923	461,989
Provision for insurance on loan losses, net				4,936	4,936
Instruction	1,084,569				1,084,569
Research	895,087				895,087
Public service	140,995				140,995
Academic support	364,758				364,758
Student services	186,854				186,854
Institutional support	378,926				378,926
Scholarships and fellowships	94,370				94,370
Tuition benefits		52,489			52,489
Auxiliary	477,600				477,600
Hospitals	130,106				130,106
Interest on long-term debt	41,764		17,109	1,073	59,946
Depreciation and amortization		55	15,090	3,099	18,244
Foundation expenses	83,432				83,432
Other	452	19	8,239	22,826	31,536
Total expenses	4,225,501	54,502	67,320	142,196	4,489,519
Program revenues:					
Charges for services:					
Student tuition and fees (net of $208,661 in allowances)	1,047,683				1,047,683
Auxiliary enterprises (net of $28,383 in allowances)	495,737				495,737
Restricted investment earnings (loss)	(189,614)		1,808	85	(187,721)
Other	282,532	56,196	31,472	116,272	486,472
Total charges for services	1,636,338	56,196	33,280	116,357	1,842,171
Operating grants and contributions	1,233,950		21,035	22,002	1,276,987
Capital grants and contributions	195,392			1,821	197,213
Total program revenues	3,065,680	56,196	54,315	140,180	3,316,371
Net program revenue (expense)	(1,159,821)	1,694	(13,005)	(2,016)	(1,173,148)
General revenues:					
Grants and contributions not restricted to specific programs	1,168,986				1,168,986
Unrestricted investment earnings (loss)	(4,783)	(112,532)	219	2,412	(114,684)
Additions to permanent endowments	(3,354)				(3,354)
Total general revenues, additions and deductions to permanent endowments	1,160,849	(112,532)	219	2,412	1,050,948
Changes in net assets	1,028	(110,838)	(12,786)	396	(122,200)
Net assets - beginning of the year	5,270,885	61,321	206,197	78,490	5,616,893
Net assets - end of the year	$5,271,913	$ (49,517)	$ 193,411	$ 78,886	$5,494,693

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

STATE OF MARYLAND

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For the Year Ended June 30, 2009

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1. Summary of Significant Accounting Policies:

A. Reporting Entity

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the governing body to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the government-wide financial statements includes the financial data of the following major component units. Individual statements are presented for each component unit.

Higher Education (Proprietary Fund Type) – Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The universities and colleges are funded through State appropriations, tuition, Federal grants, and private donations and grants. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Some of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the universities and colleges in accordance with the requirements of GASB Statement No. 14 as amended by GASB Statement No. 39.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the College Savings Plans of Maryland and directed by its Board. The Board consists of five State officials and five members of the public appointed by the Governor. The Maryland Prepaid College Trust provides a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. If the Trust's contract obligations exceed the market value of Trust assets, State appropriations may be provided.

Maryland Stadium Authority (Proprietary Fund Type) - The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Authority's Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and Treasurer) have approved all of the projects and bond issuances of the Authority.

The non-major component units are comprised of the following proprietary fund type entities.

The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight members are appointed by the Governor.

The Authority has statewide jurisdiction to promote the State's welfare by undertaking real estate development and management activities that facilitate the wholesale food industry activity in the public interest. It is subject to State regulations and approvals and has received State subsidies.

The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

The Maryland Industrial Development Financing Authority (MIDFA) was established as a body corporate and politic and a public instrumentality of the State. The Authority consists of nine members, the Secretary of the Department of Business and Economic Development, or his designee, the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The MIDFA is subject to the authority of the Secretary and subject to State finance regulations. It provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Technology Development Corporation (Corporation) was established as a body corporate and politic and a public instrumentality of the State. The Corporation's Board of Directors consists of 15 individuals, the Secretary of the Department of Business and Economic Development and 14 members appointed by the Governor with the advice and consent of the Senate. Its budget is submitted to and approved by the State, and its major revenue source is State appropriations. The Corporation was created to assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by the colleges and universities and to assist in the commercialization of technology developed in the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

Complete financial statements of the individual component units and the Local Government Investment Pool of the Investment Trust Fund may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

Related Organizations

The Maryland Economic Development Corporation (MEDCO), Injured Workers' Insurance Fund and the Maryland Automobile Insurance Fund are related organizations of the State. The Governor appoints a majority of the Board of Directors, but the State does not have the ability to impose its will on the organizations, and there is no financial benefit/burden relationship. As of June 30, 2009, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling $23,917,000. The Maryland Industrial Development Financing Authority (MIDFA) provides insurance as a credit enhancement for transactions of MEDCO. As of June 30, 2009 the insurance outstanding on MEDCO's transactions insured by MIDFA, other component unit, was $5,112,000.

B. Government-wide and Fund Financial Statements

The State's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. Interfund activity has been eliminated from these statements except for certain charges for services between activities that would distort the direct costs and program revenues reported for the applicable functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants

who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements as those assets are not available to support government programs. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (other than the agency funds), financial statements. The agency funds are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, other post-employment benefits, compensated absences, pollution remediation and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The State reports the following major governmental funds:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, health and mental hygiene, education (other than higher education institutions), human resources, public safety, judicial, labor, licensing and regulation, natural resources and recreation, housing and community development, environment, agriculture, and business and economic development. Resources obtained from Federal grants and used for general fund activities consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Fund, Maryland Department of Transportation:

Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the special revenue fund. The Maryland Department of Transportation special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation, including construction or improvement of transportation facilities and mass transit operations.

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The enterprise funds differ from governmental funds in that the focus is on the flow of economic resources, which, together with the

maintenance of equity, is an important financial indicator.

The major enterprise funds are as follows.

1. The Economic Development Loan Programs includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

2. The Unemployment Insurance Program reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment taxes collected from employers, Federal revenue received and remittance of benefits to the unemployed.

3. The Maryland State Lottery Agency operates the State Lottery.

4. The Maryland Transportation Authority is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Fiduciary Funds:

1. The Pension and Other Employee Benefits Trust Fund (Pension Trust Fund) includes the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Pension Trust Fund reflects the transactions, assets, liabilities and net assets of the plans administered by the State and is accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is reported as of and for its period ended December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.

2. The Investment Trust Fund reflects the transactions, assets, liabilities and net assets of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.

3. The Postretirement Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions, assets, liabilities and net assets are accounted for using the flow of economic resources measurement focus. The assets of the Pension and OPEB Trusts are not pooled for investment purposes, and each trust's assets may be used only for the payment of benefits to the trust's members in accordance with the terms of the trust.

4. The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of litigants, patient and prisoner accounts, various taxes collected by the State for distribution to political subdivisions and amounts withheld from employees' payroll.

D. Change in Accounting Principles and Restatement of Beginning Balances

As of July 1, 2008, the State reported pollution remediation obligations in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement resulted in the recognition of expenses and liabilities to address the current or potential detrimental effects of existing pollution. Accordingly, the beginning net assets for governmental activities in the government-wide financial statements are restated as follows (amounts expressed in thousands).

Beginning net assets, as previously reported	$12,081,097
Recognition of pollution remediation obligations	(177,868)
Beginning net assets, as restated	$11,903,229

The Maryland Transportation Authority, an enterprise fund, adjusted capital asset and accumulated depreciation balances for capital assets which were not previously recognized and changes in capital asset lives. The Authority also adjusted various assets

and liabilities, primarily for amortization using the effective interest method. Accordingly, the beginning net assets for the Authority are restated as follows (amounts expressed in thousands).

Beginning net assets, as previously reported	$1,982,873
Increase in net capital assets	149,301
Net decrease in various assets and liabilities	(6,862)
Beginning net assets, as restated	$2,125,312

E. New Pronouncements:

GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, in June 2007, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in June 2008, effective for financial statements for periods beginning after June 15, 2009. The Deferred Compensation Plan of the Pension Trust Funds has early implemented Statement No. 53. In addition, the GASB issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in March 2009, effective for financial statements for periods beginning after June 15, 2010. The State will implement each of these as of their effective dates. While the State is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the State.

2. Significant Accounting Policies - Assets, Liabilities and Net Assets or Equity:

A. All Funds:

Deposits with Financial Institutions and Investments:

The State Treasurer's Office operates a centralized cash receipt, investment and disbursement function for the majority of the State's funds as required by statute. Certain enterprise activities, pension funds, agency funds and component units are specifically exempted from this function in the law. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash only if the law specifically provides for the fund's accrual of interest earnings.

The State Treasurer's Office invests short-term cash balances on a daily basis primarily in U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.
- Securities Lending Collateral.

In addition, bond sale proceeds may be invested in Municipal securities. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments are recorded at fair value and changes in fair value are recognized as revenue. Fair values are based on quotations from national security exchanges and security pricing services, or by the respective fund managers for securities which are not actively traded. Money market mutual funds and the Maryland Local Government Investment Pool are operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Their fair values are based on a share price of $1.00 per share. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

The Maryland State Retirement and Pension System (System), in accordance with State Personnel and Pensions Article Section 21-123 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in nondividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the total assets of the System. The System is authorized by Section 21-116 of the State Personnel and Pensions Article to establish and maintain the investment policy manual, which authorizes investing in all major sectors of the capital market in order to diversify and minimize total investment program risk. Such sectors include, but are not limited to, common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies; private equity - direct/partnership/funds; real estate investment trusts; commingled real estate funds; directly owned real estate; fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, and supra-national organizations; futures and options; foreign exchange forward and future contracts and options; equity index futures; and equity options.

Investments of the System, the Postretirement Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value. The investments of the OPEB Trust and the MTA Pension Plan are held and invested on their behalf by the System and are limited to those allowed for the System. For fixed income securities, fair value is based on quoted market prices provided by independent pricing services. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages and mortgage related securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Fair value for real estate investments is based on estimated current values and independent appraisals. Fair value for private equity investments and mutual funds (other than those funds traded on a national or international exchange) is based on information provided by the applicable fund managers.

State employees are offered participation in deferred compensation plans created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans is responsible for the implementation, maintenance and administration of the Plans. The Board has appointed a private company as the Plans' administrator. Assets of the Plans are held in trusts for the exclusive benefit of participating employees and their beneficiaries. Investments of the Plans are valued at cost plus interest credited for fixed earnings investment contract pools and at fair value based on published quotations at each December 31, or net asset value as provided by the investment custodian, for variable earnings investments.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems. (See footnote 15.) The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement costs have been provided on the accrual basis, based upon actuarial valuations, except that retirement expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Other Post-Employment Benefit Costs:

Substantially all State retirees may participate in the various health care plans offered by the State. (See footnote 16.) Post-employment health care costs have been provided on the accrual basis, based upon actuarial valuations, except that other post-employment expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary funds and discretely presented component units on an accrual basis and the modified accrual basis for the governmental funds. The long-term accrued self-insurance costs of the governmental funds, which are not expected to be funded with current resources, are reported in the government-wide financial statements.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

Capital Assets:

Capital assets, which include property, plant, art and historical treasures, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to June 30, 1980, is not reported. Capital assets are defined by the government as assets with an initial, individual cost of more than $50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Year
Buildings	5-50
Building improvements	5-50
Vehicles	3-25
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-50

Long-term Obligations:

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances

are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, and then unrestricted resources as they are needed.

Debt Refinancing:

The gain or loss associated with debt refinanced is deferred and amortized to interest expense over the remaining life of the old debt or the life of the new debt whichever is shorter.

Net Assets:

Net assets are divided into three categories. Net assets invested in capital assets net of related debt is the capital assets less accumulated depreciation and outstanding principal of the related debt. Restricted net assets reflect restrictions on assets imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation. Unrestricted net assets are total net assets of the State less net assets invested in capital assets net of related debt and restricted net assets. Unrestricted net assets are comprised mainly of cash, investments, loans and receivables.

B. Governmental Funds:

Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements under the consumption method.

Grants:

Revenues from Federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The government considers all grant revenues to be available if they are collected within 60 days of the current fiscal period. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records a deferred revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real property subject to taxation, due and payable each July 1 and December 1 (lien dates), based on assessed values as of the previous January 1, established by

the State Department of Assessments and Taxation at 100% of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate in fiscal year 2009 was 11.2¢ per $100 of assessed value. Unpaid property taxes are considered in arrears on October 1 and January 1, respectively, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. An asset is recognized in the period when the legal claim to the assets arises or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions, are recorded as intergovernmental expenditures if such payments do not require mandatory use for specific functions. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Assets:

Expenditures for capital assets are reported as capital outlays in the governmental funds.

Compensated Absences:

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

C. Enterprise Funds, Fiduciary Funds and Component Units:

Basis of Accounting:

The accounts of the enterprise funds, fiduciary funds and component units are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. For both the government-wide business-type activities and the enterprise fund financial statements, the State has selected the option to apply all applicable GASB pronouncements and only FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989.

Enterprise funds and component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents:

The enterprise funds consider all highly liquid investments that mature within 90 days of purchase to be cash and cash equivalents for reporting on the statement of cash flows.

Grants:

Revenues from Federal reimbursement type grants are recorded when the related expenses are incurred.

Capital Assets:

Capital assets are stated at cost. Depreciation of the cost of capital assets is provided on the straight-line basis over estimated useful lives of 5 to 50 years for depreciable real property and building improvements, and 3 to 10 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

Lottery Revenues, Prizes and Related Transfers:

Revenues and prizes of the Maryland State Lottery Agency (Lottery) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization. Reductions required to the reserve for loan or insured loan reserves are recorded as negative expenses.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

3. Deposits with Financial Institutions and the U.S. Treasury, Equity in Pooled Invested Cash and Investments:

Cash and cash equivalents, equity in pooled invested cash and investments as shown on the basic financial statements as of June 30, 2009, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands).

Government-wide statement of net assets:	
Cash and cash equivalents	$ 359,852
Equity in pooled invested cash	3,640,525
Investments	1,911,648
Collateral for lent securities	131,122
Restricted cash and cash equivalents	1,604,110
Restricted investments	1,058,301
Statement of fiduciary net assets:	
Cash and cash equivalents	3,544,207
Equity in pooled invested cash	801,959
Investments	30,908,958
Collateral for lent securities	5,017,132
Total cash and cash equivalents and investments per basic financial statements	48,977,814
Less: Cash and cash equivalents and investments of higher education foundations not subject to disclosure	764,711
Total cash and cash equivalents and investments per Note 3	$48,213,103

Note 3 of the financial statements:	
Cash deposits:	
Governmental funds	$ 301,546
Enterprise funds	573,817
Fiduciary funds	383,531
Component units	69,441
Investments:	
Governmental funds	4,679,249
Enterprise funds	2,291,121
Fiduciary funds	39,086,766
Component units	827,632
Total cash deposits and investments	$48,213,103

Cash and cash equivalents for financial statement presentation include short-term investments maturing within 90 days of purchase. Investments for financial statement presentation include certificates of deposit maturing 90 days or more from date of purchase.

A. *Cash Deposits:*

As of June 30, 2009, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were $301,546,000, $573,817,000, $383,531,000 and $69,441,000, respectively. The bank balances were $301,546,000, $572,357,000, $383,531,000, and $73,667,000, respectively.

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

The Economic Development Loan Programs, Higher Education component unit, Maryland Stadium Authority, and certain other component units do not have a deposit policy for custodial credit risk. As of June 30, 2009, $232,000, $26,652,000, $74,000, and $482,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized. The Maryland Prepaid College Trust does not have a policy for custodial credit risk. As of June 30, 2009, $8,187,000, of its bank balances and $1,152,000 of other component units' bank balances were exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the component unit's name.

B. *Investments:*

The State discloses investment risks as follows:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government

and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

1. *Investments-Governmental Funds:*

The State Treasurer's Office is authorized to make investments as stated in footnote 2.A.

Investments are stated at fair value that is based on quoted market prices. The investments and maturities as of June 30, 2009, for the governmental funds of the primary government are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1-3	More than 3
U.S. agencies (a)	$ 4,208,176	$ 25,077	$ 132,941 (b)	$ 4,050,158 (c)
Repurchase agreements	10,391			10,391
Money market mutual funds	99,183	99,183		
Local Government Investment Pool	230,377	230,377		
Total investments	4,548,127	354,637	132,941	4,060,549
Collateral for lent securities	131,122	131,122		
Total investments and collateral for lent securities	$ 4,679,249	$ 485,759	$ 132,941	$ 4,060,549

(a) Investments held by broker dealers under securities lending program are $30,025,000.
(b) Bonds in the amount of $54,265,000, mature September 2011 to October 2011, but are callable September 2009 to October 2009.
(c) Bonds in the amount of $3,399,973,000, mature August 2012 to June 2014, but are callable July 2009 to June 2012.

Interest Rate Risk. The State Treasurer's Office's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase. Sinking fund investments with guaranteed earnings to redeem term bonds beginning in fiscal year 2016 were $10,391,000.

Credit Risk. State law requires that the governmental funds' repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments are made directly in U.S. agency obligations. Obligations of the Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation are rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. Obligations of the Federal Home Loan Bank are rated Aaa by Moody's and AAA by Standard & Poor's. Obligations of the Federal Agricultural Mortgage Corporation are not rated. State law also requires that money market mutual funds have the highest possible rating from at least one nationally recognized securities rating organization. The money market mutual funds are rated A-1/P-1/F-1 by Standard & Poor's, Moody's, and Fitch, respectively. The Local Government Investment Pool is rated AAAm by Standard & Poor's.

Concentration of Credit Risk. The State Treasurer's Office's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5 percent of the governmental funds' investments are in the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Federal Agricultural Mortgage Corporation, the Federal Farm Credit Bank and the Federal National Mortgage Association. These investments are 27.2%, 21.2%, 19.0%, 13.1%, and 12.6% of the governmental funds' total investments, respectively.

2. *Investments - Enterprise Funds:*

The enterprise funds' bond indentures and investment policies, with the exception of the Economic Development Loan Programs, authorize the investment of assets related to the indentures and other funds in obligations in which the State Treasurer may invest. The Economic Development Loan Programs are authorized to invest in obligations of the U.S. Treasury, U.S. government agencies, obligations of U.S. political subdivisions, bankers' acceptances, commercial paper, repurchase agreements, guaranteed investment contracts, corporate debt securities and mutual funds.

Investments of the enterprise funds are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2009, for the enterprise funds of the primary government are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1 - 5	6-10	11-15	More than 15
U.S. Treasury obligations	$ 508,233	$ 15,257		$25,474	$12,930	$454,572
U.S. Government agency obligations	573,601	323,804	$241,032	669	2,236	5,860
Repurchase agreements	39,825			21,838		17,987
Commercial paper	19,998	19,998				
Guaranteed investment contracts	22,625	2,000		20,625		
Money market mutual funds	938,040	938,040				
Total	$2,102,322	$1,299,099	$241,032	$68,606	$15,166	$478,419

In addition to the investments scheduled above, as of June 30, 2009, the enterprise funds' investments also include the fair value of direct equity investments, $52,957,000.

The State Lottery Agency, a major enterprise fund, invests in U.S. Treasury obligations and annuity contracts that provide for guaranteed payouts to jackpot prize winners and, therefore, have no interest rate risk to the Lottery. As of June 30, 2009, the fair value of these investments was $135,458,000 and $384,000, respectively. Of these investments, U.S. Treasury obligations held by broker dealers under the securities lending program were $100,169,000.

Interest Rate Risk. The enterprise funds' policy for managing their exposure to fair value loss arising from increasing interest rates is to manage investment maturities so that they precede or coincide with the expected need for funds.

Credit Risk. The investment policies of the enterprise funds require that repurchase agreements are collateralized by U.S. Treasury and agency obligations. The policies also require that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by these or that they receive the highest possible rating from at least one nationally recognized securities rating organization and that commercial paper be rated A-1, P-1. According to the indenture and investment policy of the Economic Development Loan Programs, investments must be rated no lower than the rating on the Loan Programs' bonds or F1/P1 for the issuer's short-term accounts or securities. The rating on the Loan Programs' bonds as of June 30, 2009, was Aa by Moody's and AA by Fitch.

As of June 30, 2009, the enterprise funds had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. Government agency obligations	$ 573,601	AAA/Aaa	S&P/Moody's	25.04%
Money market mutual funds	938,040	AAAm/Aaa	S&P/Moody's	40.94
Repurchase agreements-underlying securities	39,825	AAA/Aaa	S&P/Moody's	1.74
Commercial paper	19,998	A-1/P-1	S&P/Moody's	0.87
Total	$1,571,464			68.59%

Concentration of Credit Risk. The enterprise funds place no limit on the amount they may invest in any one issuer of U.S. Government agency obligations. More than 5% of the enterprise funds' investments are in obligations of the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation. These investments are 12.6% and 7.3% of the enterprise funds' total investments.

3. Investments - Fiduciary Funds:

The Pension and OPEB Trust Funds are authorized to make investments as stated in footnote 2.A.

The Maryland Local Government Investment Pool is authorized by Article 95, Section 22G, of the Annotated Code of Maryland to invest in any instrument in which the State Treasurer may invest. Investments of the Pool are stated at fair value. Securities are valued daily on an amortized cost basis which approximates market value. Money market funds are valued at the closing net asset value per share on the day of valuation.

The investments and maturities as of June 30, 2009, for the fiduciary funds of the primary government are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than10
U.S. Treasury notes and bonds	$ 1,609,364	$ 71,885	$ 531,503	$ 202,002	$ 803,974
U.S. Treasury strips	9,147			1,354	7,793
U.S. Government agency obligations	1,703,297	1,383,628	249,601	56,578	13,490
Repurchase agreements	183,413	183,413			
Bankers' acceptances	74,245	74,245			
Commercial paper	217,065	217,065			
Guaranteed investment contracts (a)	733,546		728,896	4,650	
Corporate bonds	1,728,645	29,302	700,071	719,331	279,941
International bonds	39,352		10,578	8,960	19,814
Other government bonds	393,390	19,557	154,550	116,360	102,923
Mortgage-backed securities	2,205,726		3,414	69,261	2,133,051
Asset-backed securities	180,009	9,099	46,217	21,606	103,087
Bond mutual funds	1,633,213	429,604	510,625	692,984	
Swaps	(1,702)	(2,096)	604	145	(355)
Money market mutual funds	3,755,102	3,755,102			
Total investments	14,463,812	6,170,804	2,936,059	1,893,231	3,463,718
Collateral for lent securities	5,017,132	5,017,132			
Total investments and collateral for lent securities	$19,480,944	$11,187,936	$2,936,059	$1,893,231	$3,463,718

(a) These investments are stated at contract value as of December 31, 2008. The fair value as of December 31, 2008, was $687,735,000, and the wrapper value was $1,953,000.

In addition to the investments scheduled above, as of June 30, 2009, the fiduciary funds' investments also include the fair value of stock mutual funds, $5,914,220,000, corporate equity securities, $11,559,237,000, private equity, $959,143,000, real estate, $1,050,225,000, annuity contracts, $118,910,000, and insurance contracts, $4,088,000.

Interest Rate Risk. The Maryland State Retirement and Pension System (System) may invest in derivatives as permitted by guidelines established by the Board of Trustees. Compliance with these guidelines is monitored by the System's staff. Derivatives are used to improve yield, adjust the duration of the fixed income portfolio, or hedge against changes in interest rates. As of June 30, 2009, the System had $1.8 billion invested in mortgage pass-through securities. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying. Substantially all derivatives are recorded at fair value in the Statement of Net Assets.

The Deferred Compensation Plans (Plans) invest in annuity contracts and insurance contracts that provide for guaranteed payouts to participants and, therefore, have no interest rate risk to the Plans. As of June 30, 2009, the fair value of these investments was $118,910,000 and $4,088,000, respectively.

The State Treasurer's Office manages the Local Government Investment Pool. The State Treasurer's investment policies state that no direct investment by the Pool may have a maturity date of more than 13 months after its acquisition.

Credit Risk. The investment policy of the System regarding credit risk is determined by each investment manager's mandate. The Local Government Investment Pool may invest in banker's acceptances and commercial paper rated only Tier 1 by at least one nationally recognized securities rating organization. As of June 30, 2009, the fiduciary funds' investments were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
U.S. Government agency obligations	$1,675,652	AAA	4.91%
U.S. Government agency obligations	558	AA	0.00
U.S. Government agency obligations	698	A	0.00
U.S. Government agency obligations	2,078	BBB	0.01
U.S. Government agency obligations	429	B	0.00
U.S. Government agency obligations	23,882	Unrated	0.07
Repurchase agreements-underlying securities	183,413	AAA	0.54
Money market mutual funds	1,614,598	AAA	4.74
Money market mutual funds	2,124,279	A	6.24
Money market mutual funds	16,225	Unrated	0.05
Bankers' acceptances	74,245	A1/P1	0.22
Commercial paper	217,065	AAA	0.64
Guaranteed investment contracts	728,896	AA	2.14
Guaranteed investment contracts	4,650	Unrated	0.01
Corporate bonds	200,966	AAA	0.58
Corporate bonds	123,379	AA	0.36
Corporate bonds	514,107	A	1.51
Corporate bonds	47,126	BAA	0.14
Corporate bonds	2,461	BA	0.01
Corporate bonds	474,804	BBB	1.39
Corporate bonds	155,834	BB	0.46
Corporate bonds	56,021	B	0.16
Corporate bonds	26,555	CAA	0.08
Corporate bonds	235	CA	0.00

Corporate bonds	57,816	CCC	0.17
Corporate bonds	676	CC	0.00
Corporate bonds	549	C	0.00
Corporate bonds	4,128	D	0.01
Corporate bonds	63,988	Unrated	0.19
International bonds	9,790	AAA	0.03
International bonds	410	AA	0.00
International bonds	13,766	A	0.04
International bonds	999	BBB	0.00
International bonds	1,786	BB	0.01
International bonds	5,338	B	0.02
International bonds	786	CCC	0.00
International bonds	625	CC	0.00
International bonds	5,852	Unrated	0.02
Other government bonds	74,626	AAA	0.22
Other government bonds	69,165	AA	0.20
Other government bonds	83,678	A	0.25
Other government bonds	22,215	BAA	0.07
Other government bonds	28	BA	0.00
Other government bonds	102,453	BBB	0.30
Other government bonds	14,792	BB	0.04
Other government bonds	8,798	B	0.03
Other government bonds	2,489	CAA	0.01
Other government bonds	305	CCC	0.00
Other government bonds	120	C	0.00
Other government bonds	1,529	D	0.00
Other government bonds	13,192	Unrated	0.04
Mortgage-backed securities	2,003,550	AAA	5.88
Mortgage-backed securities	9,710	AA	0.03
Mortgage-backed securities	15,152	A	0.04
Mortgage-backed securities	9,458	BAA	0.03
Mortgage-backed securities	7,585	BA	0.02
Mortgage-backed securities	14,372	BBB	0.04
Mortgage-backed securities	11,272	BB	0.03
Mortgage-backed securities	47,490	B	0.14
Mortgage-backed securities	27,671	CAA	0.08
Mortgage-backed securities	171	CA	0.00
Mortgage-backed securities	18,224	CCC	0.05
Mortgage-backed securities	5,579	CC	0.02
Mortgage-backed securities	65	C	0.00
Mortgage-backed securities	160	D	0.00
Mortgage-backed securities	35,267	Not rated	0.10
Asset-backed securities-other	81,038	AAA	0.24
Asset-backed securities-other	16,325	AA	0.05
Asset-backed securities-other	5,265	A	0.02
Asset-backed securities-other	10,428	BAA	0.03
Asset-backed securities-other	7,946	BA	0.02
Asset-backed securities-other	13,779	BBB	0.04
Asset-backed securities-other	6,425	BB	0.02
Asset-backed securities-other	9,273	B	0.03
Asset-backed securities-other	12,625	CAA	0.04
Asset-backed securities-other	191	CA	0.00
Asset-backed securities-other	2,543	CCC	0.01

Asset-backed securities-other	1,083	CC	0.00
Asset-backed securities-other	55	C	0.00
Asset-backed securities-other	8	D	0.00
Asset-backed securities-other	13,025	Not rated	0.04
Bond mutual funds	1,633,213	Not rated	4.79
Swaps	(1,702)	Not rated	0.00
Total	$12,845,301		37.70%

Foreign Currency Risk. The majority of the System's foreign currency-denominated investments are in equities, which the System's asset allocation policy limits to 15%.

The System's exposure to foreign currency risk as of June 30, 2009, is as follows (amounts expressed in thousands).

Currency	Equity	Fixed Income	Cash	Alternative Investments	Mutual Funds	Total
Australian dollar	$ 324,459	$ 410	$ 732	$ 46,167		$ 371,768
Brazilian real	22,202		235	1,208		23,645
Canadian dollar	403,533	434	1,874	5,446		411,287
Czech koruna	235		125			360
Danish krone	83,137		371			83,508
Egyptian pound	233					233
Euro currency	1,788,864	27,710	13,967	213,421		2,043,962
Hong Kong dollar	265,523		1,822	124,149		391,494
Hungarian forint			297			297
Indian rupee	5,126		19			5,145
Israeli shekel	572		44			616
Japanese yen	1,157,367	2,750	13,635	110,949		1,284,701
Malaysian ringgit	2,534		182			2,716
Mexican peso	9,674		11			9,685
New Taiwan dollar	4,601		9,612			14,213
New Turkish lira	4,439		2			4,441
New Zealand dollar	4,113	455	49			4,617
Norwegian krone	35,721		801			36,522
Philippine peso	348					348
Polish zloty	1,082		1			1,083
Pound sterling	1,083,455	10,646	4,389	100,806		1,199,296
Singapore dollar	82,134		208	16,068		98,410
South African rand	9,060		294			9,354
South Korean won	28,745		434			29,179
Swedish krona	147,349	616	655	3,515		152,135
Swiss franc	434,678		1,788	4,077		440,543
Thailand baht	1,513		58			1,571
Turkish lira	1,927					1,927
Multiple		874		76,194	$1,266,609	1,343,677
Total	$5,902,624	$ 43,895	$ 51,605	$ 702,000	$1,266,609	$ 7,966,733

4. *Investments - Component Units:*

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments and are invested in accordance with the investment policies adopted by the Board of Trustees. In general, endowment

resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, asset-backed securities and mutual funds that invest in government securities. The investments of the higher education foundations are not included in the GASB Statement No. 40 disclosures below because the foundations are not required to and do not follow the GASB.

In July 2005, one of the institutions, the University System of Maryland, transferred title to its endowment investments to its foundation in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the foundation. The agreement is for a term of five years, with renewable two-year extensions at the option of the institution, unless notice of intent to terminate the arrangement is provided prior to the expiration of the term. If the agreement is terminated, funds invested with individual investment managers that have commitments from the foundation to maintain investments for certain minimum time periods may not be returned to the institution until those constraints have been satisfied. For reporting purposes, the foundation's investments have been reduced by the amount of the institution's investments with the foundation.

The Maryland Stadium Authority is restricted by the trust indenture for each bond issue as to the investments which can be made. Authorized investments under the indentures include U.S. Treasury and agency obligations, municipal obligations, banker's acceptances, and repurchase agreements.

Investments of the component units are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2009, for the component units are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations……	$ 27,905	$ 5,905	$14,725	$ 5,269		$ 2,006
U.S. Government agency obligations….	46,717	3,436	993	1,922	$4,167	36,199
Bond mutual funds……..……..	9,881	9,881				
Corporate debt securities……	96,695	4,434	31,133	21,639	1,598	37,891
Municipal bonds…….	5,234	1,540	454	744	849	1,647
Money market mutual funds……	210,235	210,235				
Total…….	$ 396,667	$235,431	$47,305	$29,574	$6,614	$ 77,743

In addition to the investments scheduled above, as of June 30, 2009, the component units' investments include the fair value of stock mutual funds, $157,345,000, corporate equity securities, $92,068,000, real estate, $17,854,000, and the share of assets invested with the foundation, $163,698,000.

Interest Rate Risk. The policy of the higher education institutions for managing their exposure to fair value loss arising from increasing interest rates is to comply with their investment policy, which sets maximum maturities for various fixed income securities.

Credit Risk. The policies of the higher education institutions for reducing their exposure to credit risk is to require minimum quality ratings for fixed income securities. The investment policy of the Maryland Prepaid College Trust requires the average rating in each portfolio to be "A" or better. The trust indenture for each bond issuance by the Maryland Stadium Authority requires money market investments to be rated in the highest category by two nationally recognized securities rating organizations.

As of June 30, 2009, the component units had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Rating	Rating Organization	Percentage of Total Investments
U.S. agencies	$ 3,955	AAA/Aaa	S&P & Moody's	0.48%
U.S. agencies	42,762	Not rated		5.17
Money market mutual funds	197,229	Aaa	Moody's	23.84
Money market mutual funds	13,006	Not rated		1.57
Bond mutual funds	9,881	Not rated		1.19
Corporate debt securities	14,748	AAA/Aaa	S&P & Moody's	1.78
Corporate debt securities	8,078	AA/Aa	S&P & Moody's	0.98
Corporate debt securities	25,615	A	S&P & Moody's	3.09
Corporate debt securities	37,104	Less than A	Moody's	4.48
Corporate debt securities	99	BBB	S&P & Moody's	0.01
Corporate debt securities	11,051	Not rated		1.34
Municipal bonds	5,234	Aaa	Moody's	0 .63
Total	$ 368,762			44.56%

Concentration of Credit Risk. The component units place no limit on the amount they may invest in U.S. Government issuers.

In addition to the Maryland Prepaid College Trust, the College Savings Plans of Maryland consists of the Maryland College Investment Plan, a fiduciary component unit. As of June 30, 2009, the Plan has $1,480,240,000 of investments held in trust for individuals and organizations.

C. Securities Lending Transactions:

1. Governmental and Enterprise Fund Types:

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. These transactions may involve certain investments held in the State treasury for the benefit of State agencies. The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities in the future. Cash collateral is initially pledged at greater than the market value of the securities lent and additional cash collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent.

Securities on loan at year-end are owned by the general fund and the Maryland State Lottery Agency and are included in the preceding Investments Schedule in 3.B. At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2009, the fair value of the loaned securities and the related collateral were as follows (amounts expressed in thousands).

	Fair Value		
	Lent Securities	Collateral Received	Percent Collateralized
Securities-General fund	$ 30,025	$ 30,375	101.2%
Securities-Lottery Agency	100,169	100,747	100.6
Total	$ 130,194	$ 131,122	100.7%

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of lending agreements is matched with the term to maturity of the investment of the cash collateral by investing

only in repurchase agreements. Such matching existed at year-end. Investments made with cash received as collateral are included in the preceding Investments-Governmental Funds Schedule in 3.B.1.

The State's custodial bank is obligated to indemnify the State against liability for any suits, actions or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2009.

2. Fiduciary Funds:

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Funds' custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments – Fiduciary Funds Schedule in 3.B.3 includes (1) securities lent at year-end for cash collateral; (2) securities lent for securities collateral; and (3) investments purchased with cash collateral.

Borrowing brokers must transfer in the form of cash or other securities, collateral valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or interest rate risk on securities lending activity since inception of the program. As of June 30, 2009, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities, as follows (amounts expressed in thousands).

Securities Lent	Fair Value	Cash Collateral Received or Non-Cash Collateral Value	Percent Collateralized
Lent for cash collateral:			
Fixed income securities	$ 2,013,727	$ 2,056,772	102.1%
Domestic equities	2,017,223	2,078,176	103.0
International equities	829,560	882,184	106.3
Subtotal	4,860,510	5,017,132	
Lent for noncash collateral:			
Fixed income securities	238	241	101.3
Domestic equities	6,167	7,253	117.6
International equities	600		
Total securities lent	$ 4,867,515	$ 5,024,626	103.2%

During fiscal year 2009, the Funds maintained the right to terminate securities lending transactions upon notice. Cash collateral is invested in one of the lending agent's short-term investment pools, which as of June 30, 2009, had a weighted average maturity of 50 days and an average expected maturity of 52 days. Because the relationship between the maturities of the investment pools and the Fund's security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds cannot pledge or sell collateral securities received unless and until a borrower defaults.

4. Receivables:

Taxes receivable, as of June 30, 2009, consist of the following (amounts expressed in thousands).

	Major Governmental Funds			Total
	General	Special Revenue	Non-Major Governmental Funds	Governmental Funds
Income taxes	$ 414,057			$ 414,057
Sales and use taxes	369,396			369,396
Transportation taxes, principally motor vehicle fuel and excise		$74,982		74,982
Other taxes, principally alcohol and property	53,130		$ 25,239	78,369
Less: Allowance for uncollectibles	26,378			26,378
Taxes receivable, net	$ 810,205	$ 74,982	$ 25,239	$ 910,426

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period are $3,622,000.

Other accounts receivable in the governmental funds of $524,729,000, including $93,224,000 due in excess of one year, consist of various miscellaneous receivables for transportation costs, collection of bills owed to the State's collection unit, Medicaid reimbursements, and child support and public assistance overpayments and surcharges.

Other accounts receivable for the enterprise funds of $233,845,000, primarily consist of $124,763,000 due to the Maryland Unemployment Trust Fund from employers and for benefit overpayments, and $27,607,000, due to the Maryland State Lottery Agency for lottery ticket sale proceeds.

5. Deferred Revenue:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds, enterprise funds and component units also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2009, the various components of deferred revenue reported in the governmental funds and enterprise funds were as follows (amounts expressed in thousands).

	Unavailable	Unearned	Total
Tax receivables for revenues not considered available to liquidate liabilities of the current period (general fund)	$165,555		$165,555
Other receivables for revenues not considered available to liquidate liabilities of the current period (general fund)	222,545		222,545
Other receivables for revenues not considered available to liquidate liabilities of the current period (special revenue fund)	39,498		39,498
Other receivables for revenues not considered available to liquidate liabilities of the current period (other governmental funds)	55		55
Receipts that have been received, but not earned (general fund)		$315,094	315,094
Revenue in connection with resources that have been received, but not earned (special revenue fund)		12,917	12,917
Revenue in connection with resources that have been received, but not earned (enterprise funds)		22,942	22,942
Total deferred/unearned revenue for governmental funds and enterprise funds	$427,653	$350,953	$778,606

6. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2009, consist of the following (amounts expressed in thousands).

	Primary Government				Component Units		
	General	Special Revenue Department of Transportation	Non-major Governmental Funds	Enterprise	Higher Education	Stadium Authority	Other
Notes receivable:							
Political subdivisions:							
Water quality projects			$ 3,286	$ 863,718			
Public school construction		$ 2,644	285				
Other			21				
Volunteer fire & rescue companies	$ 8,537						
Permanent mortgage loans				3,133,632			
Student and health profession loans					$79,603		
Shore erosion loans	5,053						
Other	173				5,848	$ 4,156	$ 886
Total	13,763	2,644	3,592	3,997,350	85,451	4,156	886
Less: Allowance for possible loan losses				253,806	12,922		49
Loans and notes receivable, net	13,763	2,644	3,592	3,743,544	72,529	4,156	837
Due within one year	2,069	1,178	532	129,440	8,564	325	143
Due in more than one year	$11,694	$ 1,466	$ 3,060	$3,614,104	$63,965	$ 3,831	$ 694

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.4% to 8.8% and mature within 24 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater and drinking water projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' Federal assistance program. The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes. Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

B. Investment in Direct Financing Leases:

Enterprise Funds:

As of June 30, 2009, the Maryland Transportation Authority (Authority) has direct financing leases with the State's Department of Transportation, the Washington Metropolitan Area Transit Authority (WMATA), and the general fund. The present value of the direct financing leases as of June 30, 2009, was $423,948,000. As of June 30, 2009, the Authority held $47,109,000 to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

2010	$23,989
2011	25,024
2012	26,189
2013	27,294
2014	28,484

2015-2019	95,223
2020-2024	107,438
2025-2029	97,110
2030-2034	36,300
Total	467,051
Unearned interest income	4,006
Total lease payments	471,057
Restricted investments related to unexpended bond proceeds	47,109
Net investments in direct financing leases	$423,948

Component Units:

As of June 30, 2009, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2009, is $244,514,000. As of June 30, 2009, the Authority held $8,256,000 to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

2010	$ 31,603
2011	31,691
2012	31,861
2013	31,865
2014	31,944
2015-2019	129,879
2020-2024	64,605
2025-2029	13,867
Total	367,315
Less: Unearned interest income	114,545
Net lease payments	252,770
Restricted investments related to unexpended bond proceeds	8,256
Net investments in direct financing leases	$ 244,514

7. Restricted Assets:

Certain assets of the governmental activities, business-type activities and component units are classified as restricted assets on the Statement of Net Assets. The purpose and amount of restricted assets as of June 30, 2009, are as follows (amounts expressed in thousands).

Amount	Purpose
Governmental Activities:	
$38,413	Represents money restricted for completion of transportation construction projects maintained in a trust account per Certificates of Participation agreements
7,008	Represents investments restricted for debt service payments according to bond agreements
10,392	Represents sinking fund deposits restricted for redemption of term bonds
1,430	Represents certificates of deposit linked to funds loaned under the State's housing loan program
$57,243	

Business-type Activities:

$3,518,366	Assets of the Community Development Administration and the State Funded Loan Programs are restricted for various mortgage loans for low-income housing and local governments' public facilities
731,425	The purpose of the restricted assets is to secure the revenue bonds of the Maryland Water Quality Administration made for waste-water treatment systems and bay restoration
493,807	Restricted assets represent deposits with the U.S. Treasury to pay unemployment compensation benefits in accordance with Federal statute
175,669	This cash is held in separate annuity contracts and coupon bonds in the Maryland State Lottery Agency for winning lottery ticket payouts and escrow deposits from video lottery terminal license applicants
727,790	Cash and investments have been restricted in accordance with revenue bond debt covenants of the Maryland Transportation Authority for completion of capital projects and debt service
$5,647,057	

Component Units:

$173,365	Restricted assets of higher education include funds held by the trustee for future construction projects and to pay debt service, cash restricted for endowment purposes and assets associated with student loans and loan repayments
8,882	Restricted assets of Maryland Stadium Authority include cash and investments that relate to revenue bond indentures and master equipment lease financing agreements
8,993	Restricted assets include investments that relate to revenue bond indentures and to restricted project advances for the provision of water supply and waste-water treatment by the Maryland Environmental Service
$191,240	

8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2009, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	$ 9,407 (a)
	Enterprise Funds -	
	Economic Development Loan Programs	3,418 (b)
	Maryland State Lottery Agency	43,748 (a)
	Non-major enterprise funds	1,407 (c)
		$57,980
Special Revenue Fund	General Fund	$ 77,704 (d)
	Enterprise Funds -	
	Maryland Transportation Authority	32,276 (e)
		$109,980
Enterprise Funds –		
Economic Development Loan Programs	General Fund	$ 20,557 (g)
Unemployment Insurance Program	General Fund	2,606 (g)
Maryland Transportation Authority	Special Revenue Fund	5,643 (f)
		$ 28,806

The receivable and payable transactions between the Primary Government and Component Units, as of June 30, 2009, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	$ 921
Component Units -		
Maryland Stadium Authority	General Fund	$3,264

(a) The amounts represent monies collected by the special revenue fund and the Maryland State Lottery in June, 2009, and paid to the general fund in July, 2009.
(b) The amount represents short term advances from the general fund for principal and interest payments.
(c) The non-major enterprise funds received a loan from the State's general fund to finance the acquisition of the Department of Public Safety's laundry services.
(d) The amount represents income tax subsidies and return of health insurance costs from the general fund.
(e) The Maryland Transportation Authority collects fees for the special revenue fund. The money will be used to build and maintain special revenue fund infrastructure, structures and other improvements.
(f) The Maryland Transportation Authority lent funds to the special revenue fund for a construction project at the Seagirt Marine Terminal. The balance outstanding as of June 30, 2009, was $5,643,000. Payments will continue for 33 years after completion of the project.
(g) These amounts represent receivable balances from general fund subsidies.

All interfund balances except for (c) and (f), above, are expected to be repaid by June 30, 2010.

9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2009, consist of the following (amounts expressed in thousands).

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	$ 84,609
	Non-major Governmental Funds	8,591
	Enterprise Funds -	
	Maryland State Lottery Agency	493,206
	Economic Development Loan Programs	13,625
	Unemployment Insurance Program	2,714
		$602,745
Special Revenue Fund	General Fund	$373,638
Non-major Governmental Funds	General Fund	$ 89,875
	Special Revenue Fund	136,730
		$226,605
Enterprise Funds -		
Loan Programs	General Fund	$ 11,265
	Non-major Governmental Funds	7,086
Maryland Transportation Authority	Special Revenue Fund	30,000
		$ 48,351

Transfers are primarily used to 1) transfer revenues from the fund required by statute or budget to collect the revenue to the fund required by statute or budget to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the non-major governmental funds as debt service payments become due, and 3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the non-major governmental funds transferred $1,978,000 of interest earned on bonds, $445,000 for expenses for bond sales, $425,000 return of funds for rescinded pay-as-you-go capital projects, $5,653,000 of Shore Erosion loan repayments and $90,000 for the return of capital asset sales proceeds to the general fund. The general fund transferred $89,875,000 for program open space capital projects to the non-major governmental funds. The special revenue fund transferred $136,730,000 for redemptions and interest on transportation bonds.

The Maryland State Lottery transferred revenue in excess of funds allocated to prize awards, operating expenses and capital expenditure payments in the amount of $493,206,000, to the general fund. The general fund transferred $11,265,000 to support the operations of Enterprise Funds – Loan Programs, and the Enterprise Funds – Loan Programs transferred $13,625,000 of unused funds to the general fund. The Unemployment Insurance Program transferred $2,714,000 of unused proceeds to the general fund. The special revenue fund also transferred $30,000,000 to the Enterprise Fund – Maryland Transportation Authority for design, planning and land purchases for the Inter-County Connector Project. Expenditures for capital projects of $7,086,000 were transferred to Enterprise Funds – Loan Programs.

During the year, the general fund and other governmental funds had expenditures of $1,631,983,000, and $245,911,000, respectively, that were for funds provided to supplement revenues and construction costs, respectively, of the higher education component units. The general fund also had net expenditures of $18,692,000 that were for funds provided to supplement revenues of the Maryland Stadium Authority. The general fund transferred $22,227,000 to the non-major component unit, the Maryland Technology Development Corporation, for Maryland Stem Cell Research and other operating grants.

10. Capital Assets:

A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2009, was as follows (amounts expressed in thousands).

Governmental activities:

Classification	Balance June 30, 2008	Additions	Deletions	Transfers In/Out	Balance June 30, 2009
Capital assets, not being depreciated,					
Land and improvements	$ 2,877,333	$ 144,153	$ 34,295	$ 8,107	$ 2,995,298
Art and historical treasures	27,795				27,795
Construction in progress	3,215,853	816,452	44,433	(532,144)	3,455,728
Total capital assets, not being depreciated	6,120,981	960,605	78,728	(524,037)	6,478,821
Capital assets, being depreciated,					
Structures and improvements	5,666,984	213,615	90,507	53,285	5,843,377
Equipment	2,454,191	53,778	48,763	87,071	2,546,277
Infrastructure	16,139,363	411,627	28,875	383,681	16,905,796
Total capital assets, being depreciated	24,260,538	679,020	168,145	524,037	25,295,450
Less accumulated depreciation for,					
Structures and improvements	2,138,424	170,359	6,243		2,302,540
Equipment	1,648,416	148,188	38,471		1,758,133
Infrastructure	7,782,606	674,226	8,476		8,448,356
Total accumulated depreciation	11,569,446	992,773	53,190		12,509,029
Total capital assets, net	$ 18,812,073	$ 646,852	$ 193,683	$ -	$ 19,265,242

Business-type activities:

Classification	Balance June 30, 2008 as Restated	Additions	Deletions	Balance June 30, 2009
Capital assets, not being depreciated,				
Land and improvements	$ 351,296	$ 46,465	$ 1,911	$ 395,850
Construction in progress	846,024	627,378	92,209	1,381,193
Total capital assets, not being depreciated	1,197,320	673,843	94,120	1,777,043
Capital assets, being depreciated,				
Structures and improvements	45,755	230	95	45,890
Equipment	84,947	8,866	8,291	85,522
Infrastructure	2,461,418	89,459	6,642	2,544,235
Total capital assets, being depreciated	2,592,120	98,555	15,028	2,675,647
Less accumulated depreciation for,				
Structures and improvements	20,418	975		21,393
Equipment	58,600	5,625	8,282	55,943
Infrastructure	1,133,190	41,753	6,369	1,168,574
Total accumulated depreciation	1,212,208	48,353	14,651	1,245,910
Total capital assets, net	$2,577,232	$724,045	$94,497	$3,206,780

B. Depreciation Expense, Primary Government:

The depreciation expense for the year ended June 30, 2009, for the primary government was charged as follows (amounts expressed in thousands).

Governmental activities:

Function	Amount
General government	$ 35,598
Education	5,849
Human resources	9,918
Health and mental hygiene	7,363
Environment	487
Public safety	46,611
Housing and community development	221
Natural resources and recreation	16,521
Transportation	854,746
Agriculture	12,777
Labor, licensing and regulation	422
Judicial	2,260
Total depreciation expense – governmental activities	$ 992,773

Business-type activities:

Function	Amount
State Lottery	$ 649
Transportation Authority	46,216
Maryland Correctional Enterprises	1,467
Economic Development Loan Programs	21
Total depreciation expense - business type activities	$ 48,353

11. Long-Term Obligations:

A. Governmental Activities:

Changes in governmental activities' long-term debt, for the year ended June 30, 2009, are as follows (amounts expressed in thousands).

	Balance June 30, 2008, as Restated	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds and Notes Payable:					
General obligation bonds	$ 5,493,830	$ 911,363	$ 531,550	$ 5,873,643	$482,754
Transportation bonds	1,268,815	390,000	76,210	1,582,605	77,595
Deferred amounts:					
Issuance premiums	438,681	86,786	50,902	474,565	
On refunding	(45,953)	(2,389)	(10,940)	(37,402)	
Total bonds and notes payable	7,155,373	1,385,760	647,722	7,893,411	560,349
Other Liabilities:					
Compensated absences	276,372	190,724	159,214	307,882	168,794
Self insurance costs	317,699	984,257	982,578	319,378	111,601
Escheat property	35,007		35,007		
Net pension obligation	800,015	219,197	2,595	1,016,617	
Net other post employment benefits obligation	695,921	1,148,597	366,388	1,478,130	
Obligations under capital leases	883,970	26,096	61,858	848,208	65,158
Obligations under capital leases with component units	265,767	1,849	17,209	250,407	18,087
Pollution remediation	177,868	3,321	1,217	179,972	336
Total other liabilities	3,452,619	2,574,041	1,626,066	4,400,594	363,976
Total long-term liabilities-governmental activities	$10,607,992	$3,959,801	$2,273,788	$12,294,005	$924,325

General Obligation Bonds -

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, facilities for institutions of higher education and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts. Bonds are issued and accounted for on a "cash flow" basis rather than a "project" basis and are not sold to specifically fund an enabling act. General obligation bonds are subject to arbitrage regulations. However, there are no major outstanding liabilities in connection with these regulations as of June 30, 2009. Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, debt service fund loan repayments and general fund and capital projects fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2009, the State issued $911,363,000 of general obligations at a premium of $74,147,000 with related issuance costs of $3,365,000.

Included in bond issuances were $65,800,000 to refund certain outstanding general obligation bonds issued between 1999 and 2001. From the refunding bonds and related premium of $3,633,000, $69,213,000 was transferred to an escrow account and used to purchase U.S. Government securities. These securities will be used to secure the principal, call premium, and interest related to the refunded bonds. The interest rates on the refunded bonds range from 4.3% to 5.8%. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is $2,548,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, is $2,909,000.

Refunded bonds of $149,565,000 maturing in fiscal years 2011-2016 and callable in fiscal years 2010-2011 were considered defeased as of June 30, 2009. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2009, are as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
7/22/98	2002-2014	5.0-5.3%	$ 20,855	$250,000	$ 20,855
3/11/99	2002-2014	4.0-4.5	18,620	225,000	18,620
7/29/99	2003-2015	4.3-5.3	9,910	125,000	9,910
8/3/00	2004-2016	5.1-5.8	15,100-15,900	200,000	31,000
3/8/01	2004-2016	4.0-5.5	15,105-20,535	200,000	123,935
7/26/01	2005-2017	5.0-5.5	14,410-20,285	200,000	137,610
11/21/01	2016	0 (b)	18,098	18,098	18,098
3/21/02(a)	2003-2017	4.0-5.5	15,180-31,050	309,935	152,765
8/15/02(a)	2003-2018	3.0-5.5	16,000-33,865	515,830	187,795
3/6/03(a)	2006-2018	5.0-5.3	34,540-49,830	500,000	373,750
8/5/03	2007-2019	5.0	32,400-50,815	500,000	409,970
8/10/04	2008-2020	5.0	24,755-40,820	400,000	354,055
10/21/04 (a)	2005-2016	5.0	18,495-108,620	574,655	377,740
11/30/04	2020	0 (b)	9,043	9,043	9,043
3/17/05 (a)	2006-2020	4.0-5.3	29,195-105,235	631,185	576,120
8/11/05	2009-2021	4.3-5.0	29,235-43,820	450,000	421,785
3/23/06	2009-2021	4.0-5.0	20,865-27,955	300,000	279,865
8/10/06	2010-2022	4.3-5.0	20,330-34,870	350,000	350,000
12/20/06	2022	0 (b)	4,378	4,378	4,378
3/15/07	2010-2022	5.0	18,520-31,975	325,000	325,000
8/16/07	2011-2023	5.0	21,000-38,265	375,000	375,000
12/18/07	2023	0 (b)	4,986	4,986	4,986
3/12/08	2011-2023	4.0-5.0	22,585-40,555	400,000	400,000
7/28/08	2012-2024	5.0	24,365-41,705	415,000	415,000
12/16/08	2010-2021	1.6 (b)	5,563	5,563	5,563
3/16/09 (a)	2011-2024	2.0-5.0	1,860-28,865	490,800	490,800
				$7,779,473	$5,873,643

(a) Includes refunding debt
(b) Qualified Zone Academy Bonds for which the purchaser receives Federal tax credits each year the bonds are outstanding

General obligation bonds authorized, but unissued, as of June 30, 2009, total $2,328,351,000.

As of June 30, 2009, general obligation debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2010	$ 482,754	$ 283,291
2011	514,724	260,083
2012	541,809	233,481
2013	523,654	206,259
2014	487,144	179,838
2015-2019	2,219,640	543,450
2020-2024	1,103,918	109,837
Total	$5,873,643	$1,816,239

Subsequent to June 30, 2009, on August 18, and November 3, 2009, general obligation bonds aggregating $685,000,000 were issued for capital improvements. Serial bonds in the amount of $635,000,000 with interest rates ranging from 2.0% to 5.3% mature through 2025. Term bonds in the amount of $50,000,000 with an interest rate of 4.6% mature in 2025.

Of these bonds, $108,200,000 were issued as federally taxable Build America Bonds under the America Recovery and Reinvestment Act of 2009 (ARRA). Under ARRA, the State receives a subsidy payment from the federal government equal to 35% of interest payments.

Transportation Bonds -

Transportation bonds outstanding as of June 30, 2009, are as follows (amounts expressed in thousands).

	Outstanding
Consolidated Transportation Bonds – 3.0% to 5.5%, due serially through 2024 for state transportation activity	$1,509,555
Consolidated Transportation Bonds, Refunding – 4.0% to 5.0%, due serially through 2014 for state transportation activity	73,050
Total	$1,582,605

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport, rail, or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed $2,600,000,000 through June 30, 2009, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2009, was $1,620,850,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2009, was $1,582,605,000. Consolidated Transportation Bonds are paid from the transportation debt service fund. Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute and a portion of the corporate income tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (1) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (2) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

The 2008 session of the General Assembly established a maximum outstanding principal amount of $693,800,000 as of June 30, 2009, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond (tax-exempt debt backed by annual federal appropriations for federal-aid transportation projects). This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department. As of June 30, 2009, the Department's nontraditional debt outstanding was $707,324,000 and is reported as obligations under capital leases and includes funds held by the bond trustee under these agreements.

Arbitrage regulations are applicable to the transportation bonds payable. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2009.

During fiscal year 2009, the Department issued $390,000,000 of Consolidated Transportation Bonds at a premium of $12,639,000, with maturities ranging from September 1, 2011, to May 15, 2024, with interest rates ranging from 3.0% to 5.0%.

As of June 30, 2009, Department bond debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30,	Consolidated Transportation Bonds Principal	Interest
2010	$77,595	$73,359
2011	83,170	69,972
2012	102,845	66,010
2013	106,540	61,247
2014	127,820	55,875
2015-2019	707,780	178,867
2020-2024	376,855	45,505
Total	$1,582,605	$550,835

Obligations Under Capital Leases -

Obligations under capital leases as of June 30, 2009, bore interest at annual rates ranging from 0.9% to 6.7%. Capital lease obligations with third parties in fiscal year 2009 increased by $26,096,000 for master equipment and building leases entered into by the general fund and include leases for various transportation related projects entered into by the Maryland Department of Transportation. The capital leases with component units include the general fund's capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain Lottery games, and with other non-major component units. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2009 (amounts expressed in thousands).

Years Ending June 30,	Capital Lease Obligations with Third Parties	Component Units
2010	$ 106,439	$ 33,823
2011	97,089	34,086
2012	91,904	33,248
2013	85,454	32,985
2014	83,906	33,095
2015-2019	327,627	131,177
2020-2024	286,919	64,605
2025-2029	197,174	13,867
2030-2034	56,878	
Total future minimum payments	1,333,390	376,886
Less: Amount representing interest	451,694	115,789
Less: Restricted cash and investments…	33,488	10,690
Present value of net minimum payments	$ 848,208	$ 250,407

The reduction shown for restricted cash and investments in the amounts of $33,488,000 and $10,690,000 is monies held by the bond trustee to be used primarily for construction expenditures.

The assets acquired through capital leases are as follows (amounts expressed in thousands).

Asset	Third Parties Amount
Construction in progress	$ 51,854
Land and improvements	19,103
Buildings and improvements	1,043,361
Machinery and equipment	296,637
Infrastructure	316,324
Total acquired assets	1,727,279
Less: Accumulated depreciation	458,150
Total capital assets - net	$1,269,129

Pollution Remediation Obligations -

The State has recognized a pollution remediation obligation on the statement of net assets for governmental activities. A pollution remediation obligation is a liability which addresses the current or potential detrimental effects of existing pollution and may include pre-cleanup activities (site assessment, feasibility study), cleanup activities (neutralization, containment, removal and disposal, site restoration), oversight and enforcement and post remediation monitoring.

Obligating events initiate the recognition of a pollution remediation liability. These events include any of the following.

(a) There is an imminent danger to the public.
(b) The State is in violation of a related permit or license.
(c) The State is identified as a responsible party or potentially responsible party (PRP) by a regulator.
(d) The State is named or has evidence that it will be named in a lawsuit.
(e) The State commences, or legally obligates itself to commence, pollution remediation activities.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability (for example, legal services, site investigation or required post remediation monitoring) are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur, such as receipt of an administrative order, participation as a responsible party or PRP in a site assessment, completion of a corrective measures feasibility study and issuance of an authorization to proceed, and as remediation is implemented and monitored.

Measurement of the liability is based on the current value of outlays expected to be incurred using the expected cash flow technique. This technique measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts - the estimated mean or average. Expected recoveries reduce the pollution remediation expense.

The pollution and remediation estimated liability is $691,252,000 with approximately $511,280,000 estimated recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure and replacement of buildings as a result of site contaminations by hazardous materials under federal and state law in the amount of $169,658,000. In these cases, either the State has been named in a lawsuit by a State regulator or the State legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland.

The estimated liability also includes $9,028,000 for the clean-up of an illegal tire dump for which the State is legally obligated under the Environmental Article, Section 9-2 of the Annotated Code of Maryland. The State is also responsible for the removal and replacement of underground storage tanks and the monitoring of wells, in an estimated amount of $1,286,000, as a result of not complying with federal requirements under the Clean Water Act and the Resource Conservation Recovery Act.

The cost estimates and assumptions for the pollution remediation due to site contamination from hazardous materials are based on engineering design estimates. The cost estimates and assumptions for the tire dump clean-up are based on estimated unit cost of $325/ton based on historical data, fuel costs, specific site factors and adjusted by 3%-4% CPI.

No pollution remediation liability has been recognized for a former landfill on land owned by the highway department that has been identified for cleanup by the EPA. The EPA has invited the agency to participate in a PRP Group as owner-operator of the land. The agency has replied that it transferred the land in question to a local government. The State has not made a final commitment. Cleanup costs have yet to be determined.

For the governmental activities, compensated absences, self insurance, net pension obligations, net other post-employment benefits obligations, obligations under capital leases, and pollution remediation obligations are generally liquidated by the general or special revenue fund as applicable.

B. Long Term Obligations – Business-type Activities:

Changes in long-term obligations for business-type activities as of June 30, 2009, are as follows (amounts expressed in thousands).

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds Payable:					
Revenue bonds payable	$5,041,339	$656,411	$275,249	$5,422,501	$203,446
Other Liabilities:					
Lottery prizes	144,390	9,076	33,764	119,702	28,520
Escrow deposits	42,078	9,594	11,193	40,479	6,212
Rebate liability	12,666	1,208	3,768	10,106	2,018
Compensated absences	10,113	6,673	5,138	11,648	2,712
Self insurance costs	8,363	2,391	2,034	8,720	1,351
Obligations under capital leases	648	5,590	490	5,748	487
Total other liabilities	218,258	34,532	56,387	196,403	41,300
Total long-term liabilities-business type activities	$5,259,597	$690,943	$331,636	$5,618,904	$244,746

Debt service requirements for business-type activities' notes payable and revenue bonds to maturity are as follows (amounts expressed in thousands).

Years Ending	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$108,115	$131,144	$13,915	$6,076	$81,418	$106,711
2011	87,785	126,388	14,465	5,499	84,465	103,684
2012	84,230	122,932	15,660	4,890	88,058	100,249
2013	79,290	119,481	13,400	4,240	101,588	96,428
2014	83,910	116,073	13,470	3,760	114,957	91,810
2015-2019	444,109	523,703	32,535	13,266	570,743	377,330
2020-2024	362,555	431,065	33,180	5,447	283,500	255,389
2025-2029	333,740	347,180	4,010	176	261,160	186,614
2030-2034	474,105	256,199			246,120	127,052
2035-2039	551,390	149,708			229,405	59,358
2040-2044	291,935	56,926			144,909	8,625

2045-2049	57,805	6,252				
2050-2054	316	9				
Total	2,959,285	2,387,060	140,635	43,354	2,206,323	1,513,250
Discounts, premiums and other deferred costs	24,206		4,523		46,709	
Accumulated accreted interest					40,820	
Total	$2,983,491	$2,387,060	$145,158	$43,354	$2,293,852	$1,513,250

Community Development Administration (Administration) - Revenue Bonds:

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, proceeds of which were used for various mortgage loan programs. Assets aggregating approximately $3,517,631,000 and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 1.9% to 6.8%, with the bonds maturing serially through June, 2049. The principal amount outstanding as of June 30, 2009, is $2,983,491,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at rates ranging from 100% to 101% of the outstanding principal amount. During fiscal year 2009, the Administration issued $206,490,000 of revenue bonds with interest rates ranging from 1.9% to 6.8% and maturing serially through September, 2048.

The Administration issues short-term tax-exempt bonds to preserve its allocation of the state volume ceiling until the issuance of long-term bonds to finance mortgages. Bonds of 2007 Series L were issued in fiscal year 2008 and matured in fiscal year 2009.

The short-term debt that matured in fiscal year 2009 was in the Residential Revenue Bond Program Fund.

Short-term debt activity during fiscal year 2009 is as follows (amounts expressed in thousands).

Outstanding short-term debt as of June 30, 2008	$ 30,000
Issuance	
Retirements	(30,000)
Outstanding short-term debt as of June 30, 2009	$ _

Subsequent to June 30, 2009, the Administration issued a total of $40,000,000 and redeemed a total of $33,645,000, of revenue bonds.

Interest Rate Swaps:

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Administration entered into interest rate swaps in connection with variable rate revenue bonds totaling $308,205,000. The intention of the swaps was to effectively change the Administration's variable interest rate on the bonds to fixed rates.

Terms. The bonds and the related swap agreements mature from September 1, 2025 through September 1, 2043, and the swaps' notional amount of $308,205,000 matches the amount of the variable rate bonds. Under the swap agreements, the Administration pays the counterparty a fixed payment of from 3.7% to 5.7% and receives a variable payment computed as either 64% of the London Interbank Offered Rate (LIBOR) plus .3% or 100% of LIBOR. Conversely, the bonds' variable rate is based on the Securities Industry and Financial Markets Association Rate.

Fair value. Because interest rates have generally decreased since execution of the swaps, the swaps have a fair value of ($29,455,000) as of June 30, 2009. The swaps' fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Administration's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value of the swaps is based on market value and is affirmed by an independent advisor who used valuation methods and assumptions in accordance with GASB Technical Bulletin No. 2003-1.

Credit risk. The fair value of the swaps represents the Administration's credit exposure to each counterparty as of June 30, 2009. The fair value of three swaps with one counterparty is ($6,925,000), the fair value of two swaps with a second counterparty is ($6,390,000) and the fair value of three swaps with a third counterparty is ($16,140,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2009, because the swaps have a negative fair value. However, should the valuation of the swap change and the fair value turn positive, the Administration would be exposed to credit risk in the amount of the swap's fair value. The first counterparty is rated A by Standard & Poor's and Aa by Moody's, the second counterparty is rated A by Standard & Poor's and Fitch and Aa by Moody's, and the third counterparty is rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. To mitigate the potential for credit risk, if the counterparties' credit quality falls below A, the fair value of the swaps will be fully collateralized by the counterparties.

Basis risk. The swaps would expose the Administration to basis risk should the relationship between LIBOR and the Securities Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk. The Administration or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. If a swap is terminated, the underlying variable rate bonds may be exposed to rising interest rates. If at the time of such termination a swap has a negative fair value, the Administration would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Swap payments and associated debt. Using rates as of June 30, 2009, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (amounts expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Years Ending	Hedged Variable Rate Bonds		Interest Rate	
June 30,	Principal	Interest	Swaps, Net	Total
2010	$ 3,990	$ 4,890	$ 13,053	$ 21,933
2011	110	4,214	12,642	16,966
2012		4,223	12,037	16,260
2013		4,204	11,479	15,683
2014		4,213	10,969	15,182
2015-2019	5,300	21,053	47,360	73,713
2020-2024	9,150	20,882	35,731	65,763
2025-2029	15,100	20,636	29,783	65,519
2030-2034	150,745	13,108	23,251	187,104
2035-2039	76,230	4,901	11,558	92,689
2040-2044	47,580	3,541	2,253	53,374
Total	$308,205	$105,865	$210,116	$624,186

Maryland Water Quality Financing Administration (Administration) - Revenue Bonds:

The Administration, an agency of the Department of Environment, has issued revenue bonds for providing loans and grants. Interest rates range from 3.3% to 4.1%, payable semiannually, with annual installments from $2,625,000 to $12,920,000 to March 1, 2025. The principal amount outstanding as of June 30, 2009, is $145,158,000. These bonds are payable solely from the revenue, money or property of the Administration.

Maryland Transportation Authority Bonds:

Bonds outstanding as of June 30, 2009, are as follows (amounts expressed in thousands).

Series 1992 Capital appreciation refunding and financing revenue bonds for the Authority's Transportation Facilities Projects maturing in annual installments of original principal ranging from $721 to $5,433 from July 1, 2009,

to July 1, 2015, with approximate yields to maturity of 6.3% to 6.4% and an accreted amount	$ 62,879
BWI Consolidated Car Rental Facility Revenue bonds, Series 2002, maturing in annual installments ranging from $2,035 to $64,755 from July 1, 2009, to July 1, 2032, with interest rates ranging from 5.5% to 6.7%, payable semiannually	107,890
BWI Parking Garage Revenue Bonds, Series 2002 A and B, maturing in annual installments ranging from $4,285 to $54,395 from March 1, 2010, to March 1, 2027, with interest rates ranging from 4.0% to 5.5% payable semiannually	229,590
BWI Facilities Projects Bonds, Series 2003, maturing in annual installments ranging from $9,500 to $11,200 from July 1, 2009, to July 1, 2013, with a current variable rate of .3%, payable semiannually	51,800
WMATA Metrorail Parking Projects Bonds, Series 2004, maturing in annual installments ranging from $1,150 to $7,955 from July 1, 2009, to July 1, 2028, with interest rates ranging from 4.0% to 5.0%, payable semiannually	36,785
Series 2004 Revenue bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of $1,100 to $16,860 from July 1, 2009, to July 1, 2034, with interest rates ranging from 4.5% to 5.3% payable semiannually	157,955
Calvert Street Parking Project Revenue bonds, Series 2005, maturing in annual installments ranging from $615 to $2,775 from July 1, 2009, to July 1, 2032, with interest rates ranging from 3.4% to 5.0% payable semiannually	22,575
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in annual installments ranging from $22,275 to $34,390 from March 1, 2010, to March 1, 2019, with interest rates ranging from 3.6% to 5.0%, payable semiannually to finance the Intercounty Connector Highway Project	279,365
Series 2007 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of $1,025 to $89,820 from July 1, 2012, to July 1, 2041, with interest rates ranging from 4.0% to 5.0% payable semiannually	300,000
Series 2008 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of $8,885 to $103,340 from July 1, 2012, to July 1, 2041, with interest rates ranging from 4.8% to 5.1% payable semiannually	573,305
Grant and Revenue Anticipation Bonds, Series 2008 (GARVEE bonds), maturing in annual installments ranging from $30,295 to $48,865 from March 1, 2010, to March 1, 2020, with an interest rate of 4.3%, payable semiannually	425,000
Unamortized premium	46,708
Total	$2,293,852

Revenue bonds are payable solely from the revenues of the transportation facilities projects. Capital assets constructed from BWI facilities, WMATA Metrorail and the Calvert Street Parking Project are not capital assets of the Authority. Capital appreciation bonds payable as of June 30, 2009, include an accreted amount of $40,820,000.

The Authority is authorized to issue Grant and Revenue Anticipation Bonds (GARVEE Bonds) to a maximum amount of $750,000,000 to build the Intercounty Connector highway project to be built in Montgomery and Prince George's Counties, Maryland. Debt service on these bonds is payable from a portion of Maryland's future Federal highway aid and other pledged moneys. These bonds are not general obligations of the Authority or legal obligations of the Maryland Department of Transportation or the State. The Authority issued the second and final series of GARVEE bonds in fiscal year 2009 in the amount of $425,000,000.

Obligations Under Capital Leases -

Obligations of business-type activities under capital leases as of June 30, 2009, are as follows (amounts expressed in thousands).

Years Ending June 30,	State Lottery Agency
2010	$ 543
2011	1,286
2012	1,252

2013	1,217
2014	1,216
2015	607
Total minimum lease payments	6,121
Less: Imputed interest	373
Present value of net minimum lease payments	$5,748

The Lottery has entered into lease agreements for certain on-line gaming system equipment and a computer system. As of June 30, 2009, assets acquired under leases and the related accumulated amortization totaled $5,882,000 and $450,000, respectively, and are included in capital assets in the Statement of Net Assets, Business-type Activities.

C. Notes and Revenue Bonds Payable - Component Units:

Higher Education -

Certain State higher education institutions have issued revenue bonds for the acquisition, renovation, and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. Interest rates range from 2.0% to 6.1% on the revenue bonds.

Debt service requirements to maturity, excluding debt of the foundations in the amount of $8,596,000, are as follows (amounts expressed in thousands).

Years Ending	Notes Payable and Other Long-Term Debt		Revenue Bonds	
June 30,	Principal	Interest	Principal	Interest
2010	$ 2,815	$ 3,641	$ 74,588	$ 46,216
2011	2,968	3,506	71,286	44,164
2012	3,660	5,616	73,855	39,908
2013	5,277	3,987	64,040	36,901
2014	4,327	3,773	59,165	33,989
2015-2019	16,254	16,888	316,375	123,927
2020-2024	63,004	8,433	238,845	52,868
2025-2029			95,955	13,694
2030-2034			12,925	1,488
2035-2039			945	90
Total	98,305	45,844	1,007,979	393,245
Accumulated accreted interest and other deferred costs			29,500	
Total	$98,305	$45,844	$1,037,479	$393,245

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

As of June 30, 2009, higher education institutions have defeased debt outstanding of $140,779,000 resulting from the refunding of previously issued debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

As of June 30, 2009, cash and cash equivalents and investments were held by the trustees for the higher education institutions in the amount of $142,246,000 for the University System of Maryland (System), $628,000 for St. Mary's College of Maryland, and $5,905,000 for Morgan State University.

On July 3, 2008, the System issued $29,070,000 of 2008 Refunding Series B Revenue Bonds to refund $28,880,000 of existing bonds at a premium of $621,000. The refunding bonds bear interest at 3.0% to 4.5% and mature from 2009 to 2016. The purpose of the

refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is $1,418,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, is $1,019,000.

On June 26, 2009, the System issued $100,000,000 of 2009 Series A and B Revenue Bonds to finance new educational and auxiliary facilities and for renovations. The bonds bear interest at 3.0% to 6.0% and mature from 2010 to 2029. The bonds were issued with a $3,970,000 premium.

Obligations under capital leases of $11,400,000 exist as of June 30, 2009, bearing interest at annual rates ranging from 1.0% to 6.8%.

Maryland Stadium Authority (Authority) - Revenue Bonds:

Debt service requirements to maturity for Maryland Stadium Authority revenue bonds and notes payable are as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2010	$ 16,580	$ 15,473
2011	17,779	14,491
2012	18,936	13,496
2013	20,066	12,249
2014	21,393	11,001
2015-2019	95,244	36,433
2020-2024	53,650	10,955
2025-2026	12,615	1,252
Total	256,263	115,350
Unamortized discount net of unamortized premium	(14)	
Total	$256,249	$115,350

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, convention center expansions in Baltimore City and the Town of Ocean City and certain other facilities. The outstanding debt is to be repaid through capital lease payments from the State, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 2009, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium	$107,299	Variable	December 15, 2019
Football Stadium	68,732	Variable	March 1, 2026
Baltimore City Convention Center	24,990	Variable	December 15, 2014
Ocean City Convention Center	8,644	4.8% to 5.4%	December 15, 2015
Hippodrome Performing Arts Center	16,300	5.0% to 6.3%	June 15, 2022
Montgomery County Conference Center..	18,911	2.0% to 5.0%	June 15, 2024
Camden Station	8,130	3.0% to 5.2%	December 15, 2024
Camden Yards Complex	3,243	5.6%	January 1, 2018
Total	$256,249		

12. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Non-incremental claims adjustment expenses have been included as part of the liability for claims and adjustments for the general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The workers' compensation and property and casualty costs are based upon separately determined actuarial valuations for the following fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during fiscal year 2009 were as follows (amounts expressed in thousands).

	Balance June 30, 2008	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2009	Amount Due Within One Year
Property, casualty and general liability…	$ 16,334	$ 5,313	$ 6,269	$ 15,378	$ 3,914
Workers' compensation……	269,503	57,642	61,394	265,751	33,845
Employee health benefits……	72,958	929,793	922,380	80,371	80,371
Total self-insurance costs……	$358,795	$992,748	$990,043	$361,500	$118,130

As of June 30, 2009, the Program held $230,987,000 in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2008 were as follows (amounts expressed in thousands).

	Balance June 30, 2007	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2008	Amount Due Within One Year
Property, casualty and general liability…	$ 16,176	$ 7,783	$ 7,625	$ 16,334	$ 5,138
Workers' compensation……	252,184	74,566	57,247	269,503	41,773
Employee health benefits……	74,125	818,311	819,478	72,958	72,958
Total self-insurance costs……	$342,485	$900,660	$884,350	$358,795	$119,869

As of June 30, 2008, the Program held $337,216,000, in cash and investments designated for payments of these claims.

13. Fund Equity:

The unrestricted deficit for governmental activities on the government-wide statement of net assets is $5,152,460,000. A portion of the deficit results from the State incurring debt for the purposes of capital acquisition and construction on behalf of local governments and private organizations. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net asset category, invested in capital assets, net of related debt, but rather in the unrestricted net assets category. As of June 30, 2009, the State has reported outstanding general obligation bonds and capital leases applicable to these non-State projects of $4,087,327,000. Without State financing for these capital assets, the State would have reported an unrestricted deficit for governmental activities in the amount of $1,065,133,000.

The statement of net assets for the primary government reports $2,447,808,000 of restricted net assets, including $6,064,000 restricted by enabling legislation.

A portion of the general fund's fund balance, in the amount of $701,812,000 as of June 30, 2009, has been reserved for the State Reserve Fund. The State Reserve Fund is comprised of the Dedicated Purpose Account, Economic Development Opportunities Program Account, Catastrophic Event Account and the Revenue Stabilization Account with balances as of June 30, 2009, of $589,000, $1,007,000, $8,398,000 and $691,818,000, respectively. The Dedicated Purpose Account is designed to retain appropriations for major multi-year expenditures and to meet contingency requirements. The Economic Development Opportunities Program Account is to be used for extraordinary economic development opportunities and only as a supplement to existing programs. The Catastrophic Event Account is to be used to respond without undue delay to a natural disaster or other catastrophic event that cannot be managed without appropriations. The Revenue Stabilization Account is designed to retain State revenues for future needs and reduce the need for future tax increases.

A portion of the other governmental funds' fund balance is reserved for sinking fund deposits of $10,470,000, set aside to redeem Qualified Zone Academy Bonds beginning in 2016. A portion of the general fund unreserved fund balance is designated for fiscal year 2010 appropriations in the amount of $146,862,000. Portions of the other governmental funds' unreserved fund balance are designated for payment of the debt service on General Obligation and Department of Transportation long-term debt in the amount of $97,205,000 and $7,033,000, respectively. The undesignated deficit fund balance reported in non-major capital projects fund of $375,595,000 results from the reservation for encumbrances of $398,478,000 for future construction projects in the capital projects fund.

The unrestricted deficit in net assets in other enterprise funds of $12,155,000 for the Economic Development Insurance Programs occurred because of restrictions for insuring mortgages.

14. Segment Information:

The State's Economic Development Loan Program contains two separately identifiable activities that have separately issued revenue bonds outstanding; housing loans of the Community Development Administration and water quality loans and grants of the Maryland Water Quality Administration.

The Community Development Administration (CDA) has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. The assets of the loan program and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. The bond indentures require the CDA to separately account for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

The Maryland Water Quality Administration has issued revenue bonds to encourage capital investment for wastewater treatment systems and bay restoration. These bonds are payable solely from, and secured by, the revenue, money or property of the Maryland Water Quality Administration. The bond indentures require separate accounting for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

Summary financial information for the two loan programs is presented below.

Condensed Statement of Net Assets

As of June 30, 2009

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Assets:		
Current restricted assets	$ 548,795	$ 97,429
Non-current restricted assets	2,968,836	633,995
Total assets	3,517,631	731,424
Liabilities:		
Current liabilities	188,569	16,582
Non-current liabilities	2,894,096	131,242
Total liabilities	3,082,665	147,824
Net Assets:		
Restricted	434,966	583,600
Total net assets	$ 434,966	$583,600

Condensed Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2009

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Operating income (expenses):		
Interest on loan income	$ 147,296	$ 10,230
Other operating revenues	4,966	
Other operating expenses	(25,561)	(13,969)
Operating income (loss)	126,701	(3,739)
Non-operating revenues (expenses)	(94,235)	(26,468)
Change in net assets	32,466	(30,207)
Beginning net assets	402,500	613,807
Ending net assets	$ 434,966	$ 583,600

Condensed Statement of Cash Flows

For the Year Ended June 30, 2009

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Net cash provided (used) by:		
Operating activities	$ (76,368)	$53,692
Non-capital financing activities	(132,741)	(68,536)
Investing activities	197,693	719
Beginning cash and cash equivalents	436,842	32,623
Ending cash and cash equivalents	$ 425,426	$18,498

15. Retirement Benefits:

Maryland State Retirement and Pension System (System):

The State is a sole employer in the cost-sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of 100 participating political subdivisions or other entities within the State. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the Maryland State Retirement and Pension System, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600.

Plan Description:

The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the System's Board of Trustees. All State employees and employees of participating entities are covered by the plans.

"Retirement System" - retirement programs for substantially all State employees, teachers, State police and judges who are not members of the State Pension System.

"Pension System" - retirement programs for employees and teachers hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after 5 years of service. A member terminating employment before attaining retirement age, but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age 62, or after completing 30 years of Service Credit, regardless of age. State police members may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System Members is equal to 1/55 (1.8%) of the member's highest three-year average salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the Pension System will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive year average salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.4% of the highest three- consecutive year average salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member's highest three-consecutive year average salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security wage base. A member of either type of pension system may retire with reduced benefits after attaining age 55 and completing 15 years of service.

The annual retirement allowance for a State Police member is equal to 2.55% of the member's highest three-year average salary multiplied by each year of service and may not exceed 71.4% of member's three years average final compensation. The annual retirement allowance for a member of the Law Enforcement Officers Pension System is 2.0% of the member's highest three-consecutive year average salary (AFC) multiplied by each year of service up to a maximum of 30 years plus 1.0% AFC of accumulated credible service in excess of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement.

Funding Policy:

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates and the actuarial accrued liability are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates and the actuarial accrued liability. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages, 7.0% or 5.0% depending on the retirement plan selected. Members of the Pension System are required to contribute to the System 5.0% of their regular salaries and wages. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5.0% of their regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8.0% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 4% of earnable compensation. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the Board of Trustees for the System. Effective July 1, 2002, State law provides that the contribution rates may be more or less than the actuarially determined rates for the Employees' Retirement and Pension Systems and the Teachers' Retirement and Pension Systems. Contributions to these Systems are based on the Modified Corridor Funding Method which establishes a budgetary contribution rate. This method effectively maintains the contribution rate in effect for the Teachers' and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in the benefit structure) as long as such systems remain between 90 percent and 110 percent funded. If either system falls below 90 percent funded (i.e., below the corridor), then the contribution rate in effect for the subsequent fiscal year will 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 exceeds 110 percent funded (i.e., above the corridor), then the contribution rate in effect for the subsequent fiscal year will 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. The methodology for computing the State's employer contribution rates for the Law Enforcement Officers' Pension System, State Police Retirement System and the Judges' Retirement System remain unchanged. For each of these three systems, the employer contribution rate is equal to the sum of the normal contribution and the accrued liability contribution rates.

During fiscal year 2009, the State paid $1,003,475,000, of the required contribution totaling $1,222,672,000 which was 10.2% of covered payroll and 82.1% of the required payment. The difference represents an additional pension cost liability in the government-wide statement of net assets. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2009, the State's membership includes 50,838 active members, 45,326 vested former members, and 103,065 retirees and beneficiaries.

Annual Pension Cost and Net Pension Obligation:

The annual pension cost and net pension obligation as of June 30, 2009, are as follows (amounts expressed in thousands).

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System
Annual required contribution.	$ 753,475	$ 373,202	$ 31,040	$ 17,520	$ 32,234
Interest on net pension obligation	19,957	41,033	719		
Actuarial adjustment to annual required contribution	(15,041)	(30,925)	(542)		
Annual pension cost	758,391	383,310	31,217	17,520	32,234
Contributions made	673,256	263,251	17,214	17,520	32,234
Increase in net pension obligation	85,135	120,059	14,003		
Net pension obligation, beginning of year	257,511	529,464	9,277		
Net pension obligation, end of year	$ 342,646	$ 649,523	$ 23,280	$ -	$ -
Amortization period (years rolling)	30	30	30	18.63	18.16

Three Year Historical Trend Information for the System is as follows (amounts expressed in thousands).

	Annual Pension Cost As of June 30		
Plan	2009	2008	2007
Teachers' Retirement and Pension System	$758,391	$669,341	$571,977
Employees' Retirement and Pension System	383,310	357,419	322,923
State Police Retirement System	31,217	22,559	11,560
Judges' Retirement System	17,520	16,661	15,937
Law Enforcement Officers' Pension System	32,234	34,355	29,412

	Percentage of Annual Pension Cost Contributed As of June 30,		
Plan	2009	2008	2007
Teachers' Retirement and Pension System	89%	94%	85%
Employees' Retirement and Pension System	71	76	62
State Police Retirement System	56	59	100
Judges' Retirement System	100	100	100
Law Enforcement Officers' Pension System	100	100	100

Plan	Net Pension Obligation As of June 30, 2009	2008	2007
Teachers' Retirement and Pension System…….…….	$342,646	$257,511	$210,484
Employees' Retirement and Pension System……..…….	649,523	529,464	435,556
State Police Retirement System……	23,280	9,277	
Judges' Retirement System…….……..			
Law Enforcement Officers Pension System…….……			

The funded status of each plan as of June 30, 2009, the most recent valuation date, is as follows (amounts expressed in thousands).

Plan	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll	(Unfunded AAL) /Excess as a Percentage of Covered Payroll
Teachers' Retirement and Pension System.....	$20,605,618	$31,172,917	$(10,567,299)	66.10%	$6,411,550	(164.82)%
Employees' Retirement and Pension System	9,230,381	15,080,783	(5,850,402)	61.21	3,250,809	(179.97)
State Police Retirement System.....	1,119,766	1,710,356	(590,590)	65.47	87,070	(678.29)
Judges' Retirement System	270,870	421,039	(150,169)	64.33	40,965	(366.58)
Law Enforcement Officers' Pension System.....	354,707	684,424	(329,717)	51.83	89,571	(368.11)

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits. The Schedule of Funding Progress also discloses the relationship between the System's covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability. This relationship, expressed as a ratio, is a measure of the significance of the unfunded AAL relative to the capacity to pay all contributions required to fund the liability.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2009, the most recent valuation date.

Valuation method.....	Individual Entry Age Normal Cost Method
Cost method of valuing assets	Five-year straight-line amortization of each year's investment gain or loss with final value not more than 120% nor less than 80% of market value.
Rate of return on investments.....	7.75%
Projected payroll growth	3.5%
Projected inflation rate	3.5%
Post retirement benefit increase	2.75% to 3.5% (depending on system)
Amortization method.....	Level Percent of Payroll
Remaining amortization period.....	11 years as of June 30, 2009 for prior UAAL (existing on June 30, 2000)
New layers as of June 30, 2001 – 2009	17 – 25 years as of June 30, 2009 for new UAAL. 30 years is used wherever the equivalent single amortization period exceeds 30 years.
Status of period (Open or Closed)	Closed

Maryland Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan, which covers all Maryland Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Maryland Transit Administration was given authority to establish and maintain the Plan under Transportation Article, Section 7-206(b)2(ii), of the Annotated Code of Maryland. For the year ended June 30, 2009, the Administration's covered and total payroll was $155,560,000. The Plan is administered and funded in compliance with the collective bargaining agreements. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202.

Plan Description:

The Plan provides retirement, normal and early, death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4% - 1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service.

As of June 30, 2009, membership in the Plan includes 2,832 active members, 528 vested former members, and 1,324 retirees and beneficiaries. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5 percent or more of total Plan assets.

Funding Policy:

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

Employer contributions to the Plan totaling $27,254,000 (17.5% of covered payroll) for fiscal year 2009 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2008. This amount consisted of $3,768,000 normal cost and $23,486,000 amortization of the actuarial accrued liability (2.4% and 15.1%, respectively, of covered payroll). The liquidation period for the actuarial accrued liabilities, as provided by law, is 10 years from June 30, 2009.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations. The computation of the annual required contribution for fiscal year 2009 was based on the same actuarial assumptions, benefit provisions, actuarial funding method and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Cost and Net Pension Obligation:

The Administration's annual pension cost and net pension obligation as of June 30, 2009, are as follows (amounts expressed in thousands).

Annual required contribution (ARC)	$24,782
Interest on net pension obligation	292
Adjustment to ARC	(415)
Annual pension cost	24,659
Contributions made	27,254
Decrease in net pension obligation	2,595
Net pension obligation, beginning of year	3,763
Net pension obligation, end of year	$ 1,168
Amortization period	14.7 years

Three Year Historical Trend Information for the Plan is as follows (amounts expressed in thousands).

Fiscal Year Ending,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$24,659	111%	$1,168
6/30/2008	24,635	99	3,763
6/30/2007	24,245	84	3,373

Funded Status and Funding Progress:

As of June 30, 2009, the most recent actuarial valuation date, the plan was 42.4% funded. The actuarial accrued liability for benefits was $337,667,000 and the actuarial value of assets was $143,319,000 resulting in an unfunded actuarial accrued liability (UAAL) of $194,348,000. The covered payroll (annual payroll of active employees covered by the plan) was $155,560,000 and the ratio of the UAAL to the covered payroll was (124.9)%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2009, the most recent valuation date.

Valuation method	Entry Age Normal Cost Method
Cost method of valuing assets	Smoothing
Rate of return on investments	7.5% Compounded per Annum
Projected inflation rate	4.0%
Rate of salary increase	4.0% Compounded per Annum
Postretirement benefit increase	3%-4% of original benefit amount
Amortization method	Level dollar annual installments
Remaining amortization period	10 years from June 30, 2009 for UAAL (existing on June 30, 2002)
New amortization period	18 years from June 30, 2009 for new UAAL
Status of period (Open or Closed)	Closed

During fiscal year 2009, there were no changes in actuarial assumptions or benefit provisions from 2008 that significantly affected the valuation of the annual pension cost and net pension obligation. No significant changes in these assumptions are planned in the near term.

Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provisions, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plans during the same plan year. By statute, the maximum amount contributed to this plan for each participant is $600 for each State fiscal year. An

employee's interest in his/her account is fully vested at all times. The match program continues to be established and funded in statute. For the plan year ended December 31, 2008, the State contributed $20,840,000 and participants contributed $167,049,000 to the Plan.

16. Other Postemployment Benefits, Health Benefits (OPEB)

Plan Description:

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

Effective June 1, 2004, the State established the Postretirement Health Benefits Trust Fund (OPEB Trust) as a separate entity to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is established in accordance with the State Personnel and Pensions Article, Section 34-101, of the Annotated Code of Maryland and is administered by the Board of Trustees for the State Retirement and Pension System. Financial statements of the Trust may be obtained from the Office of the Comptroller, Louis L. Goldstein Treasury Building, Annapolis, Maryland 21401.

Funding Policy:

The contribution requirements of Plan members and the State are established by the Secretary. Each year the Secretary recommends to the Governor the State's share of the costs of the Plan. Beginning in fiscal year 2008, State law requires DBM to transfer any subsidy received as a result of the federal Medicare Prescription Drug Improvement and Modernization Act of 2003 or similar subsidy to the OPEB Trust to prefund costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget for transfer to the OPEB Trust. Applicable administrative expenses are payable from the OPEB Trust, but may not exceed $100,000 annually.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with at least five years of creditable service, ended State service with at least 10 years of creditable service and within five years before the age at which a vested retirement allowance normally would begin, or ended State service with at least 16 years of creditable service. As of July 1, 2009, the State's Plan membership includes 84,164 active employees, 4,263 vested former employees, and 55,987 retirees and beneficiaries. Based on current practice, the State subsidizes approximately 50% to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for active employees. For the fiscal year ended June 30, 2009, retiree plan members contributed $61,420,000 or approximately 16% of total retiree premiums, and the State contributed $315,257,000. In fiscal year 2009, the State transferred $27,614,000 from the federal Medicare drug subsidy to the OPEB Trust to prefund future OPEB costs. The State also contributed $22,517,000 of additional pre-funding to the Trust.

Annual OPEB Cost and Net OPEB Obligation:

The State's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan and the State's net OPEB obligation as of June 30, 2009 (amounts expressed in thousands).

Annual required contribution (ARC)	$1,145,665
ARC Adjustment	(26,993)
Interest on Net OPEB obligation Beginning of Year	29,925
Total Annual OPEB Cost (AOC)	1,148,597
Less: Contributions made	366,388
Increase in net OPEB obligation	782,209
Net OPEB obligation - beginning of year	695,921
Net OPEB obligation - end of year	$1,478,130
Percentage of annual OPEB cost contributed	31.9%

Historical trend information for the OPEB Plan since inception is as follows (amounts expressed in thousands).

Fiscal Year Ending,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/09	$1,148,597	31.9%	$1,478,130
6/30/08	1,086,240	35.9	695,921

Funded Status:

As of June 30, 2009, the most recent actuarial valuation date, the OPEB Trust was 1.1% funded. The actuarial accrued liability for benefits was $15,453,599,000, and the actuarial value of assets was $174,250,000, resulting in an unfunded actuarial accrued liability (UAAL) of $15,279,349,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 1.1%. The covered payroll (annual payroll of active employees covered under the Plan) was $4,740,553,000, and the ratio of the UAAL to the covered payroll was (322.3)%.

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2009.

Actuarial cost method	Entry Age Normal (percent of pay)
Asset valuation method	Five-year straight-line amortization of each year's investment gain or loss with final value not more than 120% nor less than 80% of market value
Rate of return on investments	4.30% (blended rate)
Aggregate salary growth	3.50%
Method to determine blended rate	Blended rate of the expected long-term investment returns on plan assets (7.75%) and on the State's own assets (4.25%) calculated based on the funded level of the plan at the valuation date.
Healthcare cost trend rate	Medical: 9.0% for 2009 trending down to 5.0% by FYE 2016 Prescription drug: 10.0% for 2009 trending down to 5.0% by FYE 2016 Dental: 4.5%
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open)

17. Commitments:

The State's governmental funds lease office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. These leases contain termination for convenience clauses providing for cancellation after a certain number of days notice to lessors. In addition, these leases contain appropriation clauses indicating that continuation of the lease is subject to appropriation by the legislature. Rent expenditures for the year ended June 30, 2009, were approximately $63,939,000.

As of June 30, 2009, the governmental funds, other than the Department of Transportation, had commitments of approximately $63,925,000 for service contracts.

As of June 30, 2009, the Department of Transportation and Maryland Transportation Authority had commitments of approximately $3.9 billion and $1.7 billion, respectively, for construction of highway and mass transit facilities.

Approximately 39% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various noncancelable operating leases with scheduled rent increases . Minimum future rental revenues are as follows (amounts expressed in thousands).

Years Ending June 30,	Amounts
2010	$131,973
2011	83,825
2012	81,753
2013	79,435
2014	61,292
2015 -2019	84,658
Total	$522,936

The cost and accumulated depreciation of the assets as of June 30, 2009, are $1,457,687,000 and $543,705,000, respectively.

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately $154,417,000 for the year ended June 30, 2009.

As of June 30, 2009, the Maryland State Lottery Agency had commitments of approximately $94,338,000, for services to be rendered relating principally to the operation of the lottery game.

As of June 30, 2009, the enterprise fund loan programs had committed to lend a total of $177,013,000 in additional loans. The Community Development Administration, also an enterprise fund loan program, has $339,820,000 of revenue bonds outstanding that are not included in the financial statements of the Administration because the bonds are not guaranteed by the State or any other program of the State or any political subdivision. The revenue bonds are secured solely by the individual multi-family project properties, related revenues, applicable credit enhancements or investments equal to the debt outstanding.

Pursuant to legislation enacted by the Maryland General Assembly in April, 1996, the Maryland Stadium Authority is required to pay $2,400,000 per year into the Public School Construction Fund over ten years, subject to availability of funds, beginning in fiscal year 2001. The Authority was relieved of its fiscal year 2009 obligation through the approval of the State's budget.

As of June 30, 2009, the higher education fund had commitments of approximately $329,371,000 for the completion of projects under construction.

18. Contingencies:

The State is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2009, economic development loan programs were contingently liable to financial institutions for $4,403,000 for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of $177,319,000 of $422,708,000 mortgage loans made by public and private lenders. Non-major component units were contingently liable as insurers of $22,137,000 of $427,131,000 economic development and growth bonds issued by financial institutions.

As of June 30, 2009, there were approved economic development bonds pending settlement which were insured by non-major component units for $8,030,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2009, the State estimates that no material liabilities will result from such audits.

19. Tobacco Settlement:

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2002 legislative session, legislation was enacted providing that for each of fiscal years 2003 through 2006, at least 25% of the appropriations shall be made for the Maryland Medical Assistance Program (Medicaid); the 2005 legislative session increased that percentage to 30% for each year for which appropriations are made. During the 2003 legislative session, legislation was enacted requiring that .15% of the fund be appropriated for enforcing the escrow requirements for nonparticipating tobacco product manufacturers. Transfers of $192,709,000 were made from the proceeds in the Cigarette Restitution Fund for fiscal year 2009 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2009 was $176,318,000, including the award from the arbitration panel for attorney fees. This amount does not include $11,594,000 the tobacco companies paid to the disputed account pending the outcome of litigation. Additionally, Maryland received $12,221,000 in fiscal year 2009 upon release of 2005 Non-Participating Manufacturer adjustment amounts that had been retained in the disputed account.

It is estimated that the payments made to the State pursuant to the Master Settlement through fiscal year 2014 will total $2.4 billion of which $149,873,000 will be paid to outside counsel. The actual amount paid each year, however, will reflect adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive $86,694,000 during that same period pursuant to an award for attorney fees by the national arbitration panel.

20. Landfill Closure and Postclosure Care Costs:

State and Federal laws require the Maryland Environmental Service (the Service) to cover the Midshore Regional Landfill (Midshore), which the current cell is expected to close in December 2010, and to perform certain maintenance and monitoring functions at the Midshore and Easton Landfill (Easton) sites for thirty years after closure. Although closure and postclosure care costs at Midshore will be paid near or after the date the landfill stops accepting waste, the Service reports a portion of these closure and postclosure care costs as a liability based upon the estimated useful life of the landfill. Midshore's current cells are approximately 87% filled as of June 30, 2009. Total closure and postclosure care costs for the landfill is currently estimated to be $12,144,000, as determined through engineering studies, and $10,589,000 has been recognized as a liability on the June 30, 2009, Combining Statement of Net Assets, Non-Major Component Units. Actual costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations.

A receivable from project participants corresponding to the accrued liability has also been recorded.

Under Federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2008. The Service expects to satisfy these requirements as of June 30, 2009, using the same criteria.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF MARYLAND
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds
For the Year Ended June 30, 2009
(Expressed in Thousands)

	General Fund			
	Budget Amounts			Variance
	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
Revenues:				
Income taxes	$ 8,117,578	$ 7,363,803	$ 7,027,897	$(335,906)
Sales and use taxes	4,034,130	3,610,951	3,620,431	9,480
Other taxes	1,149,983	1,113,177	1,056,124	(57,053)
Licenses and fees	259,700	190,969	207,169	16,200
Charges for services	247,864	290,861	298,377	7,516
Interest and other investment income	97,100	103,000	113,607	10,607
Other	614,669	547,693	878,185	330,492
Federal revenue				
Total revenues	14,521,024	13,220,454	13,201,790	(18,664)
Expenditures and encumbrances by major function:				
Payments of revenue to civil divisions of the State	120,760	120,760	120,760	
Public debt				
Legislative	91,337	92,178	72,678	19,500
Judicial review and legal	500,678	502,897	474,844	28,053
Executive and administrative control	275,276	266,309	242,529	23,780
Financial and revenue administration	195,915	181,329	179,164	2,165
Budget and management	118,376	41,019	36,151	4,868
Retirement and pension				
General services	61,881	58,468	55,535	2,933
Transportation and highways				
Natural resources and recreation	65,831	59,969	57,952	2,017
Agriculture	35,559	30,141	29,461	680
Health, hospitals and mental hygiene	3,852,680	3,374,381	3,359,661	14,720
Human resources	613,090	600,756	589,138	11,618
Labor, licensing and regulation	14,598	12,877	12,743	134
Public safety and correctional services	1,104,153	1,080,882	1,078,697	2,185
Public education	7,311,939	7,291,654	7,239,205	52,449
Housing and community development	35,917	33,484	17,934	15,550
Business and economic development	118,735	106,166	81,310	24,856
Environment	57,545	54,018	44,061	9,957
Juvenile services	260,170	267,004	266,874	130
State police	193,225	185,892	181,488	4,404
State reserve fund	231,543	211,543	211,543	
Reversions	(30,000)	(30,000)		(30,000)
Total expenditures and encumbrances	15,229,208	14,541,727	14,351,728	189,999
Excess of revenues over (under) expenditures	(708,184)	(1,321,273)	(1,149,938)	171,335
Other sources (uses) of financial resources:				
Transfers in (out)			688,515	688,515
Excess of revenues over (under) expenditures and other sources (uses) of financial resources	(708,184)	(1,321,273)	(461,423)	859,850
Fund balances - beginning of the year	(3,410,897)	(1,895,661)	1,387,060	3,282,721
Fund balances - end of the year	$(4,119,081)	$(3,216,934)	$ 925,637	$4,142,571

See accompanying Notes to Required Supplementary Information.

Special Fund				Federal Fund			
Budget Amounts			Variance	Budget Amounts			Variance
Original Budget	Final Budget	Actual Amounts	Positive (Negative)	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
$ 225,093	$ 164,397	$ 199,340	$ 34,943				
292,407	224,700	230,909	6,209				
2,564,634	2,299,591	2,038,837	(260,754)				
696,239	898,396	807,642	(90,754)				
1,056,915	1,212,403	1,148,726	(63,677)				
39,000	38,000	42,076	4,076			$ 1,010	$ 1,010
1,217,935	1,050,702	988,690	(62,012)				
			-	$ 6,868,634	$ 8,013,429	7,514,872	(498,557)
6,092,223	5,888,189	5,456,220	(431,969)	6,868,634	8,013,429	7,515,882	(497,547)
745,504	745,504	744,799	705				
100	500	339	161				
93,078	99,788	77,507	22,281	6,811	7,242	6,213	1,029
255,246	286,998	214,143	72,855	117,011	121,944	112,044	9,900
84,991	86,232	80,554	5,678				
90,837	61,136	16,450	44,686				
40,211	40,207	30,595	9,612				
1,204	1,481	1,182	299	961	958	958	
3,317,889	2,893,248	2,770,698	122,550	684,023	833,430	762,171	71,259
239,670	242,776	174,936	67,840	38,592	49,443	36,015	13,428
138,167	147,752	100,114	47,638	20,377	20,365	7,196	13,169
579,500	710,904	645,328	65,576	3,526,221	4,075,019	4,043,682	31,337
71,379	88,357	85,457	2,900	1,133,771	1,480,400	1,363,259	117,141
46,828	47,062	33,518	13,544	117,827	137,622	132,682	4,940
167,528	168,289	151,174	17,115	13,347	19,041	18,053	988
96,981	122,463	108,184	14,279	1,073,513	1,087,703	899,176	188,527
98,407	107,299	61,895	45,404	250,758	281,536	226,291	55,245
109,002	108,991	36,999	71,992	7,908	11,659	6,569	5,090
387,915	398,725	100,999	297,726	83,826	85,288	46,205	39,083
1,640	1,640	462	1,178	11,689	11,687	7,383	4,304
72,025	74,715	62,540	12,175	4,209	12,301	4,410	7,891
6,638,102	6,434,067	5,497,873	936,194	7,090,844	8,235,638	7,672,307	563,331
(545,879)	(545,878)	(41,653)	504,225	(222,210)	(222,209)	(156,425)	65,784
		(37,559)	(37,559)			156,425	156,425
(545,879)	(545,878)	(79,212)	466,666	(222,210)	(222,209)		222,209
(2,017,126)	(2,070,626)	1,781,253	3,851,879	(1,465,111)	(1,465,105)		1,465,105
$(2,563,005)	$(2,616,504)	$1,702,041	$4,318,545	$(1,687,321)	$(1,687,314)	$ –	$1,687,314

STATE OF MARYLAND
Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund, Fund Balances
June 30, 2009
(Expressed in Thousands)

	General	Special
Amount in budgetary funds, fund balance (page 101)	$ 925,637	$1,702,041
Budgetary special funds reclassified to the general fund	850,547	(850,547)
Budgetary special funds reclassified to other funds		(610,810)
Other non-budgetary funds reclassified to governmental funds	249,770	2,079
Total of budgetary fund balances reclassified into the governmental funds' fund structure	2,025,954	242,763
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash	51,751	
Investments	13,754	
Taxes receivable	21,878	1,051
Intergovernmental receivables	107,537	
Other accounts receivable	(11,221)	2,661
Prepaid items	(178,129)	
Inventories	23,909	81,634
Due from other funds	5,746	9,539
Liabilities recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable	2,329	
Accounts payable and accrued liabilities	(199,807)	
Due to other funds	(18,202)	(8,830)
Accounts payable to political subdivisions	(11,789)	
Deferred revenue	(245,949)	
Accrued self insurance costs	(77,839)	
Financial statement governmental funds' fund balances, June 30, 2009 (page 28)	$1,509,922	$ 328,818

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for Maryland Pension and Retirement System

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll (1)	(Unfunded AAL) /Excess as a Percentage of Covered Payroll (2)
TEACHERS RETIREMENT AND PENSION SYSTEM						
2009	$20,605,618	$31,172,917	$(10,567,299)	66.10 %	$6,411,550	(164.82)%
2008	23,784,404	29,868,705	(6,084,301)	79.63	6,117,591	(99.46)
2007	22,814,759	28,122,575	(5,307,816)	81.13	5,709,765	(92.96)
2006	21,575,451	25,617,484	(4,042,033)	84.22	5,269,185	(76.71)
2005	20,801,529	23,305,198	(2,503,669)	89.26	5,055,392	(49.52)
2004	20,155,415	21,724,178	(1,568,763)	92.78	4,615,607	(33.99)
STATE EMPLOYEES RETIREMENT AND PENSION SYSTEM						
2009	$ 9,230,381	$15,080,783	$ (5,850,402)	61.21 %	$3,250,809	(179.97)%
2008	10,699,418	14,337,460	(3,638,042)	74.63	3,110,640	(116.95)
2007	10,332,264	13,363,507	(3,031,243)	77.32	3,022,476	(100.29)
2006	9,825,416	12,184,215	(2,358,799)	80.64	2,828,348	(83.40)
2005	9,544,541	11,241,813	(1,697,272)	84.90	2,743,255	(61.87)
2004	9,330,876	10,457,119	(1,126,243)	89.23	2,625,312	(42.90)
STATE POLICE RETIREMENT SYSTEM						
2009	$ 1,119,766	$ 1,710,356	$ (590,590)	65.47 %	$ 87,070	(678.29)%
2008	1,343,208	1,601,575	(258,367)	83.87	86,464	(298.81)
2007	1,334,375	1,516,935	(182,560)	87.97	83,191	(219.45)
2006	1,301,877	1,325,875	(23,998)	98.19	80,649	(29.76)
2005	1,289,345	1,284,950	4,395	100.34	76,463	5.75
2004	1,287,981	1,200,605	87,376	107.28	76,445	114.30
JUDGES RETIREMENT SYSTEM						
2009	$ 270,870	$ 421,039	$ (150,169)	64.33 %	$ 40,965	(366.58)%
2008	306,716	406,782	(100,066)	75.40	37,943	(263.73)
2007	293,052	371,987	(78,935)	78.78	37,638	(209.72)
2006	273,679	352,537	(78,858)	77.63	35,939	(219.42)
2005	260,125	328,033	(67,908)	79.30	33,074	(205.32)
2004	250,272	312,285	(62,013)	80.14	32,937	(188.28)
STATE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM						
2009	$ 354,707	$ 684,424	$ (329,717)	51.83 %	$ 89,571	(368.11)%
2008	389,793	611,367	(221,574)	63.76	85,814	(258.20)
2007	354,364	593,308	(238,944)	59.73	82,079	(291.11)
2006	316,709	504,373	(187,664)	62.79	71,678	(261.82)
2005	281,659	470,677	(189,018)	59.84	72,374	(261.17)
2004	253,582	400,755	(147,173)	63.28	63,828	(230.58)
TOTAL OF ALL PLANS						
2009	$31,581,342	$49,069,519	$(17,488,177)	64.36 %	$9,879,965	(177.01)%
2008	36,523,539	46,825,889	(10,302,350)	78.00	9,438,452	(109.15)
2007	35,128,814	43,968,312	(8,839,498)	79.90	8,935,149	(98.93)
2006	33,293,132	39,984,484	(6,691,352)	83.27	8,285,799	(80.76)
2005	32,177,199	36,630,671	(4,453,472)	87.84	7,980,558	(55.80)
2004	31,278,126	34,094,942	(2,816,816)	91.74	7,414,129	(37.99)

(1) Covered payroll includes the payroll cost of those participants for which the State pays the retirement contribution but does not pay the participants' payroll cost.

(2) (Unfunded AAL)/ excess assets over AAL as a percentage of covered payroll.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for Maryland Transit Administration Pension Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2009	$143,319	$337,667	$(194,348)	42.44%	$155,560	(124.93)%
2008	136,294	326,988	(190,694)	41.68	144,775	(131.72)
2007	124,496	322,597	(198,101)	38.59	135,098	(146.64)

Required Supplemental Schedule of Funding Progress for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2009	$174,250	$15,453,599	$(15,279,349)	1.1%	$4,740,553	(322.3)%
2008	118,884	14,852,304	(14,733,420)	0.8	4,625,145	(318.6)

Required Supplemental Schedule of Employer Contributions and Other Contributing Entities for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Percentage Contributed		
		Employer Contributions (a)	Other Contributing Entities (b)	Total
2009	$1,148,597	29.4%	2.5%	31.9%
2008*	1,086,420	34.2	1.7	35.9

*Information for prior years not available.

(a) Employer contributions include pre-funding and pay-as-you-go contributions (net of retiree premiums).

(b) Other contributing entities consists of the federal Medicare drug subsidy contributed to the OPEB Trust.

STATE OF MARYLAND

Notes to Required Supplementary Information
For the Year Ended June 30, 2009

1. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the General Fund, which includes all transactions of the State, unless otherwise directed to be included in another fund and the Special Fund, which includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue fund includes only the operations (other than debt service and pension activities) of the Maryland Department of Transportation. The budgetary Federal fund revenue and expenditures are included in the GAAP General and Special Funds as federal revenues and expenditures by function. An annual budget is also prepared for the Federal Fund, which accounts for substantially all grants from the Federal government, and the current unrestricted and restricted funds of the Universities and Colleges. In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund.

All State budgetary expenditures for the general, special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level for the general, special and federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in the total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2009, the General Assembly approved a net decrease in General Fund appropriations of $273,029,000. Appropriations for programs funded in whole or in part from the special or federal funds may permit expenditures in excess of original special or federal fund appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special and federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller, provides a more comprehensive accounting of activity on the basis of budgeting at the legal level of budgetary control.

The original and amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances - Budget and Actual - for the year ended June 30, 2009. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2009, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund, Fund Balances" immediately following the budgetary schedule.

STATE OF MARYLAND
Comprehensive Annual Financial Report

STATISTICAL SECTION

STATE OF MARYLAND
Combined Summary Of Revenues,
Expenditures, Other Sources And Uses
of Financial Resources and Changes in Fund Balances,
General, Special Revenue, Debt Service and Capital Projects Funds
(Expressed in Thousands)

	Year ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Income taxes	$ 7,156,297	$ 7,868,899	$ 7,325,181	$ 7,108,573	$ 6,814,378
Retail sales and use taxes	3,851,752	3,748,933	3,447,896	3,382,851	3,153,676
Motor vehicle taxes and fees	1,787,144	1,920,460	1,982,329	1,983,439	2,031,862
Other taxes	2,267,044	2,444,883	2,243,581	2,332,968	2,105,362
Other licenses and fees	686,806	651,079	782,712	808,617	759,953
Charges for services	1,259,309	1,108,666	1,050,187	970,345	978,535
Revenues pledged as security for bonds	66,098	77,541	70,563	70,593	70,875
Interest and other investment income	161,696	307,403	315,121	219,609	102,532
Federal	7,767,558	6,604,348	6,407,172	6,118,583	5,916,233
Other	377,127	214,755	240,671	108,689	331,224
Total revenues	25,380,831	24,946,967	23,865,413	23,104,267	22,264,630
Expenditures:					
Current:					
General government	753,821	727,119	715,235	736,694	700,391
Health and mental hygiene	8,286,032	7,536,747	7,252,117	6,547,288	6,329,383
Education (a)	8,948,062	8,638,203	7,683,885	6,758,158	6,235,534
Human resources	2,061,959	1,761,284	1,643,078	1,622,922	1,569,032
Public safety and judicial	2,410,373	2,391,708	2,318,213	2,097,175	1,897,974
Transportation	1,333,618	1,262,973	1,219,507	1,121,714	1,273,622
Labor, licensing and regulation	182,751	166,848	164,255	154,607	166,787
Natural resources and recreation	205,876	188,675	177,553	165,439	167,018
Housing and community development	244,208	244,581	228,105	215,940	211,577
Environment	106,307	95,918	92,460	83,793	76,393
Agriculture	142,804	147,494	101,252	64,044	56,624
Business and economic development	90,892	94,503	65,774	56,374	57,287
Intergovernmental	1,425,506	1,597,734	1,590,590	1,562,539	1,453,408
Debt service	888,629	814,979	773,715	767,691	726,516
Capital outlays	1,430,170	1,476,506	1,437,741	1,538,927	1,531,461
Total expenditures	28,511,008	27,145,272	25,463,480	23,493,305	22,453,007
Excess (deficiency) of revenues over expenditures	(3,130,177)	(2,198,305)	(1,598,067)	(389,038)	(188,377)
Other sources (uses) of financial resources:					
Capital and direct financing leases	27,945	31,185	56,860	121,197	154,434
Proceeds from bond issues	1,322,349	1,071,403	831,193	904,907	937,480
Other long-term liabilities		102	2,411	5,320	12,321
Proceeds from refunding bonds	65,800				855,840
Payments to escrow agents	(69,213)				(940,591)
Operating transfers in	1,202,988	1,180,435	1,137,421	1,133,853	1,063,529
Operating transfers out	(741,794)	(702,499)	(787,865)	(676,003)	(642,709)
Special items					
Net other sources (uses) of financial resources	1,808,075	1,580,626	1,240,020	1,489,274	1,440,304
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	(1,322,102)	(617,679)	(358,047)	1,100,236	1,251,927
Fund balance, July 1	3,301,583	3,919,262	4,277,309	3,177,073	1,925,146
Fund balance, June 30	$ 1,979,481	$ 3,301,583	$ 3,919,262	$ 4,277,309	$ 3,177,073

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Appendix B

SUPPLEMENTARY DEBT SCHEDULES

General Obligation Bonds

General Obligation Bonds Issued and Outstanding

The following table shows the principal amounts of outstanding general obligation bonds and authorized and unissued amounts: (1) at the end of each fiscal year shown; and (2) adjusted to give effect to sale of the Bonds offered hereby.

	($ in thousands)	
As of June 30	**Issued and Outstanding**	**Authorized but Unissued**
2006	$4,868,471	$1,774,484
2007	5,142,154	1,911,587
2008	5,493,830	2,063,853
2009	5,873,643	2,328,351
March 31, 2010	6,523,222	1,183,539
Current sale	489,760*	(489,760)*
Pro Forma	$7,012,982	$693,779*

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* Preliminary, subject to change.

Debt Service Requirements on General Obligation Bonds

The following table shows for all general obligation bonds of the State for all future fiscal years: (1) the debt service requirements for outstanding bonds as of March 31, 2010 and (2) the debt service after giving effect to the issuance of the Bonds. Not included is debt service on general obligation bonds for which United States government obligations sufficient to provide fully for the timely payment of principal, interest, and applicable redemption premium are being held in escrow funds.

Debt Service Requirements on General Obligation Bonds
Actual - General Obligation Bonds Outstanding
($ in thousands)

Fiscal Year	Principal	Gross Interest	Gross Debt Service	Interest Subsidy (1)	Net Debt Service
2010	$ -	$ 15,383	$ 15,383	$ (466)	$ 14,917
2011	515,094	304,968	820,062	(7,640)	812,423
2012	542,179	278,952	821,131	(7,774)	813,357
2013	564,299	250,866	815,166	(7,774)	807,392
2014	529,389	222,808	752,198	(7,774)	744,424
2015	506,374	196,748	703,123	(7,774)	695,349
2016	535,777	171,703	707,481	(7,774)	699,707
2017	500,489	145,276	645,766	(7,774)	637,992
2018	481,464	121,779	603,243	(7,774)	595,470
2019	481,639	97,903	579,542	(7,774)	571,768
2020	460,517	75,455	535,973	(7,039)	528,933
2021	390,219	56,999	447,219	(6,266)	440,953
2022	338,544	39,705	378,249	(5,451)	372,798
2023	284,252	24,929	309,181	(4,450)	304,731
2024	209,721	13,231	222,951	(3,247)	219,704
2025	183,261	4,490	187,751	(1,570)	186,180
	$6,523,222	$2,021,195	$8,544,418	$(98,318)	$8,446,100

Debt Service Following Issuance of 2010 Second Series Bonds
($ in thousands)

Fiscal Year	Principal	Gross Interest	Gross Debt Service	Interest Subsidy (1)	Net Debt Service
2010	$	$	$	$()	
2011				()	
2012				()	
2013				()	
2014				()	
2015				()	
2016				()	
2017				()	
2018				()	
2019				()	
2020				()	
2021				()	
2022				()	
2023				()	
2024				()	
2025				()	
	$	$	$	$()	$

Totals may not add due to rounding.

(1) Interest Subsidy is the Federal Subsidy for Build America Bonds, Qualified School Construction Bonds and Qualified Zone Academy Bonds.

Maryland Stadium Authority

Lease Revenue Debt Outstanding as of March 31, 2010

The following table shows the lease revenue debt of the Maryland Stadium Authority outstanding as of March 31, 2010, the uses of the proceeds thereof, and the sources of repayment of the debt. Project descriptions follow.

Use of Proceeds	Source of Repayment	Principal Amount Outstanding as of March 31, 2010 ($ in thousands)
Bonds Outstanding		
Oriole Park at Camden Yards	Lease Payments	$99,950
Baltimore City Convention Center Expansion	Lease Payments	21,395
Ocean City Convention Center	Lease Payments	7,605
Ravens Stadium	Lease Payments	66,260
Hippodrome Theater	Lease Payments	16,240
Montgomery County Conference Center	Lease Payments	18,910
Camden Station Renovation	Lease Payments	7,870
Capital leases Outstanding		
Oriole Park at Camden Yards (Equipment)	Operating Revenues	2,947
Oriole Park at Camden Yards (Energy)	Operating Revenues	6,031
Ravens Stadium (Energy)	Operating Revenues	2,477
Total Debt Outstanding		$249,685

Project Descriptions

Oriole Park at Camden Yards. Currently the Maryland Stadium Authority ("Authority") operates Oriole Park at Camden Yards, which opened in 1992. In connection with the construction of that facility, the Authority issued $155.0 million in notes and bonds. In October, 1993, the Authority entered into an agreement to implement a synthetic fixed rate refinancing of the sports facility bonds using a combination of variable rate refunding obligations and forward interest rate exchange agreements. As provided under the agreements, savings of $15.5 million was paid to the Authority on April 1, 1996. In accordance with this agreement and in consideration for the prior payment of the savings, the Authority issued its $17.9 million Sports Facilities Lease Revenue Refunding Bonds in December 1998, to refund its outstanding Sports Facility Lease Revenue Bonds Series 1989C, and issued its $121.0 million Sports Facilities Lease Revenue Refunding Bonds in December 1999, to refund its Sports Facilities Lease Revenue Bonds Series 1989D.

The Authority's notes and bonds are lease-backed revenue obligations, the payment of which is secured by, among other things, an assignment of revenues received under a lease of Oriole Park at Camden Yards from the Authority to the State. The rental payments due from the State under that lease are subject to annual appropriation by the General Assembly. Revenues to fund the lease payments are generated from a variety of sources, including in each year revenues from sports lotteries, the net operating revenues of the Authority, and $1.0 million from the City of Baltimore.

In November 2001, the Authority issued $10.3 million in bond anticipation notes, which were refunded in July 2002 with $10.3 million in taxable lease-backed revenue bonds. The 2001 bond anticipation notes were used to fund a $10.0 million deposit to the "Supplemental Improvements Fund" under the Baltimore Orioles Lease in accordance with the order of the panel of Arbitrators in American Arbitration Association Case No. 16Y1150005500.

Annual debt service on the Authority's total bond obligations for Oriole Park at Camden Yards is $15.8 million and the amount outstanding as of March 31, 2010 totaled $100.0 million.

In early 2007, the Baltimore Orioles filed for arbitration over the selection and installation of a new video board at Oriole Park at Camden Yards. In September 2007 the Authority and the Baltimore Orioles reached a settlement, agreeing to purchase and install $9.0 million of new audio and video equipment funded by $5.5 million from the "Supplement Improvements Fund" and $3.5 million from the Authority. The Authority's share was financed under the State's Master Equipment Lease-Purchase Program and amortized over 10 years. The outstanding balance of the lease as of March 31, 2010 was $2.9 million.

In November 2009, the Maryland Stadium Authority entered into a contract with Pepco Energy Services to provide $6.0 million of energy upgrades and enhancements to Oriole Park at Camden Yards and the adjoining warehouse. The Authority is financing the upgrades and enhancements under the State's Energy Performance Contract Lease-Purchase Agreement over 12 years. Some of the upgrades and enhancements include the replacement of a chiller and cooling tower, replacement of light fixtures and upgrades to the generator plant. The outstanding balance as of March 31, 2010 was $6.0 million.

Baltimore City Convention Center Expansion. The Authority also constructed an expansion of the Baltimore City Convention Center. The Convention Center expansion cost $167.0 million and was financed through a combination of funding from Baltimore City revenue bonds ($50.0 million), Authority revenue bonds ($55.0 million), State general obligation bonds ($58.0 million) and other State appropriations. As required, the City sold its revenue bonds before the Authority's sale of lease-backed revenue bonds on August 25, 1994. The State sold $58.0 million in general obligation bonds designated for the Convention Center in sales from October, 1993 to October, 1996. The agreement between the City and the Authority provides that: (1) the City and the Authority each make equal annual contributions to a capital improvements reserve fund; (2) after completion of construction through fiscal year 2008, the Authority and the City contribute toward operating deficits in the proportion Authority (2/3), City (1/3); and (3) the City be solely responsible for operating deficits and capital improvements prior to completion of the expansion and after fiscal year 2008. Authority debt service in fiscal year 2009 was $5.0 million. The 2009 contribution to operating deficits and the project's capital improvements fund was approximately $4.5 million. The project has generated direct and indirect benefit to the State that offset its costs (debt service, operating deficit contributions, deposits to the capital improvements fund, and that portion of the Authority's budget that is allocable to the Convention Center project) since 1999.

In June 1998, the Authority entered into an agreement to implement a synthetic fixed rate refinancing of its revenue bonds for the Baltimore City Convention Center using a combination of variable rate refunding obligations and forward interest rate exchange agreements. As provided under the agreements, savings of $0.6 million was paid to the Authority on June 10, 1998. The Authority issued refunding bonds in the amount of $31.6 million of which $31.2 million was used to call the outstanding principal balance on the 1994 Series, on December 15, 2006. The balance of the proceeds, $400,000 was used towards closing costs. The 1994 Series was called on December 15, 2006 in accordance with the swap agreement.

The amount outstanding of Maryland Stadium Authority Bonds related to the Baltimore City Convention Center project totaled $21.4 million as of March 31, 2010.

Ocean City Convention Center. The Authority also constructed an expansion of the Convention Center in Ocean City. The expansion cost $33.2 million and was financed through a matching grant from the State to Ocean City and a combination of funding from Ocean City and the Authority. In October 1995, the Authority issued $17.3 million in revenue bonds to provide State funding; as required, Ocean City sold $15.0 million of its special tax and general obligation bonds before the sale by the Authority. Authority debt service in connection with the revenue bonds for the Convention Center in Ocean City is $1.5 million annually and the debt outstanding totaled $7.6 million as of March 31, 2010. The Authority will also continue to pay one-half of any annual operating deficits of the facility through December 15, 2015, after which time Ocean City will be solely responsible for operating deficits. The 2009 contribution to operating deficits and the project's capital improvements fund is approximately $1.7 million. The project has generated direct and indirect benefits to the State that offset its costs (debt service, operating deficit contributions, deposits to the capital improvements fund, and that portion of the Authority's budget that is allocable to the Convention Center project) since 2007.

Ravens Stadium. The Authority currently operates Ravens Stadium, which opened in 1998. In connection with the construction of that facility, the Authority sold $87.6 million in lease-backed revenue bonds on May 1, 1996 for Ravens Stadium. The proceeds from the Authority's bonds, along with cash available from State lottery proceeds, investment earnings, contributions from the Ravens and other sources were used to pay project design and construction expenses of approximately $229.0 million. The bonds are solely secured by an assignment of revenues received under a lease of the project from the Authority to the State. In June 1998, the Authority entered into an agreement to implement a synthetic fixed rate refinancing of the football lease-backed revenue bonds using a combination of variable rate refunding obligations and forward interest rate exchange agreements. As provided under the agreements, savings of $2.6 million were paid to the Authority on June 10, 1998. The Authority issued Maryland Stadium Authority Sports Facilities Lease Revenue Refunding Bonds Football Stadium Issue Series 2007 in the amount of $73.5 million of which $73.1 million was used to call the outstanding principal balance on the 1996 Series on March 1, 2007. The balance of the proceeds, $375,000, was used for closing costs. The 1996 Series was called on March 1, 2007 in accordance with the swap agreement.

On December 15, 1997 the Authority issued $4.6 million in Sports Facilities Lease Revenue Bonds, Series 1997 whose proceeds were used toward the construction of Ravens Stadium. The Series 1997 bonds fully matured on December 15, 2007. The Authority's combined debt service on the remaining outstanding revenue bonds is $7.3 million annually. The bonds outstanding as of March 31, 2010 totaled $66.3 million.

In November 2009, the Maryland Stadium Authority entered into a contract with Pepco Energy Services to provide energy upgrades and enhancements to Ravens Stadium. The energy upgrades and enhancements will cost approximately $2.5 million. The Authority is financing the upgrades and enhancements under the State's Energy Performance Contract Lease-Purchase Agreement over 12 years. The outstanding balance as of March 31, 2010 was $2.5 million.

Hippodrome Theater. In July 2002, the Authority issued $20.3 million in taxable lease-backed revenue bonds in connection with the renovation and construction of the Hippodrome Theater as part of Baltimore City's West Side Development. The cost of renovating the theater was $63.0 million and was financed by various public and private sources. The Authority will not have any operating risk for the project which was completed in February, 2004. The average annual debt service for these bonds is $1.8 million. The bonds outstanding as of March 31, 2010 totaled $16.2 million.

Montgomery County Conference Center. In January 2003, the Authority issued $23.2 million in lease-backed revenue bonds in connection with the construction of a conference center in Montgomery County. The conference center is adjacent and physically connected to a Marriott Hotel, which has been privately financed. The center cost $33.5 million and was financed through a combination of funding from Montgomery County and the Authority. The Authority does not have any operating risk. The average annual debt service for these bonds is $1.75 million. The bonds outstanding as of March 31, 2010 totaled $18.9 million.

Camden Station Renovation. In February 2004, the Authority issued $8.7 million in taxable lease-backed revenue bonds in connection with the renovation of the historic Camden Station located at the Camden Yards Complex in Baltimore, Maryland. The cost of the renovation was $8.0 million. The Authority has executed lease agreements for the entire building, with the Babe Ruth Museum leasing approximately 22,600 square feet since May, 2000 and Geppi's Entertainment Museum leasing the balance of the building since early fall 2006. To date, lease payments have not been sufficient to cover debt service on the bonds and the shortfall has been subsidized by the Authority. The average annual debt service for these bonds is $0.8 million. Bonds outstanding as of March 31, 2010 totaled $7.9 million.

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State Tax Supported Lease and Conditional Purchase Financings

Lease and Conditional Purchase Financings Outstanding as of March 31, 2010

The following table shows, by State agency, State tax-supported capital lease and conditional purchase financings, the facilities financed, and the principal amount outstanding at March 31, 2010.

State Agency	Facilities Financed	Principal Amount Outstanding as of March 31, 2010 ($ in thousands)
Department of Transportation	Headquarters office building	$27,375
	MAA shuttle buses – BWI	9,000
Department of General Services	Multi-service office buildings	
	St. Mary's County	2,325
	Calvert County	654
	Hilton Street Facility	1,810
	Prince George's County Justice Center	20,600
Maryland Environmental Service	Water and wastewater facility at Eastern Correctional Institution	1,285
Various State Agencies	Energy performance projects	69,296
Various State Agencies	Communications, data processing, and other equipment	46,146
Maryland Transportation Authority	State office parking facility	21,960
Total		$200,451

Revenue and Enterprise Financings

Revenue and Enterprise Financings Outstanding as of March 31, 2010[a]

The following table shows, by issuing agency, certain revenue and enterprise non-tax-supported debt outstanding as of March 31, 2010, the facilities financed, and the sources of repayment of the debt.

Agency	Facilities Financed	Source of Repayment	Principal Amount Outstanding as of March 31, 2010 ($ in thousands)
Higher Education (b)			
University System of Maryland	Student housing, parking facilities, and equipment	Tuition and auxiliary enterprise facilities revenues	$873,970
	Communication, data processing, other equipment, and lighting fixtures	Operating revenues	67,184
Morgan State University	Student housing	Student fees	23,245
	Stadium/Fine Art	Student fees	4,935
	Student Center	Student fees	29,060
	Boiler	Maryland Higher Education Commission (c)	3,295
St. Mary's College of Maryland	Student housing/ campus center and athletic facility	Academic fees and auxiliary facilities fees	42,890
Community Development Administration of the Department of Housing and Community Development	Mortgage and construction loans	Mortgage repayments and sales	3,363,705
	Loans to local governments for infrastructure projects	Loan repayments	117,305
Maryland Environmental Service	Landfill projects	Tipping fees	4,955
	Equipment	Operating revenues	11,577
Maryland Transportation Authority	Bridges, tunnels, and highways	Tolls	1,627,009
	Parking garage at BWI	Parking revenues	220,575
	Car rental facility	Customer facility charges	105,855
	Improvements at BWI Airport	Passenger facility charges	42,300
	WMATA Metrorail parking facility	Lease rental payments	35,635
Maryland Water Quality Financing Administration	Loans to local governments for water pollution control facilities	Loan repayments	82,535
Maryland Department of Transportation			
Maryland Aviation Administration	BWI renovations, de-icing ramp	Lease revenues	21,325
	BWI Piers A/B	Airline rentals and concession revenues	206,945
Maryland Transit Administration	MARC rail station parking garage	Parking revenues	13,390
Maryland Port Administration	Masonville Automobile Terminal	Lease revenues	13,544
	Warehouse Facility South Locust Point Terminal	Lease revenues	24,645
Total			$6,935,879

(a) The table does not include debt of certain authorities that, under criteria prescribed by the Governmental Accounting Standards Board, are not considered State entities for financial reporting purposes nor debt for which United States government obligations sufficient to provide fully for the timely payment of principal, interest, and applicable redemption premium are being held in escrow funds.

(b) As of March 31, 2010, the outstanding capital leases financed by the State Treasurer's office (including Capitalized interest) for University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College were $38.0 million, $5.5 million, $1.7 million and $0.10 million, respectively.

(c) The Maryland Higher Education Commission has included sufficient funds in its annual grants to Morgan State University to pay the debt service on these Academic Facilities Bonds.

Descriptions of Revenue and Enterprise Financings

Higher Education Institutions. Legislation limits the aggregate principal amount of revenue bonds outstanding and the present value of capital lease payments, less the amount of any reserves established therefore, for academic or auxiliary facilities; effective June 1, 2010 the limits are $1,200.0 million for the University System of Maryland, $88.0 million for Morgan State University, $60.0 million for St. Mary's College of Maryland, and $65.0 million for Baltimore City Community College. As of March 31, 2010, outstanding debt and lease purchase financings of the University System of Maryland, Morgan State University, and St. Mary's College of Maryland was $978.8 million, $66.9 million, and $44.7 million, respectively. Lease and Conditional Purchase Financings have been used for facilities at various colleges and universities.

Community Development Administration. The Community Development Administration ("CDA"), a unit within the Department of Housing and Community Development, is responsible for housing finance and assistance programs. CDA issues bonds and notes to provide funding for various home ownership and rental housing loan programs. The debt service on CDA's revenue bonds and notes generally is paid from mortgage repayments. As of March 31, 2010, $3,363.7 million of these bonds and notes were outstanding. CDA also issues bonds to provide loans to local governments for various infrastructure projects. The bonds are secured by the general obligation pledges of the participating local governments. As of March 31, 2010, $117.3 million of these bonds were outstanding.

Maryland Environmental Service. The Maryland Environmental Service ("MES") was established in 1993 to provide water supply, wastewater treatment, and waste management services to state agencies, local governments, and private entities. MES is authorized to issue revenue bonds secured by the revenue derived from its various facilities and projects. Outstanding debt of MES amounted to $16.5 million as of March 31, 2010.

Maryland Transportation Authority. The Maryland Transportation Authority ("MdTA") of which the Secretary of Transportation is Chairman, is responsible for the administration of the various toll revenue facilities, which consist of bridges over the Susquehanna, Patapsco, and Potomac Rivers and the Chesapeake Bay; two tunnels under the Baltimore Harbor; and the John F. Kennedy Memorial Highway. The tolls and other revenues received from these facilities are pledged as security for revenue bonds of the MdTA issued under and secured by a second amended and restated trust agreement dated as of September 1, 2007, as further supplemented, between the MdTA and a corporate trustee. In September 2007, the MdTA issued $300.0 million of its revenue bonds under this agreement. Under separate supplemental trust agreements, on March 26, 2008 the MdTA issued $573.3 million of revenue bonds and on December 22, 2009 issued $549.4 million of additional revenue bonds.

In March 2002, the MdTA issued revenue bonds in the amount of $264.1 million for the construction of projects at BWI. Parking revenues are pledged for the repayment of the bonds. In June 2002, the MdTA issued revenue bonds in the amount of $117.3 million for construction of a consolidated rental car facility at BWI. Customer Facility Charge revenues on rental cars are pledged for the repayment of the bonds. In December 2003, the MdTA issued revenue bonds in the amount of $69.7 million for the construction of additional projects at BWI. Passenger Facility Charge revenues are pledged for the payment of the bonds. In June 2004, the MdTA issued lease revenue bonds in the amount of $40.0 million to finance the costs of parking facilities projects at certain Metrorail stations operated by the Washington Metropolitan Area Transit Authority ("WMATA"). Lease revenue payable by WMATA and other amounts from Prince George's County, Maryland are pledged for the repayment of the bonds.

As of March 31, 2010, $2,031.4 million of the MdTA's revenue and enterprise financings were outstanding under various trust agreements.

Maryland Water Quality Financing Administration. The Water Quality Financing Administration in the Department of the Environment administers the Water Quality Revolving Loan Fund (the "Fund"). The Fund may be used to provide loans, subsidies, and other forms of financial assistance to local government units and private entities for wastewater and drinking water projects as provided by the federal Water Pollution Control Act and the federal Safe Drinking Water Act.

The Administration is authorized to issue bonds secured by revenues of the Funds, including loan repayments, fees, federal capitalization grants, and matching State grants. As of March 31, 2010, $82.5 million of the Administration's revenue bonds were outstanding.

Units of the Maryland Department of Transportation

Revenues from the following projects financed for units of the Maryland Department of Transportation ("Department") are pledged to the payment of principal and interest on the respective bonds and certificates and, therefore, these financings are also not considered to be tax-supported.

Maryland Aviation Administration ("MAA"). MAA and the Department entered into a conditional purchase agreement to provide financing for capital improvements at BWI and sold $42.8 million Project Certificates of Participation for various MAA projects in May 1999. As of March 31, 2010, $21.3 million of the certificates were outstanding.

In April 2003, MEDCO issued lease revenue bonds in the amount of $223.7 million to finance the expansion and renovation of Piers A and B and the Terminal building at BWI. The Department records this financing as a capital lease, which is subject to annual appropriation by the General Assembly. Airline rentals and concession revenues are pledged to the payment of principal and interest on the bonds and, therefore, this financing is not considered tax-supported. As of March 31, 2010, $206.9 million of the MEDCO lease revenue bonds were outstanding.

Maryland Transit Administration ("MTA"). MTA and the Department entered into a conditional purchase agreement in fiscal year 2001 to provide financing to expand parking in the vicinity of BWI at the Maryland Rail Commuter BWI rail station, and sold $33.0 million Project Certificates of Participation in October, 2000. As of March 31, 2010, $13.4 million of the certificates were outstanding.

Maryland Port Administration ("MPA"). The Department entered into a capital lease in the amount of $18.4 million by virtue of an agreement with the MdTA for financing the MPA Masonville Automobile Terminal. As of March 31, 2010, $13.5 million was outstanding.

In addition, MPA and the Department entered into a conditional purchase agreement in fiscal year 2006 to provide financing to construct a warehouse at the South Locust Point Terminal, and the Department sold $26.5 million Project Certificates of Participation in June, 2006. As of March 31, 2010, $24.6 million of the certificates were outstanding.

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Supplementary Revenue Schedules

STATE OF MARYLAND

Comparison of Combined General, Special, Federal, and Higher Education Funds Revenue Estimates and Collections

The following table shows, on a net budgetary basis, a comparison between the original revenue estimate (made 19 months before the end of the fiscal year), the revised revenue estimate (made seven months before the end of the fiscal year and reviewed four months before the end of the fiscal year), and the actual revenue collections for the combined General, Special, Federal, and Higher Education Funds for the four fiscal years ended June 30.

	(in millions) Fiscal Year 2006			(in millions) Fiscal Year 2007			(in millions) Fiscal Year 2008			(in millions) Fiscal Year 2009		
	Original Estimate	Revised Estimate	Actual Collections	Original Estimate	Revised Estimate	Actual Collections	Original Estimate	Revised Estimate	Actual Collections	Original Estimate	Revised Estimate	Actual Collections
Income Taxes	$6,332.1	$7,002.5	$7,020.2	$7,444.9	$7,348.5	$7,461.2	$7,839.0	$7,773.0	$7,675.5	$8,345.3	$7,894.3	$7,226.2
Sales and Use Taxes	3,253.6	3,376.1	3,381.7	3,528.9	3,485.7	3,447.8	3,652.8	3,874.0	3,748.9	4,623.5	3,946.0	3,641.9
Motor Vehicle User Taxes, Fees	2,112.1	2,087.9	2,085.4	2,169.1	2,086.5	2,068.9	2,144.2	2,100.5	2,004.5	2,199.8	1,904.4	1,790.0
Property, Franchise, Excise Taxes	1,682.9	1,734.5	1,850.8	1,920.0	1,951.7	1,790.8	1,895.9	1,931.4	1,942.0	2,023.4	2,020.0	1,949.2
Sundry Fees, Licenses, Charges	5,575.2	5,741.4	5,556.8	6,040.8	6,496.2	6,278.6	6,562.3	6,688.6	6,694.6	6,975.0	7,081.0	7,012.0
Federal	6,276.4	6,483.8	6,286.4	6,569.6	6,653.4	6,441.9	6,709.1	6,607.9	6,561.3	6,900.0	7,102.2	7,790.8
	$25,232.4	$26,426.1	$26,181.3	$27,673.3	$28,022.0	$27,489.3	$28,803.5	$28,975.4	$28,626.8	$31,067.0	$29,947.8	$29,410.1

Notes: The estimates and actuals exclude transfers and other actions appearing on page C-3 as extraordinary transfers. Federal revenues are generally recognized to the extent related expenditures chargeable to the federal grant have been recognized.

*Totals may not add due to rounding.

STATE OF MARYLAND

Comparison of General Fund Revenue Estimates and Collections

The following table shows, on a budgetary basis, a comparison between the original revenue estimate (made 19 months before the end of the fiscal year), the revised revenue estimate (made seven months before the end of the fiscal year and revised four months before the end of the fiscal year), and the actual revenue collections for the four years ended June 30.

	(in millions) Fiscal Year 2006			(in millions) Fiscal Year 2007			(in millions) Fiscal Year 2008			(in millions) Fiscal Year 2009		
	Original Estimate	Revised Estimate	Actual Collections	Original Estimate	Revised Estimate	Actual Collections	Original Estimate	Revised Estimate	Actual Collections	Original Estimate	Revised Estimate	Actual Collections
Income Taxes	$6,184.8	$6,811.5	$6,823.4	$7,231.9	$7,167.4	$7,269.0	$7,652.5	$7,545.2	$7,491.8	$8,104.6	$7,363.8	$7,027.9
Sales and Use Taxes	3,229.7	3,350.6	3,355.2	3,502.1	3,457.2	3,420.1	3,623.0	3,691.7	3,675.3	4,260.2	3,611.0	3,620.4
Motor Vehicle User Taxes, Fees	13.6	13.3	13.2	13.7	13.3	13.2	13.6	13.4	13.2	0.0	6.5	6.5
Property, Franchise, Excise Taxes	925.7	1,018.3	1,001.3	987.0	1,014.1	1,021.1	1,016.6	1,142.0	1,158.4	1,196.6	1,176.9	1,116.8
Sundry Fees, Licenses, Charges	874.5	1,047.4	1,096.9	1,030.0	1,120.3	1,138.4	1,068.1	1,085.8	1,126.3	1,101.9	991.4	1,030.3
Federal	78.1	78.0	79.9	78.5	77.3	78.4	79.1	79.6	80.7	79.9	70.9	90.6
	$11,306.3	$12,319.1	$12,369.9	$12,843.2	$12,849.6	$12,940.2	$13,452.8	$13,557.8	$13,545.6	$14,743.1	$13,220.5	$12,892.6

Notes: The estimates and actuals exclude transfers and other actions appearing on page C-3 as extraordinary transfers. Federal revenues are generally recognized to the extent related expenditures chargeable to the federal grant have been recognized.

*Totals may not add due to rounding.

STATE OF MARYLAND

Summary of Revenues by Source

The following table shows, on a net budgetary basis, the trend of the operating revenues of the principal sources of funds of the State for the four fiscal years ended June 30, 2009, and the most recent estimate for the year ending June 30, 2010. See the footnotes to the summary table of revenues in "STATE REVENUES" for certain information essential to the evaluation of the following data.

	($ in millions) Fiscal Year				
	2006	2007	2008	2009	Estimated 2010(a)
Income Taxes					
Individuals (b)	$6,200.2	$6,679.2	$6,940.1	$6,477.2	$6,068.8
Corporations	820.0	782.0	735.3	749.0	722.2
Total	7,020.2	7,461.2	7,675.5	7,226.2	6,791.0
Sales and Use Taxes (c)	3,381.7	3,447.8	3,748.9	3,641.9	3,702.5
Motor Vehicle User Taxes, Fees					
Motor Vehicle Fuel Taxes	757.9	755.7	755.2	736.0	740.2
Motor Vehicle Licenses, Fees	608.3	609.4	599.6	540.0	598.8
Motor Vehicle Titling Tax	719.2	703.8	649.7	514.0	514.0
Total	2,085.4	2,068.9	2,004.5	1,790.0	1,853.0
Property, Franchise, Excise Taxes					
Real Property Tax	575.1	552.7	625.7	698.6	750.0
Property Transfer Tax	270.0	212.5	153.5	121.5	114.7
Business Franchise Taxes	196.2	206.6	208.0	209.2	216.1
State Tobacco Tax (d)	280.3	278.2	376.1	405.6	396.6
Tax on Insurance Companies	274.9	283.3	301.8	275.2	266.9
Tax on Distilled Spirits, Wine, Beer	28.0	28.7	29.0	29.2	29.5
Tax on Horse Racing	4.4	4.4	4.3	4.5	4.0
Death Taxes	221.9	224.3	243.5	205.5	161.8
Total	1,850.8	1,790.8	1,942.0	1,949.2	1,939.7
Sundry Fees, Licenses, Service Charges					
University and College Receipts	2,771.6	2,870.1	3,091.6	3,247.2	3,423.2
Mass Transit, Port, Aviation Income	340.6	369.2	395.0	393.0	397.6
Miscellaneous Taxes, and Other Receipts	1,627.0	2,200.2	2,369.5	2,675.0	2,664.6
Interest on Invested Funds	170.7	189.5	170.2	87.0	39.0
District Courts Fines and Fees	91.3	97.0	91.3	89.4	91.0
State Lottery Receipts	555.6	552.6	577.1	552.3	576.8
Total	5,556.8	6,278.6	6,694.6	7,043.9	7,192.3
Federal Receipts	6,286.4	6,441.9	6,561.3	7,758.9	9,793.8
Extraordinary Transfers & Revenues (e)	26.8	-	-	7.9	20.7
Grand Total	$26,208.1	$27,489.3	$28,626.8	$29,418.0	$31,293.1

(a) The estimated revenues include the general fund estimate by the Board of Revenue Estimates on March 10, 2010 and the federal and special funds authorized in the State budget as set forth in the fiscal year 2011 budget books.
(b) The State has recorded revenues from individual income taxes on a modified accrual basis.
(c) Legislation enacted by the General Assembly during the 2007 Special Session increased the sales tax rate from 5% to 6% effective January 3, 2008.
(d) Legislation enacted by the General Assembly during the 2007 Special Session increased the cigarette tax rate from $1.00 per pack to $2.00 per pack effective January 1, 2008.
(e) In fiscal year 2006, $26.8 million in corporate income tax revenues was received from MCI in a settlement. In fiscal year 2009, a $7.9 million GAAP surplus in the local income tax reserve account was transferred to the general fund. In fiscal year 2010, an additional $20.7 million is expected to be collected across various tax types due to a tax amnesty program.

*Totals may not add due to rounding.

STATE OF MARYLAND

Comparison of General Fund Revenues Collected
as of March 31

The following table compares actual cash collections for the period from July 1 to March 31 during fiscal year 2010 with collections during that same period in the previous four fiscal years. The table does not reflect accruals.

	(in millions) Fiscal Years				
	2006	**2007**	**2008**	**2009**	**2010**
Individual Income Tax (a) (c)	$3,925.4	$4,095.9	$4,309.1	$4,244.7	$4,008.3
Corporate Income Tax (b) (c)	451.0	391.8	325.9	371.3	359.4
Sales and Use Tax (c)	2,183.8	2,231.6	2,357.4	2,436.7	2,292.1
State Lottery	309.2	292.7	334.4	299.2	320.0
Business Franchise Taxes	98.8	93.9	101.1	96.7	94.1
Tobacco Tax (c)	190.4	192.8	217.4	280.2	275.2
Insurance Taxes and Fees	163.6	171.8	179.7	161.6	162.7
Alcoholic Beverage Taxes	18.2	18.8	19.0	18.9	19.1
Death Taxes	171.7	173.5	188.4	167.7	128.7
Clerks of Court	46.6	41.1	36.4	26.6	28.1
Motor Fuel Taxes	7.7	7.8	7.8	6.5	7.2
Hospital Patient Recoveries	74.4	70.1	71.1	58.3	41.5
Interest on Investments	91.0	78.0	76.1	52.7	17.9
District Court Fees	68.1	72.9	70.0	67.5	65.8
Miscellaneous	133.7	163.6	186.2	122.3	118.7
Total	$7,933.7	$8,096.4	$8,480.2	$8,410.9	$7,938.7

(a) The State has recorded revenues from individual income taxes on a modified accrual basis.
(b) For fiscal year 2006 includes $20.4 million from a settlement with a corporate taxpayer.
(c) These taxes were increased on January 1 and January 3, 2008, by the General Assembly through actions taken at the 2007 special session. See "STATE FINANCES – State Revenues" for details.

*Totals may not add due to rounding.

STATE OF MARYLAND

General Fund Revenues
Needed to Meet Estimates During the Last Three Months of Fiscal Year 2010

The following table compares: (1) the revenues needed during the period from April 1 to June 30, 2010 (including appropriate accruals), in order to meet the most recent official estimate of revenues for the 2010 fiscal year with (2) actual collections for that same period during the previous four fiscal years (including appropriate accruals).

($ in millions)
Fiscal Years

	2006	2007	2008	2009	2010
Individual Income Tax (a) (c)	$2,274.7	$2,583.2	$2,631.0	$2,536.8	$2,060.5
Corporate Income Tax (b) (c)	172.2	198.0	225.7	211.0	172.4
Sales and Use Tax (c)	1,171.3	1,188.5	1,317.8	1,174.2	1,181.8
State Lottery	171.3	180.5	162.7	156.6	186.1
Business Franchise Taxes	97.4	112.7	106.9	112.5	122.0
Tobacco Tax (c)	89.9	85.4	158.7	133.6	121.4
Insurance Taxes and Fees	111.3	111.5	122.1	136.8	104.2
Alcoholic Beverage Taxes	9.7	9.9	10.0	10.1	10.4
Death Taxes	50.2	50.9	55.2	58.9	33.2
Clerks of Court	12.2	11.2	6.1	5.8	16.5
Motor Fuel Taxes	5.5	5.4	5.4	0.0	1.2
Hospital Patient Recoveries	11.3	14.8	15.4	19.0	29.5
Interest on Investments	71.4	100.9	90.4	50.3	17.1
District Court Fees	23.2	24.1	21.3	20.8	25.3
Miscellaneous	164.4	166.9	136.7	191.0	213.2
Total	$4,436.2	$4,843.8	$5,065.4	$4,817.5	$4,294.8

(a) The State has recorded revenues from individual income taxes on a modified accrual basis.
(b) For fiscal year 2006 includes $20.4 million from a settlement with a corporate taxpayer.
(c) These taxes were increased on January 1 and January 3, 2008, by the General Assembly through actions taken at the 2007 special session. See "STATE FINANCES – State Revenues" for details.

*Totals may not add due to rounding.

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Appendix D

FORMS OF OPINIONS OF THE ATTORNEY GENERAL OF MARYLAND AND BOND COUNSEL

Form of Opinion of the Attorney General

Board of Public Works
State of Maryland
Annapolis, Maryland

Dear Members of The Board:

This opinion is rendered with respect to the $_____ aggregate principal amount of the State of Maryland General Obligation Bonds, State and Local Facilities Loan of 2010, Second Series, consisting of $_____ Second Series A Tax-Exempt Bonds (the "Second Series A Bonds"), $_____Second Series B Tax-Exempt Bonds (the "Second Series B Bonds"), $_____Second Series C Taxable Build America Bonds (the "Second Series C Bonds"), and $_____ Second Series D Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (the "Second Series D Bonds"). The Second Series A, B, C and D Bonds are sometimes collectively referred to herein as "the Bonds". The Bonds consolidate various State loans or installments thereof authorized by their enabling acts and amendments thereto, and are issued pursuant to Sections 8-117 through 8-124, inclusive, of the State Finance and Procurement Article of the Annotated Code of the State of Maryland (2009 Replacement Volume), and Section 22 of Article 31 of the Annotated Code of the State of Maryland (2003 Replacement Volume, as amended) (collectively, the "Acts"). The Bonds are being issued in fully registered form in denominations of $5,000 each or any integral multiple thereof, dated the date of their issuance and delivery, and bear interest and mature as set forth in the Bonds. The Second Series C Bonds and the Second Series D Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Second Series C Bond and the Second Series D Bonds, respectively.

This office has examined such legal opinions and the originals or certified copies of such resolutions, documents, records and other proofs as we deemed pertinent.

As to questions of fact material to the opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Board of Public Works of the State of Maryland and certifications by public officials.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

No opinion is expressed regarding the federal income taxation of the interest payable on the Bonds.

Based on the foregoing, I am of the opinion that:

(a) The Bonds have been duly authorized for issuance by the Board of Public Works of Maryland for the valid public purposes stated in the Acts.

(b) The Bonds have been lawfully issued and constitute valid and binding general obligations of the State of Maryland to the payment of which, as to both principal and interest, the full faith and credit and taxing power of the State are unconditionally pledged.

(c) By the terms of the Acts, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in the sale or exchange thereof, will be exempt from taxation within the State of Maryland by the State or by any of its political subdivisions, municipal corporations, or public agencies; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds, their transfer, or the income therefrom.

(d) With respect to the Second Series A Bonds, the Bond Purchase Agreement dated July __, 2010 (the "Bond Purchase Agreement"), executed by the Board of Public Works and by Citigroup Global Markets Inc. as representative for and on behalf of the underwriters named therein (the "Representative"), has been duly authorized, executed and delivered by the Board of Public Works and, assuming the due authorization, execution and delivery by the Representative, the Bond Purchase Agreement is a legal, valid and binding agreement of the State, enforceable against it in accordance with the terms thereof.

(e) The Continuing Disclosure Agreement dated August ___, 2010, executed by the Board of Public Works has been duly authorized, executed and delivered by the Board of Public Works and is a legal, valid and binding agreement of the State, enforceable against it in accordance with the terms thereof.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Purchase Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

[to be signed "Douglas F. Gansler
Attorney General"]

Form of Opinion of Bond Counsel
(Date of Delivery)

August 10, 2010

Board of Public Works
State of Maryland
Annapolis, Maryland

Ladies and Gentlemen:

This opinion is rendered with respect to the State of Maryland General Obligation Bonds, State and Local Facilities Loan of 2010, Second Series, consisting of $_____ Second Series A Tax-Exempt Bonds (the "Second Series A Bonds") and $_____ Second Series B Tax-Exempt Bonds (the "Second Series B Bonds"), which are being simultaneously issued with the State of Maryland General Obligation Bonds, State and Local Facilities Loan of 2010, Second Series, $_____ Second Series C Taxable Build America Bonds (the "Second Series C Bonds") and $_____ Second Series D Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (the "Second Series D Bonds"). The Second Series A Bonds and the Second Series B Bonds are sometimes collectively referred to herein as "the Bonds". The Bonds, together with the Second Series C Bonds and the Second Series D Bonds, consolidate various State loans or installments thereof authorized by their enabling acts and amendments thereto, and are issued pursuant to Sections 8-117 through 8-124, inclusive, of the State Finance and Procurement Article of the Annotated Code of the State of Maryland (2009 Replacement Volume), and Section 22 of Article 31 of the Annotated Code of the State of Maryland (2003 Replacement Volume, as amended) (collectively, the "Acts"). The Bonds are being issued in fully registered form in denominations of $5,000 each or any integral multiple thereof, dated the date of their issuance and delivery, and bear interest and mature as set forth in the Bonds.

The Bonds are being issued in accordance with the resolutions of the Board of Public Works of the State of Maryland (the "Board") adopted on June 23, 2010 (the "Resolutions").

The Board, on behalf of the State of Maryland, has covenanted in a Tax Compliance Certificate executed in connection with the issuance of the Bonds that it will comply with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") pertaining to arbitrage bonds and stating the reasonable expectations of the Board with respect to the proceeds on the date of issue of the Bonds. Also, the Board has filed or caused to be filed with the Internal Revenue Service reports of the issuance of the Bonds as required by Section 149(e) of the Code.

We have reviewed the Acts, the Resolutions and such other legal opinions and the originals or certified copies of such resolutions, documents, records and other proofs as we deemed pertinent.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Board and certifications by public officials. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination of the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

(a) The Bonds have been duly authorized for issuance by the Board for the valid public purposes stated in the Acts.

(b) The Bonds have been lawfully issued and constitute valid and binding general obligations of the State of Maryland to the payment of which, as to both principal and interest, the full faith and credit and taxing power of the State are unconditionally pledged.

(c) By the terms of the Acts, the Bonds, their transfer, and any income derived therefrom, including any profit realized in the sale or exchange thereof, will be exempt from taxation within the State of Maryland by the State or by any of its political subdivisions, municipal corporations, or public agencies; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds, their transfer, or the income therefrom.

(d) Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Board and the continuing compliance by the Board with to its covenants relating to the requirements of the Code. Interest on the Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in the adjusted current earnings for purposes of corporate AMT. We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

In rendering our opinion, we wish to advise you that:

1. The rights of the holders of the Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

2. We express no opinion herein as to the accuracy, adequacy or completeness of any offering material relating to the Bonds.

3. Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on or the receipt of tax credits relating to the Bonds.

4. In rendering the opinions herein, we have relied, with permission, on the legal opinions of the Attorney General. As to the opinions set forth in paragraph (d), the Attorney General expresses no opinion and relies solely on the opinion of Ballard Spahr LLP.

This opinion is addressed to, and is solely for the benefit of, the Board and may not be relied upon by any other person without our express written consent.

Very truly yours,

(to be signed by "Ballard Spahr LLP")

August 10, 2010

Board of Public Works
State of Maryland
Annapolis, Maryland

Ladies and Gentlemen:

This opinion is rendered with respect to the State of Maryland General Obligation Bonds, State and Local Facilities Loan of 2010, Second Series, $_____ Second Series C Taxable Build America Bonds (the "Second Series C Bonds"), which are being issued simultaneously with the State of Maryland General Obligation Bonds, State and Local Facilities Loan of 2010, Second Series, $_____ Second Series A Tax-Exempt Bonds (the "Second Series A Bonds"), $_____ Second Series B Tax-Exempt Bonds (the "Second Series B Bonds"), and $_____ Second Series D Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (the "Second Series D Bonds") which together consolidate various State loans or installments thereof authorized by their enabling acts and amendments thereto, and are issued pursuant to Sections 8-117 through 8-124, inclusive, of the State Finance and Procurement Article of the Annotated Code of the State of Maryland (2009 Replacement Volume), and Section 22 of Article 31 of the Annotated Code of the State of Maryland (2003 Replacement Volume, as amended) (collectively, the "Acts"). The Second Series C Bonds are being issued in fully registered form in denominations of $5,000 each or any integral multiple thereof, dated the date of their issuance and delivery, and bear interest and mature as set forth in the Second Series C Bonds. The Second Series C Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Second Series C Bonds.

The Second Series C Bonds are being issued in accordance with the resolutions of the Board of Public Works of the State of Maryland (the "Board") adopted on June 23, 2010 (the "Resolutions").

The Board, on behalf of the State of Maryland, has covenanted in a Tax Compliance Certificate executed in connection with the issuance of the Second Series C Bonds that it will comply with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") pertaining to arbitrage bonds and stating the reasonable expectations of the Board with respect to the proceeds on the date of issue of the Second Series C Bonds. Also, the Board has filed or caused to be filed with the Internal Revenue Service reports of the issuance of the Second Series C Bonds as required by Section 149(e) of the Code.

We have reviewed the Acts, the Resolutions and such other legal opinions and the originals or certified copies of such resolutions, documents, records and other proofs as we deemed pertinent.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Board and certifications by public officials. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination of the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

(a) The Second Series C Bonds have been duly authorized for issuance by the Board for the valid public purposes stated in the Acts.

(b) The Second Series C Bonds have been lawfully issued and constitute valid and binding general obligations of the State of Maryland to the payment of which, as to both principal and interest, the full faith and credit and taxing power of the State are unconditionally pledged.

(c) By the terms of the Acts, the Second Series C Bonds, their transfer, and any income derived therefrom, including any profit realized in the sale or exchange thereof, will be exempt from taxation within the State of Maryland by the State or by any of its political subdivisions, municipal

corporations, or public agencies; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Second Series C Bonds, their transfer, or the income therefrom.

(d) Interest on the Second Series C Bonds is not excludable from gross income for purposes of federal income tax.

In rendering our opinion, we wish to advise you that:

1. The rights of the holders of the Second Series C Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

2. We express no opinion herein as to the accuracy, adequacy or completeness of any offering material relating to the Second Series C Bonds.

3. Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on or the receipt of tax credits relating to the Second Series C Bonds.

4. In rendering the opinions herein, we have relied, with permission, on the legal opinions of the Attorney General. As to the opinions set forth in paragraph (d), the Attorney General expresses no opinion and relies solely on the opinion of Ballard Spahr LLP.

IRS regulations require us to advise you that, unless otherwise specifically noted, any federal tax advice in this communication (including any attachments, enclosures, or other accompanying materials) was not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that the Internal Revenue Service may impose on the taxpayer; furthermore, this communication was not intended or written to support the promotion or marketing of any of the transactions or matters it addresses.

This opinion is addressed to, and is solely for the benefit of, the Board and may not be relied upon by any other person without our express written consent.

Very truly yours,

(to be signed by "Ballard Spahr LLP")

August 10, 2010

Board of Public Works
State of Maryland
Annapolis, Maryland

Ladies and Gentlemen:

This opinion is rendered with respect to the $_____ State of Maryland, General Obligation Bonds, State and Local Loan Facilities Loan of 2010, Second Series D Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (the "Second Series D Bonds"). The Second Series D Bonds are being issued simultaneously with the State of Maryland General Obligation Bonds, State and Local Facilities Loan of 2010, Second Series, $_____ Second Series A Tax-Exempt Bonds (the "Second Series A Bonds"), $_____ Second Series B Tax-Exempt Bonds (the "Second Series B Bonds"), and $_____ Second Series C Taxable Build America Bonds (the "Second Series C Bonds") which consolidate various State loans or installments thereof authorized by their enabling acts and amendments thereto, and are issued pursuant to Sections 8-117 through 8-124, inclusive, of the State Finance and Procurement Article of the Annotated Code of the State of Maryland (2009 Replacement Volume), and Section 22 of Article 31 of the Annotated Code of the State of Maryland (2003 Replacement Volume, as amended) (collectively, the "Acts"). The Second Series D Bonds are being issued in fully registered form in denominations of $5,000 each or any integral multiple thereof, dated the date of their issuance and delivery, and bear interest and mature as set forth in the Second Series D Bonds. The Second Series D Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Second Series D Bonds.

A portion of the Second Series D Bonds have been designated by the Board as qualified school construction bonds ("QSCBs") under Section 54F of the Internal Revenue Code of 1986, as amended (the "Code") and a portion of the Second Series D Bonds have been designated by the Board as qualified zone academy bonds ("QZABs") under Section 54E of the Code. As authorized by the Maryland Consolidated Capital Bond Loan of 2009, Chapter 485 of the 2009 Laws of Maryland (the "2009 MCCBL"), the Board may issue up to $260,000,000 for the Public School Construction Program, and has determined to issue up to $45,220,000* as QSCBs (the "QSCB Bonds") in accordance with the resolutions of the Board of Public Works of the State of Maryland (the "Board") adopted on June 23, 2010 (the "Resolutions"). As authorized by the Aging School Program Qualified Zone Academy Bonds Loan of 2010, Chapter 523 of the 2010 Laws of Maryland (the "QZAB Act") and in accordance with the Resolutions, the Board has determined to issue $4,540,000* of qualified zone academy bonds (the "QZAB Bonds"). Together, the QSCB Bonds and the QZAB Bonds comprise the Second Series D Bonds.

We have reviewed the Acts, the 2009 MCCBL, the QZAB Act and the Resolution. We have also examined such other legal opinions and the originals or certified copies of such resolutions, documents, records and other proofs as we deemed pertinent.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Board and certifications by public officials. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Code sets forth certain other requirements which must be met for the QSCB Bonds to be QSCBs, including, without limitation the use of proceeds of the QSCB Bonds; the maximum term of the QSCB Bonds; the maximum credit rate; the aggregate amount of QSCBs issued by the State of Maryland; the filing of an information return with the Internal Revenue Service; and certain arbitrage limitations and rebate requirements. The Board, on behalf of the State of Maryland, and the Interagency Committee of School Construction (the "Committee") have certified as to these and other requirements and have covenanted to comply with the requirements of the Code in the

* Preliminary, subject to change.

Tax Compliance Certificate (Qualified School Construction Bonds) executed and delivered on the date hereof. Noncompliance with the requirements of the Code may cause the QSCB Bonds to no longer be QSCBs, retroactive to the date of issue of the Second Series D Bonds or as of some later date, and may permit or require redemption of all or a portion of the Second Series D Bonds.

The Code also sets forth certain other requirements which must be met for the QZAB Bonds to be QZABs, including, without limitation the use of proceeds of the QZAB Bonds for specified qualified purposes for a public school program (a "Program") or school below the post-secondary level; the establishment, approval and maintenance of the Program as a qualified zone academy; the receipt of written commitments of qualified contributions from private businesses equal to a minimum amount on a present value basis; the maximum term of the QZAB Bonds; the maximum credit rate; the aggregate amount of QZABs issued by the State of Maryland; the filing of an information return with the Internal Revenue Service; and certain arbitrage limitations and rebate requirements. The Board, on behalf of the State of Maryland, and the Committee have certified as to these and other requirements and have covenanted to comply with the requirements of the Code in the Tax Compliance Certificate executed and delivered on the date hereof. Noncompliance with the requirements of the Code may cause the QZAB Bonds to no longer be QZABs, retroactive to the date of issue of the Second Series D Bonds or as of some later date, and may permit or require redemption of the Second Series D Bonds.

Based on our examination of the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

(a) The Second Series D Bonds have been duly authorized for issuance by the Board for the valid public purposes stated in the Acts.

(b) The Second Series D Bonds have been lawfully issued and constitute valid and binding general obligations of the State of Maryland to the payment of which, as to both principal and interest, the full faith and credit and taxing power of the State are unconditionally pledged.

(c) By the terms of the Acts, the Second Series D Bonds, their transfer, and any income derived therefrom, including any profit realized in the sale or exchange thereof, will be exempt from taxation within the State of Maryland by the State or by any of its political subdivisions, municipal corporations, or public agencies; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Second Series D Bonds, their transfer, or the income therefrom.

(d) Interest on the Second Series D Bonds is <u>not</u> excludable from gross income for purposes of federal income tax.

In rendering our opinion, we wish to advise you that:

1. The rights of the holders of the Second Series D Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases.

2. We express no opinion herein as to the accuracy, adequacy or completeness of any offering material relating to the Second Series D Bonds.

3. Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on or the receipt of tax credits relating to the Second Series D Bonds.

4. In rendering the opinions herein, we have relied, with permission, on the legal opinions of the Attorney General. As to the opinions set forth in paragraph (d), the Attorney General expresses no opinion and relies solely on the opinion of Ballard Spahr LLP.

IRS regulations require us to advise you that, unless otherwise specifically noted, any federal tax advice in this communication (including any attachments, enclosures, or other accompanying materials) was not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that the Internal Revenue Service may impose on the taxpayer; furthermore, this communication was not intended or written to support the promotion or marketing of any of the transactions or matters it addresses.

This opinion is addressed to, and is solely for the benefit of, the Board and may not be relied upon by any other person without our express written consent.

Very truly yours,

(to be signed by "Ballard Spahr LLP")

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Appendix E

REVISED OFFICIAL NOTICE OF SALE

$221,665,000
STATE OF MARYLAND
General Obligation Bonds
State and Local Facilities Loan of 2010
Second Series B

NOTICE IS HEREBY GIVEN that electronic bids only for the purchase of all, but not less than all, of the issue of $221,665,000 General Obligation Bonds of the State of Maryland (the "State") to be designated State and Local Facilities Loan of 2010, Second Series B (the "Second Series B Bonds") will be received, as provided herein. Pursuant to resolutions of the Board of Public Works of Maryland (the "Board") providing for the issuance of the Second Series B Bonds, bids will be received by the Board on the date and at the time shown below:

Date and Time: **Wednesday, July 28, 2010**
10:30 a.m., Local Annapolis, Maryland Time

Description of Bonds

General. The Second Series B Bonds will be dated as of the date of delivery, expected to be on or about August 10, 2010, and will be in fully registered form in the denomination of $5,000 each and any integral multiple thereof.

Interest on the Second Series B Bonds will accrue from the dated date, and will be payable February 1, 2011, and semiannually thereafter on each August 1 and February 1 until maturity or earlier redemption. The Second Series B Bonds will mature on August 1 of the years and in the amounts as follows:

Date of Maturity	Principal Amount	Date of Maturity	Principal Amount
2013	$32,720,000	2019	15,400,000
2014	36,995,000	2020	16,100,000
2015	18,520,000	2021	16,860,000
2016	40,305,000		
2017	44,765,000		

Term Bond Option. Bidders may designate in their proposal two or more consecutive annual principal maturities as a term bond which matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal maturity designated for inclusion in such term bond. There is no limitation on the number of term bonds in the Second Series B Bonds.

Form of Bonds. The Second Series B Bonds shall be issued only in fully registered form without coupons. One bond representing each maturity of the Second Series B Bonds in principal amount equal to the aggregate principal amount of such maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Second Series B Bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Second Series B Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the bonds purchased. The winning bidder, as a condition to delivery of the Second Series B Bonds, will be required to deposit the bond certificates representing each maturity with DTC.

So long as the Second Series B Bonds are maintained under a book-entry only system, the Bond Registrar and Paying Agent for the Second Series B Bonds will be the Treasurer or any other Bond Registrar and Paying Agent designated by the Treasurer. All payments of the principal of and interest on the Second Series B Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Optional Redemption for the Second Series B Bonds

The Second Series B Bonds are subject to redemption prior to their respective maturities as a whole or in part at the option of the State at any time on at least 30 days' notice and, if in part, in any order of maturity at the option of the State, at the redemption price of par, plus accrued interest, if any, to the redemption date. The Second Series B Bonds maturing on or after August 1, 2019 are subject to redemption on or after August 1, 2018.

Selection of Bonds for Redemption. If less than all of the Second Series B Bonds shall be called for redemption, the particular Second Series B Bonds to be redeemed shall be selected by the Paying Agent in such manner as, in its discretion, it shall determine, except that so long as DTC or its nominee is the sole registered owner of the Second Series B Bonds, the particular Second Series B Bond or portion to be redeemed shall be selected by DTC, in such manner as DTC shall determine.

Adjustments to Principal Amounts of the Bonds

The aggregate principal amount of the Second Series B Bonds of $221,665,000 and the principal amount of each annual maturity of the Second Series B Bonds as set forth in this Notice of Sale (the "Aggregate Principal Amount" and the "Principal Amount" of each annual maturity, respectively; collectively, the "Principal Amounts") may be revised before the receipt of electronic bids for their purchase. ANY REVISIONS TO THE PRINCIPAL AMOUNTS OF THE SECOND SERIES B BONDS made prior to the receipt of electronic bids (the "Aggregate Principal Amount" and the "Principal Amount" of each annual maturity, respectively; collectively, the "Amounts") WILL BE PUBLISHED ON THOMSON MUNICIPAL MONITOR ("TM3") (www.tm3.com) NOT LATER THAN 3:00 P.M. (LOCAL ANNAPOLIS, MARYLAND TIME) ON THE LAST BUSINESS DAY PRIOR TO THE DATE OF THE SALE. In the event that revisions are made, bidders shall submit bids on the Amounts and the Amounts will be used to compare bids and select a winning bidder.

Interest Rates and Basis of Award

All bids shall be for cash on delivery and shall be based on an offering to pay not less than 99% of the par value of the Second Series B Bonds. Each bidder shall indicate in its bid the rate of interest to be paid on the Second Series B Bonds of each maturity. Each rate of interest shall be a multiple of 1/20 or 1/8 of one percent, but all Second Series B Bonds of any one maturity of the Second Series B Bonds must bear interest at the same rate. Any rate named may be repeated. The difference between the maximum and minimum interest rates may not be greater than 4%. A zero rate may not be named.

Upon review of the bids, the Second Series B Bonds may be awarded by the Board to the responsible bidder whose bid results in the lowest true interest cost to the State. The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Second Series B Bonds and to the amount bid for the Second Series B Bonds not including interest accrued to the date of delivery. If two or more responsible bidders have made bids resulting in the same lowest true interest cost to the State, the Second Series B Bonds shall be awarded by lot to one of these bidders.

The Board reserves the right, in its discretion, to reject any or all bids and to waive any irregularities in any of the bids. The judgment of the Board shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Official Notice of Sale.

Procedures for Electronic Bidding

Bidders may only submit bids via PARITY

A prospective bidder may only bid electronically for the Second Series B Bonds via PARITY pursuant to this Official Notice of Sale. By submitting its bid for the Second Series B Bonds, a prospective bidder represents and warrants to the State that such bidder's bid for the purchase of the Second Series B Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Second Series B Bonds.

Additional information concerning bidding through the system may be directed to the PARITY Help Desk (212) 849-5021.

Disclaimer. Each prospective electronic bidder shall be solely responsible to register to bid via PARITY as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Official Notice of Sale. Neither the State nor PARITY shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the State nor PARITY shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The State is using PARITY as a communication mechanism, and not as the State's agent, to conduct the electronic bidding for the Second Series B Bonds. The State is not bound by any advice and determination of PARITY to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the "Bid Submissions" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via PARITY are the sole responsibility of the bidders; and the State is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Second Series B Bonds, such bidder should telephone PARITY New Issues Desk at (212) 849-5021 and notify the State's Treasurer's Office by facsimile at (410) 260-6057.

Electronic Bidding Procedures. Electronic bids must be submitted for the purchase of the Second Series B Bonds (all or none) via PARITY. Bids will be communicated electronically to the State at **10:30 a.m.** local Annapolis, Maryland time, on Wednesday, July 28, 2010. Prior to that time, an eligible prospective bidder may (1) input the proposed terms of its bid via PARITY (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Second Series B Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via PARITY to the State each bid will constitute an irrevocable offer to purchase the Second Series B Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the State, as described under "Interest Rates and Basis of Award" above, represented by the rate or rates of interest and the bid price specified in their respective bids.

Bid Submissions

Each bid must be in conformity with this Official Notice of Sale.

All bids must be delivered to the Treasurer VIA PARITY IN ANNAPOLIS, MARYLAND, before **10:30 a.m.**, local time, on July 28, 2010, at which time they will be received by the Treasurer. As described below, the Board reserves the right to postpone the date for receipt of bids.

Minority Business Enterprise Participation

THE STATE STRONGLY ENCOURAGES EACH BIDDER FOR THE SECOND SERIES B BONDS TO MAKE A GOOD FAITH EFFORT TO INCLUDE MINORITY BUSINESS ENTERPRISES IN THE SYNDICATE PURCHASING THE SECOND SERIES B BONDS. THE SUCCESSFUL BIDDER WILL BE REQUESTED TO PROVIDE A LIST OF SYNDICATE MEMBERS WHICH IDENTIFIES THE MINORITY BUSINESS ENTERPRISE MEMBERS AND INDICATES THEIR PERCENTAGE OF PARTICIPATION.

Preliminary Award

As promptly as reasonably practicable after the bids are received and reviewed, but not later than **11:30 a.m.** (local Annapolis, Maryland time) on the Bid date (unless bids have been postponed), the Treasurer will notify the apparently successful bidder of the Preliminary Award of the Second Series B Bonds. Such bidder, upon such notice, shall advise the Treasurer of the initial reoffering price to the public, expressed as a percentage of par, of each maturity of the Second Series B Bonds (the "Reoffering Prices"). The apparent successful bidder will also be required to wire to the State a Good Faith Deposit as further described herein. Timely notification of the Final Award is subject to the State's receipt of the Good Faith Deposit.

Good Faith Deposit

The apparently successful bidder shall wire transfer to the State $2,200,000 in immediately available funds no later than 2:00 p.m. (local Annapolis, Maryland time) on the Bid Date. In the event that the State has not received such federal funds wire transfer by the time stated, the State, in its sole discretion, may revoke its acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the Second Series B Bonds.

IF THE SUCCESSFUL BIDDER FAILS TO COMPLY WITH THE TERMS OF ITS BID, THE GOOD FAITH DEPOSIT MAY BE RETAINED BY THE STATE AS AND FOR FULL LIQUIDATED DAMAGES.

Final Award

As promptly as reasonably practicable after receipt of the Good Faith Deposit, the Treasurer will notify the successful bidder of the Final Award of the Second Series B Bonds.

Simultaneously with or before delivery of the Second Series B Bonds, the successful bidder shall furnish to the State a certificate acceptable to Bond Counsel stating: (1) the Reoffering Prices; (2) that the successful bidder has made a bona fide public offering of the Second Series B Bonds at the Reoffering Prices; and (3) that a substantial amount of the Second Series B Bonds was sold to the public (excluding bond houses, brokers, and other intermediaries) at such Reoffering Prices. Bond Counsel advises that: (1) such certificate must be made on the best knowledge, information, and belief of the successful bidder; (2) the sale to the public of 10% or more in par amount of the Second Series B Bonds of each maturity at the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Second Series B Bonds; and (3) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Second Series B Bonds.

Delivery of the Second Series B Bonds

When delivered, one bond representing each maturity of the Second Series B Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Second Series B Bonds. It is anticipated that CUSIP identification numbers will be printed on the Second Series B Bonds. However, neither the failure to print such numbers on any bond nor any error with respect thereto shall constitute a cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Second Series B Bonds in accordance with this Official Notice of Sale. Delivery of the Second Series B Bonds, without expense, will be made by the State to DTC on August 10, 2010, or on a later date determined by the Treasurer as soon thereafter as may be practicable, and, thereupon, the purchaser or purchasers thereof will be required to accept delivery of the Second Series B Bonds purchased and pay, in federal funds, the amount of the successful bid, less the good faith deposit. The opinions, certificates, and other closing documents referred to below will be delivered to the successful bidder on the date of delivery of the Second Series B Bonds at the office of the Treasurer in Annapolis, Maryland, or at such other location as the Treasurer may determine.

Legal Opinion; Certificate Concerning Official Statement; No Litigation Certificate

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Second Series B Bonds that, simultaneously with or before delivery and payment for the Second Series B Bonds, the bidder without cost shall be furnished with (a) the approving opinions of the Attorney General and of Ballard Spahr LLP, Bond Counsel, dated as of the date of delivery of the Second Series B Bonds, substantially in the respective forms included as Appendix D to the Preliminary Official Statement referred to below; (b) a certificate of the Attorney General dated as of the date of delivery of the Second Series B Bonds to the effect that there is no litigation pending or, to the best of his knowledge, threatened, that in any manner will affect the validity of the Acts under which the Second Series B Bonds will be issued or the Second Series B Bonds; (c) a signed copy of the Official Statement relating to the Second Series B Bonds dated as of the date of the sale of the Second Series B Bonds; (d) a certificate or certificates of the members of the Board to the effect that, to the best of their knowledge and belief (except for the Reoffering Information [defined below] provided by the bidder and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed): (1) the Official Statement as of the date of sale did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (2) between the date of sale and the date of delivery of the Second Series B Bonds, there has been no material adverse change in the financial condition or financial affairs of the State except as may have been disclosed in or contemplated by the Official Statement as of the date of sale; and (e) the Continuing Disclosure Agreement substantially in the form included as Appendix F to the Preliminary Official Statement referred to below.

The opinions of the Attorney General and Bond Counsel will be delivered, upon request, to the purchaser or purchasers of the Second Series B Bonds, without charge. A bidder may make the legality and validity of the Second Series B Bonds one of the terms of the bid by making the bid "subject to legality," or using any equivalent form of expression, which shall be deemed to refer to the opinions of the Attorney General and Bond Counsel referred to above, but no bid should purport to leave this question to the decision of the bidder or its counsel. All bids conditioned upon the approval of the bidder or its counsel, whether named or unnamed, will be treated as conditional bids and will be rejected unless the condition is waived by the bidder to the satisfaction of the Board before the award has been made.

Official Statement

Additional information concerning the State of Maryland and the Second Series B Bonds is contained in the Preliminary Official Statement, dated July 15, 2010 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. The Preliminary Official Statement is in a form "deemed final" by the State as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment, and completion in the Official Statement. Electronic copies of the Preliminary Official Statement are available on the Internet at www.treasurer.state.md.us.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the Board of Public Works will execute and deliver a continuing disclosure agreement on or before the date of issuance of the bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A proposed form of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

As soon as practicable after the award of the Second Series B Bonds to the successful bidder on the date of sale, the State will authorize an Official Statement, which presently is expected to be substantially in the form of the Preliminary Official Statement. The State also will authorize and issue any supplement to the Official Statement that may be necessary between the date of the authorization of the Official Statement and the date of delivery of, and payment for, the Second Series B Bonds. If so requested by the successful bidder at or before the close of business on the date of the sale, the State will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Second Series B Bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by the successful bidder. If no Reoffering Information should be specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Second Series B Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the State and its officials in all respects for the Reoffering Information in any reoffering of the Second Series B Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder also will be furnished without cost within seven business days following the date of sale up to 100 copies of the Official Statement (and any amendments or supplements).

Right to Change the Official Notice of Sale and to Postpone Offering

The Board also reserves the right to make changes to the Official Notice of Sale and postpone, from time to time, the date established for the receipt of bids. In the event of a change or postponement, the change or new date and time of sale will be announced via TM3. Any new date and time of sale will be announced at least 24 hours prior to the time proposals are to be submitted. On any such alternative sale date, bidders may submit bids for the purchase of the Second Series B Bonds in conformity with the provisions of this Official Notice of Sale, except for any changes to this Official Notice of Sale, the change of the date of sale and the changes described in the next sentence. If the date fixed for receipt of bids is postponed, the expected date of delivery of the Second Series B Bonds also may be postponed, the dates of the semiannual interest payments and annual principal payments and the optional redemption dates also may be changed. Such changes, if any, will be announced via TM3 at the time any alternative sale date is announced.

MARTIN O'MALLEY
Governor

PETER FRANCHOT
Comptroller

NANCY K. KOPP
Treasurer

Constituting the Board of Public Works of the
State of Maryland

Annapolis, Maryland
July __, 2010

REVISED OFFICIAL NOTICE OF SALE

$75,000,000
STATE OF MARYLAND
General Obligation Bonds
State and Local Facilities Loan of 2010
Second Series C
Federally Taxable Build America Bonds
or
Tax-Exempt Bonds

NOTICE IS HEREBY GIVEN that electronic bids only for the purchase of all, but not less than all, of the issue of $75,000,000 General Obligation Bonds of the State of Maryland (the "State") to be designated State and Local Facilities Loan of 2010, Second Series C Bonds (the "Second Series C Bonds") will be received, as provided herein. Pursuant to resolutions of the Board of Public Works of Maryland (the "Board") providing for the issuance of the Second Series C Bonds, bids will be received by the Board on the date and at the time shown below:

Date and Time: **Wednesday, July 28, 2010**
11:00 a.m., Local Annapolis, Maryland Time

Description of Bonds

Type of Bond. Bidders are invited to bid on the Second Series C Bonds as:
Alternative (1) – Federally Taxable Build America Bonds (Direct Payment to the State), or
Alternative (2) – Tax-Exempt Bonds

The Board will award the entire amount of the Second Series C Bonds as Federally Taxable Build America Bonds or will award the entire amount of the Second Series C Bonds as Tax-Exempt Bonds to the bidder whose bid results in the lowest True Interest Cost to the State, as provided herein. The Second Series C Bonds will not be sold as a mix of Federally Taxable Build America Bonds and Tax-Exempt Bonds.

Alternative (1) - Federally Taxable Build America Bonds. Interest on taxable bonds is included in gross income for federal income tax purposes. If the Second Series C Bonds are issued as qualified Build America Bonds, the State will elect to receive from the United States Treasury on each interest payment date a direct payment in the amount of 35% of the interest payable by the State. No registered owner of such Second Series C Bonds will be entitled to a tax credit or to a payment from the United States Treasury.

Alternative (2) - Tax-Exempt Bonds. Interest on tax-exempt bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference and is not included in adjusted current earnings of corporations for federal alternative minimum tax purposes. If the Second Series C Bonds are issued as Tax-Exempt Bonds, they will be treated as traditional tax-exempt bonds of the State.

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General. The Second Series C Bonds will be dated as of the date of delivery, expected to be on or about August 10, 2010, and will be in fully registered form in the denominations of $5,000 each and any integral multiple thereof.

Interest on the Second Series C Bonds will accrue from the dated date, and will be payable February 1, 2011, and semiannually thereafter on each August 1 and February 1 until maturity or earlier redemption. The Second Series C Bonds will mature on August 1 of the years and in the amounts as follows:

	Date of Maturity	**Principal Amount**
Alternative (1):		Federally Taxable Build America Bonds
	2022	$17,960,000
	2023	$18,465,000
	2024	$19,000,000
	2025	$19,575,000
		OR
Alternative (2):		Tax-Exempt Bonds
	2022	$17,960,000
	2023	$18,465,000
	2024	$19,000,000
	2025	$19,575,000

Term Bond Option. Bidders may designate in their proposal two or more consecutive annual principal maturities as a term bond which matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal maturity designated for inclusion in such term bond. There is no limitation on the number of term bonds in the Second Series C Bonds.

Form of Bonds. The Second Series C Bonds shall be issued only in fully registered form without coupons. One bond representing each maturity of the Second Series C Bonds in principal amount equal to the aggregate principal amount of such maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Second Series C Bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Second Series C Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the bonds purchased. The winning bidder, as a condition to delivery of the Second Series C Bonds, will be required to deposit the bond certificates representing each maturity with DTC.

So long as the Second Series C Bonds are maintained under a book-entry only system, the Bond Registrar and Paying Agent for the Second Series C Bonds will be the Treasurer or any other Bond Registrar and Paying Agent designated by the Treasurer. All payments of the principal of and interest on the Second Series C Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Make-Whole Optional Redemption for Second Series C Bonds – Alternative 1

If issued as Federally-Taxable Build America Bonds, the Second Series C Bonds are subject to redemption prior to maturity at the option of the State, in whole or in part, on any Business Day, on at least 30 days notice, at the Make-Whole Redemption Price (as defined herein). The "Make-Whole Redemption Price" is the greater of:

(i) 100% of the principal amount of the Second Series C Bonds to be redeemed or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Second Series C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Second Series C Bonds are to be redeemed, discounted to the date on which the Second Series C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 30 basis points, plus, in each case, accrued and unpaid interest on the Second Series C Bonds to be redeemed on the redemption date.

For purpose of determining the Make-Whole Redemption Price, the following definition applies:

"Treasury Rate" means, with respect to any redemption date for particular Taxable Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Second Series C Bonds to be redeemed; provided, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Event Redemption – Second Series C Bonds – Alternative 1

If issued as Federally Taxable Build America Bonds, the Second Series C Bonds will be subject to redemption as a whole or in part at any time, at the option of the State, on at least 30 days' notice, upon the occurrence of an Extraordinary Event (as defined below), at the Extraordinary Event Redemption Price (as defined herein). The "Extraordinary Event Redemption Price" is the greater of:

(i) the principal amount of the Second Series C Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Second Series C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Second Series C Bonds are to be redeemed, discounted to the date on which the Second 100% of Series C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year of twelve 30-day months, at the Treasury Rate (described below) plus 100 basis points, plus, in each case, accrued interest on the Second Series C Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the State determines that a material adverse change has occurred to Sections 54AA or 6431 of the Code (as such Sections are in effect on the date of issuance of the Second Series C Bonds), or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections of the Code or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the State to satisfy the requirements to qualify to receive the BABs Subsidy Payments, pursuant to which the BABs Subsidy Payments are reduced or eliminated.

"Treasury Rate" means, with respect to any redemption date for particular Second Series C Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Second Series C Bond to be redeemed; provided, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Optional Redemption for the Second Series C Bonds – Alternative 2

If issued as Tax-Exempt Bonds, the Second Series C Bonds are subject to redemption prior to their respective maturities as a whole or in part at the option of the State at any time on at least 30 days' notice and, if in part, in any order of maturity at the option of the State, at the redemption price of par, plus accrued interest, if any, to the redemption date. The Second Series C Bonds maturing on or after August 1, 2019 are subject to redemption on or after August 1, 2018.

Selection of Bonds for Redemption

If less than all of the Second Series C Bonds shall be called for redemption, the particular Second Series C Bonds to be redeemed shall be selected by the Paying Agent in such manner as, in its discretion, it shall determine, except that so long as DTC or its nominee is the sole registered owner of the Second Series C Bonds, the particular Second Series C Bond or portion to be redeemed shall be selected by DTC, in such manner as DTC shall determine.

Adjustments to Principal Amounts of the Bonds

The aggregate principal amount of the Second Series C Bonds of $75,000,000 and the principal amount of each annual maturity of the Second Series C Bonds as set forth in this Notice of Sale (the "Aggregate Principal Amount" and the "Principal Amount" of each annual maturity, respectively; collectively, the "Principal Amounts") may be revised before the receipt of electronic bids for their purchase. ANY REVISIONS TO THE PRINCIPAL AMOUNTS OF THE SECOND SERIES C BONDS made prior to the receipt of electronic bids (the "Revised Aggregate Principal Amount" and the "Revised Principal Amount" of each annual maturity, respectively; collectively, the "Revised Amounts") WILL BE PUBLISHED ON THOMSON MUNICIPAL MONITOR ("TM3") (www.tm3.com) NOT LATER THAN 3:00 P.M. (LOCAL ANNAPOLIS, MARYLAND TIME) ON THE LAST BUSINESS DAY PRIOR TO THE DATE OF THE SALE. In the event that revisions are made, bidders shall submit bids on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder.

Interest Rates and Basis of Award

All bids shall be for cash on delivery and shall be based on an offering to pay not less than 99% of the par value of the Second Series C Bonds. Each bidder shall indicate in its bid the rate of interest to be paid on the Second Series C Bonds of each maturity. Each rate of interest shall be a multiple of 1/20 or 1/8 of one percent, but all Second Series C Bonds of any one maturity of the Second Series C Bonds must bear interest at the same rate. Any rate named may be repeated. The difference between the maximum and minimum interest rates may not be greater than 4%. A zero rate may not be named.

Each bid for the Second Series C Bonds must specify the expected reoffering price for such Second Series C Bonds. If bid as Alternative 1, Federally Taxable Build America Bonds, such reoffering price cannot exceed the par amount of the maturity by more than .25% multiplied by the number of complete years to the maturity date of such Second Series C Bonds. The maximum reoffering prices on a maturity by maturity basis are as follows:

Maturity Date (August 1)*	Maximum Reoffering Price
2022	102.75%
2023	103.00
2024	103.25
2025	103.50

Upon review of the bids, the Second Series C Bonds may be awarded by the Board to the responsible bidder whose bid results in the lowest true interest cost to the State. The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Second Series C Bonds and to the amount bid for the Second Series C Bonds not including any interest accrued to the date of delivery. For bids submitted as Alternative 1, Federally Taxable Build America Bonds, the true interest cost to the State will be determined after subtracting 35% of each interest payment, reflecting the direct payment the State will receive from the United States Treasury.

If two or more responsible bidders have made bids resulting in the same lowest true interest cost to the State, the Second Series C Bonds shall be awarded by lot to one of these bidders.

The Board reserves the right, in its discretion, to reject any or all bids and to waive any irregularities in any of the bids. The judgment of the Board shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Official Notice of Sale.

Procedures for Electronic Bidding

Bidders may only submit bids via PARITY

A prospective bidder may only bid electronically for the Second Series C Bonds via PARITY pursuant to this Official Notice of Sale. By submitting its bid for the Second Series C Bonds, a prospective bidder represents and warrants to the State that such bidder's bid for the purchase of the Second Series C Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Second Series C Bonds.

Additional information concerning bidding through the system may be directed to the PARITY Help Desk (212) 849-5021.

*Disclaimer***.** Each prospective electronic bidder shall be solely responsible to register to bid via PARITY as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Official Notice of Sale. Neither the State nor PARITY shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the State nor PARITY shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The State is using PARITY as a communication mechanism, and not as the State's agent, to conduct the electronic bidding for the Second Series C Bonds. The State is not bound by any advice and determination of PARITY to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the "Bid Submissions" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via PARITY are the sole responsibility of the bidders; and the State is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Second Series C Bonds, such bidder should telephone PARITY New Issues Desk at (212) 849-5021 and notify the State's Treasurer's Office by facsimile at (410) 260-6057.

*Electronic Bidding Procedures***.** Electronic bids must be submitted for the purchase of the Second Series C Bonds (all or none) via PARITY. Bids will be communicated electronically to the State at **11:00 a.m.** local Annapolis, Maryland time, on Wednesday, July 28, 2010. Prior to that time, an eligible prospective bidder may (1) input the proposed terms of its bid via PARITY (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Second Series C Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via PARITY to the State each bid will constitute an irrevocable offer to purchase the Second Series C Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the State, as described under "Interest Rates and Basis of Award" above, represented by the rate or rates of interest and the bid price specified in their respective bids.

Bid Submissions

Each bid must be in conformity with this Official Notice of Sale.

All bids must be delivered to the Treasurer VIA PARITY IN ANNAPOLIS, MARYLAND, before **11:00 a.m.**, local time, on July 28, 2010, at which time they will be received by the Treasurer. As described below, the Board reserves the right to postpone the date for receipt of bids.

Minority Business Enterprise Participation

THE STATE STRONGLY ENCOURAGES EACH BIDDER FOR THE SECOND SERIES C BONDS TO MAKE A GOOD FAITH EFFORT TO INCLUDE MINORITY BUSINESS ENTERPRISES IN THE SYNDICATE PURCHASING THE SECOND SERIES C BONDS. THE SUCCESSFUL BIDDER WILL BE REQUESTED TO PROVIDE A LIST OF SYNDICATE MEMBERS WHICH IDENTIFIES THE MINORITY BUSINESS ENTERPRISE MEMBERS AND INDICATES THEIR PERCENTAGE OF PARTICIPATION.

Preliminary Award

As promptly as reasonably practicable after the bids are received and reviewed, but not later than **12:00 noon** (local Annapolis, Maryland time) on the Bid date (unless bids have been postponed), the Treasurer will notify the apparently successful bidder of the Preliminary Award of the Second Series C Bonds. Such bidder, upon such notice, shall advise the Treasurer of the initial reoffering price to the public, expressed as a percentage of par, of each maturity of the Second Series C Bonds (the "Reoffering Prices"). The apparent successful bidder will also be required to wire to the State a Good Faith Deposit as further described herein. Timely notification of the Final Award is subject to the State's receipt of the Good Faith Deposit.

Good Faith Deposit

The apparently successful bidder shall wire transfer to the State $750,000 in immediately available funds no later than 2:00 p.m. (local Annapolis, Maryland time) on the Bid Date. In the event that the State has not received such federal funds wire transfer by the time stated, the State, in its sole discretion, may revoke its acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the Second Series C Bonds.

IF THE SUCCESSFUL BIDDER FAILS TO COMPLY WITH THE TERMS OF ITS BID, THE GOOD FAITH DEPOSIT MAY BE RETAINED BY THE STATE AS AND FOR FULL LIQUIDATED DAMAGES.

Final Award

As promptly as reasonably practicable after receipt of the Good Faith Deposit, the Treasurer will notify the successful bidder of the Final Award of the Second Series C Bonds.

Simultaneously with or before delivery of the Second Series C Bonds, the successful bidder shall furnish to the State a certificate acceptable to Bond Counsel stating: (1) the Reoffering Prices; (2) that the successful bidder has made a bona fide public offering of the Second Series C Bonds at the Reoffering Prices; and (3) that a substantial amount of the Second Series C Bonds was sold to the public (excluding bond houses, brokers, and other intermediaries) at such Reoffering Prices. Bond Counsel advises that: (1) such certificate must be made on the best knowledge, information, and belief of the successful bidder; (2) the sale to the public of 10% or more in par amount of the Second Series C Bonds of each maturity at the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Second Series C Bonds; and (3) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Second Series C Bonds.

Delivery of the Second Series C Bonds

When delivered, one bond representing each maturity of the Second Series C Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Second Series C Bonds. It is anticipated that CUSIP identification numbers will be printed on the Second Series C Bonds. However, neither the failure to print such numbers on any bond nor any error with respect thereto shall constitute a cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Second Series C Bonds in accordance with this Official Notice of Sale. Delivery of the Second Series C Bonds, without expense, will be made by the State to DTC on August 10, 2010, or on a later date determined by the Treasurer as soon thereafter as may be practicable, and, thereupon, the purchaser or purchasers thereof will be required to accept delivery of the Second Series C Bonds purchased and pay, in federal funds, the amount of the successful bid, less the good faith deposit. The opinions, certificates, and other closing

documents referred to below will be delivered to the successful bidder on the date of delivery of the Second Series C Bonds at the office of the Treasurer in Annapolis, Maryland, or at such other location as the Treasurer may determine.

Legal Opinion; Certificate Concerning Official Statement; No Litigation Certificate

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Second Series C Bonds that, simultaneously with or before delivery and payment for the Second Series C Bonds, the bidder without cost shall be furnished with (a) the approving opinions of the Attorney General and of Ballard Spahr LLP, Bond Counsel, dated as of the date of delivery of the Second Series C Bonds, substantially in the respective forms included as Appendix D to the Preliminary Official Statement referred to below; (b) a certificate of the Attorney General dated as of the date of delivery of the Second Series C Bonds to the effect that there is no litigation pending or, to the best of his knowledge, threatened, that in any manner will affect the validity of the Acts under which the Second Series C Bonds will be issued or the Second Series C Bonds; (c) a signed copy of the Official Statement relating to the Second Series C Bonds dated as of the date of the sale of the Second Series C Bonds; (d) a certificate or certificates of the members of the Board to the effect that, to the best of their knowledge and belief (except for the Reoffering Information [defined below] provided by the bidder and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed): (1) the Official Statement as of the date of sale did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (2) between the date of sale and the date of delivery of the Second Series C Bonds, there has been no material adverse change in the financial condition or financial affairs of the State except as may have been disclosed in or contemplated by the Official Statement as of the date of sale and (e) the Continuing Disclosure Agreement substantially in the form included as Appendix F to the Preliminary Official Statement referred to below.

The opinions of the Attorney General and Bond Counsel will be delivered, upon request, to the purchaser or purchasers of the Second Series C Bonds, without charge. A bidder may make the legality and validity of the Second Series C Bonds one of the terms of the bid by making the bid "subject to legality," or using any equivalent form of expression, which shall be deemed to refer to the opinions of the Attorney General and Bond Counsel referred to above, but no bid should purport to leave this question to the decision of the bidder or its counsel. All bids conditioned upon the approval of the bidder or its counsel, whether named or unnamed, will be treated as conditional bids and will be rejected unless the condition is waived by the bidder to the satisfaction of the Board before the award has been made.

Official Statement

Additional information concerning the State of Maryland and the Second Series C Bonds is contained in the Preliminary Official Statement, dated July 15, 2010 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. The Preliminary Official Statement is in a form "deemed final" by the State as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment, and completion in the Official Statement. Electronic copies of the Preliminary Official Statement are available on the Internet at www.treasurer.state.md.us.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the Board of Public Works will execute and deliver a continuing disclosure agreement on or before the date of issuance of the bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A proposed form of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

As soon as practicable after the award of the Second Series C Bonds to the successful bidder on the date of sale, the State will authorize an Official Statement, which presently is expected to be substantially in the form of the Preliminary Official Statement. The State also will authorize and issue any supplement to the Official Statement that may be necessary between the date of the authorization of the Official Statement and the date of delivery of, and payment for, the Second Series C Bonds. If so requested by the successful bidder at or before the close of business on the date of the sale, the State will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Second Series C Bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by the successful bidder. If no Reoffering Information should be specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Second Series C Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the State and its officials in all respects for the Reoffering Information in any reoffering of the Second Series C Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder also will be furnished without cost within seven business days following the date of sale up to 100 copies of the Official Statement (and any amendments or supplements).

Right to Change the Official Notice of Sale and to Postpone Offering

The Board also reserves the right to make changes to the Official Notice of Sale and postpone, from time to time, the date established for the receipt of bids. In the event of a change or postponement, the change or new date and time of sale will be announced via TM3. Any new date and time of sale will be announced at least 24 hours prior to the time proposals are to be submitted. On any such alternative sale date, bidders may submit bids for the purchase of the Second Series C Bonds in conformity with the provisions of this Official Notice of Sale, except for any changes to this Official Notice of Sale, the change of the date of sale and the changes described in the next sentence. If the date fixed for receipt of bids is postponed, the expected date of delivery of the Second Series C Bonds also may be postponed, the dates of the semiannual interest payments and annual principal payments and the optional redemption dates also may be changed. Such changes, if any, will be announced via TM3 at the time any alternative sale date is announced.

MARTIN O'MALLEY
Governor

PETER FRANCHOT
Comptroller

NANCY K. KOPP
Treasurer

Constituting the Board of Public Works of the
State of Maryland

Annapolis, Maryland
July __, 2010

REVISED OFFICIAL NOTICE OF SALE

$45,220,000
STATE OF MARYLAND
General Obligation Bonds
State and Local Facilities Loan of 2010
Second Series D
Taxable
Qualified School Construction Bonds

NOTICE IS HEREBY GIVEN that electronic bids only for the purchase of all, but not less than all, of the issue of $45,220,000 General Obligation Bonds of the State of Maryland (the "State") to be designated State and Local Facilities Loan of 2010, Second Series D Taxable Qualified School Construction Bonds (the "Second Series D Bonds") will be received, as provided herein. Pursuant to resolutions of the Board of Public Works of Maryland (the "Board") providing for the issuance of the Second Series D Bonds, bids will be received by the Board on the date and at the time shown below:

Date and Time: **Wednesday, July 28, 2010**
11:30 a.m., Local Annapolis, Maryland Time

Description of Bonds

General. The State has determined to issue $45,220,000 the Second Series D Bonds as "Qualified School Construction Bonds" ("QSCBs").

The Second Series D Bonds will be dated as of the date of delivery, expected to be on or about August 10, 2010, and will be in fully registered form in denominations of $5,000 each and any integral multiple thereof.

Interest on the Second Series D Bonds will accrue from the dated date, and will be payable February 1, 2011, and semiannually thereafter on each August 1 and February 1 until maturity or earlier redemption. The Second Series D Bonds will mature on August 1 of the years and in the amounts as follows:

Bond	Date of Maturity	Principal Amount
QSCB	2025	$45,220,000

The State has elected to designate the Second Series D Bonds as taxable QSCBs pursuant to Sections 54A, 54F and 54E of the Internal Revenue Code, respectively, and as "Qualified Tax Credit Bonds" pursuant to Section 6431(f) of the Code. Interest on the Second Series D Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Second Series D Bonds (including original issue discount) will be fully subject to federal income taxation. Pursuant to the Hiring Incentives to Restore Employees Act enacted on March 18, 2010 ("HIRE"), the State has elected to receive from the United States Treasury on each interest payment date a direct payment equal to the lesser of (i) the amount of interest on the Second Series D Bonds, or (ii) 100 percent of the amount of interest that would have been payable if the interest were determined at the applicable tax credit bond rate published by the United States Treasury on the sale date of the Second Series D Bonds.

Form of Bonds. The Second Series D Bonds shall be issued only in fully registered form without coupons. One bond representing the Second Series D Bonds will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Second Series D Bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Second Series D Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the bonds purchased. The winning bidder, as a condition to delivery of the Second Series D Bonds, will be required to deposit the bond certificates representing each maturity with DTC.

So long as the Second Series D Bonds are maintained under a book-entry only system, the Bond Registrar and Paying Agent for the Second Series D Bonds will be the Treasurer or any other Bond Registrar and Paying Agent designated by the Treasurer. All payments of the principal of and interest on the Second Series D Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

No Optional Mandatory Sinking Fund Redemption

The Second Series D Bonds are not subject to optional or mandatory sinking fund redemption prior to their stated maturities.

Make-Whole Optional Redemption

The Second Series D Bonds are subject to redemption prior to maturity at the option of the State, in whole or in part, on any Business Day, on at least 30 days notice, at the Make-Whole Redemption Price (as defined herein). The "Make-Whole Redemption Price" is the greater of:

(i) 100% of the principal amount of the Second Series D Bonds to be redeemed or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Second Series D Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Second Series D Bonds are to be redeemed, discounted to the date on which the Second Series D Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 30 basis points, plus, in each case, accrued and unpaid interest on the Second Series D Bonds to be redeemed on the redemption date.

For purpose of determining the Make-Whole Redemption Price, the following definition applies:

"Treasury Rate" means, with respect to any redemption date for particular Taxable Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bonds to be redeemed; provided, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Event Redemption

Second Series D Bonds will be subject to redemption as a whole or in part at any time, at the option of the State, on at least 30 days' notice, upon the occurrence of an Extraordinary Event (as defined below), at the Extraordinary Event Redemption Price (as defined herein). The "Extraordinary Event Redemption Price" is the greater of:

(i) 100% of the principal amount of the Second Series D Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Second Series D Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Taxable Bonds are to be redeemed, discounted to the date on which the Second Series D Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year of twelve 30-day months, at the Treasury Rate (described below) plus 100 basis points, plus, in each case, accrued interest on the Second Series D Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the State determines that a material adverse change has occurred to Section 6431 of the Code (as such Section is in effect on the date of issuance of the Second Series D Bonds), or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections of the Code or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the State to satisfy the requirements to qualify to receive in the case of the Series D Bonds, the QSCBs Subsidy Payments, pursuant to which the QSCBs Subsidy Payments are reduced or eliminated.

"Treasury Rate" means, with respect to any redemption date for particular Taxable Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bond to be redeemed; provided, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Mandatory Redemption

The Second Series D Bonds are subject to extraordinary mandatory redemption, in whole or in part, on or about August 1, 2013, or, in the event of an extension negotiated with the United States Treasury, on a date that occurs between August 1, 2013, and the United States Treasury-approved extension date, in authorized denominations, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, in an amount equal to the unexpended Available Project Proceeds (as defined below) of the Second Series D Bonds, plus accrued interest, if any, on the Second Series D Bonds to be redeemed to the redemption date, but only to the extent that the State fails to expend all of such Available Project Proceeds on qualified projects within three years of issuance of the Second Series D Bonds and no extension of the period for expenditure has been granted by the United Sates Treasury.

For the purposes of extraordinary mandatory redemption of the Second Series D Bonds, "Available Project Proceeds" means the excess of the proceeds of sale of the Second Series D Bonds (including any investment earnings on the proceeds of the Second Series D Bonds), over costs of issuance paid for out of such proceeds (to the extent such costs do not exceed 2 percent of such proceeds).

Selection of Bonds for Redemption

If less than all of the Second Series D Bonds shall be called for redemption, the particular Second Series D Bonds to be redeemed shall be selected by the Paying Agent in such manner as, in its discretion, it shall determine, except that so long as DTC or its nominee is the sole registered owner of the Second Series D Bonds, the Second Series D Bonds to be redeemed shall be selected by DTC, in such manner as DTC shall determine.

Adjustments to Principal Amounts of the Bonds

The principal amount of the Second Series D Bonds of $45,220,000 as set forth in this Notice of Sale (, the "Principal Amount") may be revised before the receipt of electronic bids for their purchase. ANY REVISIONS TO THE PRINCIPAL AMOUNTS OF THE SECOND SERIES D BONDS made prior to the receipt of electronic bids (the "Revised Amount") WILL BE PUBLISHED ON THOMSON MUNICIPAL MONITOR ("TM3") (www.tm3.com) NOT LATER THAN 3:00 P.M. (LOCAL ANNAPOLIS, MARYLAND TIME) ON THE LAST BUSINESS DAY PRIOR TO THE DATE OF THE SALE. In the event that revisions are made, bidders shall submit bids on the Revised Amount and the Revised Amount will be used to compare bids and select a winning bidder.

The Principal Amount of the Second Series D Bonds are subject to adjustment by the State after the receipt of bids for their purchase to account for any reoffering price in excess of 100% on the Second Series D Bonds, in order that the issue price of the Second Series D Bonds will not exceed the QSCB allocations to the State. Changes to be made will be communicated to the successful bidder not later than three (3) hours after the bids have been received and opened and in no case will reduce the Principal Amounts of the Second Series D Bonds by more than 3.50 percent. The dollar amount bid for principal by the successful bidder will be adjusted to reflect any reduction in the Principal Amount of the Second Series D Bonds, but the interest rate specified by the successful bidder for the Second Series D Bonds will not change. The successful bidder may not withdraw its bid as a result of any changes within these limits.

Interest Rates and Basis of Award

All bids shall be for cash on delivery and shall be based on an offering to pay not less than 99% of the par value of the Second Series D Bonds. Each bidder shall indicate in its bid the rate of interest to be paid on the Second Series D Bonds. Each rate of interest shall be a multiple of 1/20 or 1/8 of one percent. A zero rate may not be named.

Each bid for the Second Series D Bonds must specify the expected reoffering price for such Second Series D Bonds, and such reoffering price cannot exceed the par amount of the bonds by more than .25% multiplied by the number of complete years to the maturity date of such Second Series D Bonds. The maximum reoffering prices are as follows:

Bond	Maturity Date (August 1)	Maximum Reoffering Price
QSCB	2025	103.50%

Upon review of the bids, the Second Series D Bonds may be awarded by the Board to the responsible bidder whose bid results in the lowest true interest cost to the State. The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Second Series D Bonds and to the amount bid for the Second Series D Bonds not including any interest accrued to the date of delivery. The true interest cost to the State will be determined after subtracting an amount equal to the lesser of 100% of the interest at the Qualified Tax Credit Bond rate established at the time of pricing or 100% of the amount of interest payable on the bonds, reflecting the direct payment the State will receive from the United States Treasury.

If two or more responsible bidders have made bids resulting in the same lowest true interest cost to the State, the Second Series D Bonds shall be awarded by lot to one of these bidders.

The Board reserves the right, in its discretion, to reject any or all bids and to waive any irregularities in any of the bids. The judgment of the Board shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Official Notice of Sale.

Procedures for Electronic Bidding

Bidders may only submit bids via PARITY

A prospective bidder may only bid electronically for the Second Series D Bonds via PARITY pursuant to this Official Notice of Sale. By submitting its bid for the Second Series D Bonds, a prospective bidder represents and warrants to the State that such bidder's bid for the purchase of the Second Series D Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Second Series D Bonds.

Additional information concerning bidding through the system may be directed to the PARITY Help Desk (212) 849-5021.

*Disclaimer***.** Each prospective electronic bidder shall be solely responsible to register to bid via PARITY as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Official Notice of Sale. Neither the State nor PARITY shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the State nor PARITY shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The State is using PARITY as a communication mechanism, and not as the State's agent, to conduct the electronic bidding for the Second Series D Bonds. The State is not bound by any advice and determination of PARITY to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the "Bid Submissions" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via PARITY are the sole responsibility of the bidders; and the State is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Second Series D Bonds, such bidder should telephone PARITY New Issues Desk at (212) 849-5021 and notify the State's Treasurer's Office by facsimile at (410) 260-6057.

*Electronic Bidding Procedures***.** Electronic bids must be submitted for the purchase of the Second Series D Bonds (all or none) via PARITY. Bids will be communicated electronically to the State at **11:30 a.m.** local Annapolis, Maryland time, on Wednesday, July 28, 2010. Prior to that time, an eligible prospective bidder may (1) input the proposed terms of its bid via PARITY, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Second Series D Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via PARITY to the State each bid will constitute an irrevocable offer to purchase the Second Series D Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the State, as described under "Interest Rates and Basis of Award" above, represented by the rate or rates of interest and the bid price specified in their respective bids.

Bid Submissions

Each bid must be in conformity with this Official Notice of Sale.

All bids must be delivered to the Treasurer VIA PARITY IN ANNAPOLIS, MARYLAND, before **11:30 a.m.**, local time, on July 28, 2010, at which time they will be received by the Treasurer. As described below, the Board reserves the right to postpone the date for receipt of bids.

Minority Business Enterprise Participation

THE STATE STRONGLY ENCOURAGES EACH BIDDER FOR THE SECOND SERIES D BONDS TO MAKE A GOOD FAITH EFFORT TO INCLUDE MINORITY BUSINESS ENTERPRISES IN THE SYNDICATE PURCHASING THE SECOND SERIES D BONDS. THE SUCCESSFUL BIDDER WILL BE REQUESTED TO PROVIDE A LIST OF SYNDICATE MEMBERS WHICH IDENTIFIES THE MINORITY BUSINESS ENTERPRISE MEMBERS AND INDICATES THEIR PERCENTAGE OF PARTICIPATION.

Preliminary Award

As promptly as reasonably practicable after the bids are received and reviewed, but not later than **12:30 p.m.** (local Annapolis, Maryland time) on the Bid date (unless bids have been postponed), the Treasurer will notify the apparently successful bidder of the Preliminary Award of the Second Series D Bonds. Such bidder, upon such notice, shall advise the Treasurer of the initial reoffering price to the public, expressed as a percentage of par, of the QSCBs and QZABs of the Second Series D Bonds (the "Reoffering Prices"). The apparent successful bidder will also be required to wire to the State a Good Faith Deposit as further described herein. Timely notification of the Final Award is subject to the State's receipt of the Good Faith Deposit.

Good Faith Deposit

The apparently successful bidder shall wire transfer to the State $450,000 in immediately available funds no later than 2:00 p.m. (local Annapolis, Maryland time) on the Bid Date. In the event that the State has not received such federal funds wire transfer by the time stated, the State, in its sole discretion, may revoke its acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the Second Series D Bonds.

IF THE SUCCESSFUL BIDDER FAILS TO COMPLY WITH THE TERMS OF ITS BID, THE GOOD FAITH DEPOSIT MAY BE RETAINED BY THE STATE AS AND FOR FULL LIQUIDATED DAMAGES.

Final Award

As promptly as reasonably practicable after receipt of the Good Faith Deposit, the Treasurer will notify the successful bidder of the Final Award of the Second Series D Bonds.

Simultaneously with or before delivery of the Second Series D Bonds, the successful bidder shall furnish to the State a certificate acceptable to Bond Counsel stating: (1) the Reoffering Prices; (2) that the successful bidder has made a bona fide public offering of the Second Series D Bonds at the Reoffering Prices; and (3) that a substantial amount of the Second Series D Bonds was sold to the public (excluding bond houses, brokers, and other intermediaries) at such Reoffering Prices. Bond Counsel advises that: (1) such certificate must be made on the best knowledge, information, and belief of the successful bidder; (2) the sale to the public of 10% or more in par amount of the Second Series D Bonds at the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Second Series D Bonds; and (3) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Second Series D Bonds.

Delivery of the Second Series D Bonds

When delivered the Second Series D Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Second Series D Bonds. It is anticipated that CUSIP identification numbers will be printed on the Second Series D Bonds. However, neither the failure to print such numbers on any bond nor any error with respect thereto shall constitute a cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Second Series D Bonds in accordance with this Official Notice of Sale. Delivery of the Second Series D Bonds, without expense, will be made by the State to DTC on August 10, 2010, or on a later date determined by the Treasurer as soon thereafter as may be practicable, and, thereupon, the purchaser or purchasers thereof

will be required to accept delivery of the Second Series D Bonds purchased and pay, in federal funds, the amount of the successful bid, less the good faith deposit. The opinions, certificates, and other closing documents referred to below will be delivered to the successful bidder on the date of delivery of the Second Series D Bonds at the office of the Treasurer in Annapolis, Maryland, or at such other location as the Treasurer may determine.

Legal Opinion; Certificate Concerning Official Statement; No Litigation Certificate

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Second Series D Bonds that, simultaneously with or before delivery and payment for the Second Series D Bonds, the bidder without cost shall be furnished with (a) the approving opinions of the Attorney General and of Ballard Spahr LLP, Bond Counsel, dated as of the date of delivery of the Second Series D Bonds, substantially in the respective forms included as Appendix D to the Preliminary Official Statement referred to below; (b) a certificate of the Attorney General dated as of the date of delivery of the Second Series D Bonds to the effect that there is no litigation pending or, to the best of his knowledge, threatened, that in any manner will affect the validity of the Acts under which the Second Series D Bonds will be issued or the Second Series D Bonds; (c) a signed copy of the Official Statement relating to the Second Series D Bonds dated as of the date of the sale of the Second Series D Bonds; (d) a certificate or certificates of the members of the Board to the effect that, to the best of their knowledge and belief (except for the Reoffering Information [defined below] provided by the bidder and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed): (1) the Official Statement as of the date of sale did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (2) between the date of sale and the date of delivery of the Second Series D Bonds, there has been no material adverse change in the financial condition or financial affairs of the State except as may have been disclosed in or contemplated by the Official Statement as of the date of sale and (e) the Continuing Disclosure Agreement substantially in the form included as Appendix F to the Preliminary Official Statement referred to below.

The opinions of the Attorney General and Bond Counsel will be delivered, upon request, to the purchaser or purchasers of the Second Series D Bonds, without charge. A bidder may make the legality and validity of the Second Series D Bonds one of the terms of the bid by making the bid "subject to legality," or using any equivalent form of expression, which shall be deemed to refer to the opinions of the Attorney General and Bond Counsel referred to above, but no bid should purport to leave this question to the decision of the bidder or its counsel. All bids conditioned upon the approval of the bidder or its counsel, whether named or unnamed, will be treated as conditional bids and will be rejected unless the condition is waived by the bidder to the satisfaction of the Board before the award has been made.

Official Statement

Additional information concerning the State of Maryland and the Second Series D Bonds is contained in the Preliminary Official Statement, dated July 15, 2010 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. The Preliminary Official Statement is in a form "deemed final" by the State as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment, and completion in the Official Statement. Electronic copies of the Preliminary Official Statement are available on the Internet at www.treasurer.state.md.us.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the Board of Public Works will execute and deliver a continuing disclosure agreement on or before the date of issuance of the bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A proposed form of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

As soon as practicable after the award of the Second Series D Bonds to the successful bidder on the date of sale, the State will authorize an Official Statement, which presently is expected to be substantially in the form of the Preliminary Official Statement. The State also will authorize and issue any supplement to the Official Statement that may be necessary between the date of the authorization of the Official Statement and the date of delivery of, and payment for, the Second Series D Bonds. If so requested by the successful bidder at or before the close of business on the date of the sale, the State will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Second Series D Bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by the successful bidder. If no Reoffering Information should be specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Second Series D Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the State and its officials in all respects for the Reoffering Information in any reoffering of the Second Series D Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder also will be furnished without cost

within seven business days following the date of sale up to 100 copies of the Official Statement (and any amendments or supplements).

Right to Change the Official Notice of Sale and to Postpone Offering

The Board also reserves the right to make changes to the Official Notice of Sale and postpone, from time to time, the date established for the receipt of bids. In the event of a change or postponement, the change or new date and time of sale will be announced via TM3. Any new date and time of sale will be announced at least 24 hours prior to the time proposals are to be submitted. On any such alternative sale date, bidders may submit bids for the purchase of the Second Series D Bonds in conformity with the provisions of this Official Notice of Sale, except for any changes to this Official Notice of Sale, the change of the date of sale and the changes described in the next sentence. If the date fixed for receipt of bids is postponed, the expected date of delivery of the Second Series D Bonds also may be postponed, the dates of the semiannual interest payments and annual principal payments and the optional redemption dates also may be changed. Such changes, if any, will be announced via TM3 at the time any alternative sale date is announced.

MARTIN O'MALLEY
Governor

PETER FRANCHOT
Comptroller

NANCY K. KOPP
Treasurer

Constituting the Board of Public Works of the
State of Maryland

Annapolis, Maryland
July __, 2010

Appendix F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (this "Disclosure Agreement") dated as of August__, 2010, is executed and delivered by the State of Maryland (the "State") in connection with the issuance of its $_____ General Obligation Bonds, State and Local Facilities Loan of 2010, Second Series, consisting of the Second Series A Tax-Exempt Bonds (the "Second Series A Bonds"), the Second Series B Tax-Exempt Bonds (the "Second Series B Bonds"), the Second Series C Taxable Build America Bonds (the "Second Series C Bonds") and the Second Series D Taxable Qualified School Construction Bonds and Qualified Zone Academy Bonds (the "Second Series D Bonds"). The Second Series A Bonds, the Second Series B Bonds, the Second Series C Bonds and the Second Series D Bonds are collectively referred to herein as "the Bonds". The Bonds are being issued pursuant to resolutions passed by the Board of Public Works (the "Board") on June 23, 2010, as amended and supplemented by resolutions adopted on _____. The State, 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 State for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The State'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 unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Continuing Disclosure Service" shall mean the continuing disclosure service established by the Municipal Securities Rulemaking Board known as the Electronic Municipal Market Access ("EMMA") system.

"**Listed Events**" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"**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 Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

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

(a) The State shall provide to the Continuing Disclosure Service, annual financial information and operating data as set forth in Schedule A to this Disclosure Agreement, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the fiscal year, commencing with the fiscal year ending June 30, 2010.

(b) The State shall provide to the Continuing Disclosure Service, annual audited financial statements for the State, such information to be made available within 275 days after the end of the State's fiscal year, commencing with the fiscal year ending June 30, 2010, 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 State's fiscal year (commencing

with the fiscal year ending June 30, 2010), the State will provide unaudited financial statements within said time period.

(c) Except as otherwise set forth in this paragraph (c), the presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds.

(1) The State may make changes to the presentation of the financial information required in paragraph (a) and paragraph (b) necessitated by changes in Generally Accepted Accounting Principles;

(2) The State may otherwise modify the presentation of the financial information required herein, provided that this Disclosure Agreement is amended in accordance with Section 6 hereof.

(d) If the State is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the State shall send in a timely manner a notice of such failure to the Continuing Disclosure Service.

Section 4. Reporting of Significant Events.

(a) This Section 4 shall govern the giving of notices 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;

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

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

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

(vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(vii) modifications to rights of bond holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds; and

(xi) rating changes.

(b) Whenever the State obtains knowledge of the occurrence of a Listed Event, the State shall as soon as possible determine if such event would constitute material information for owners of Bonds. If the Listed Event constitutes material information for owners of Bonds, the State shall promptly file a notice of such occurrence with the Continuing Disclosure Service.

Section 5. Termination of Reporting Obligation.

The State'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 State may terminate its obligations under this Disclosure Agreement if and when the State no longer remains an obligated person with respect to the Bonds within the meaning of Securities and Exchange Commission Rule 15c2-12.

Section 6. Amendment.

The State may provide further or additional assurances that will become part of the State's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the State 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 State as the obligated person with respect to the Bonds, or 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 State that is expert in federal securities law matters. The reasons for the State 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 State 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(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the State chooses to include any information in any disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the State shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 4(a) or (b) 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 State of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland or the federal law.

Section 9. Limitation of Forum.

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

Section 10. Limitation on Remedies.

The State shall be given written notice at the address set forth below of any claimed failure by the State to perform its obligations under the Disclosure Agreement, and the State 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 State shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the State shall be given to the State Treasurer, Louis L. Goldstein Treasury Building, 80 Calvert Street, Annapolis, Maryland 21401, or at such alternate address as shall be specified by the State with disclosures made pursuant to Section 4(a) or 4(b) hereof or a notice of occurrence of a Listed Event.

Section 11. Relationship to Bonds.

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

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Section 12. 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 Continuing Disclosure Agreement is being executed by the Board of Public Works on behalf of the State of Maryland as of this ___ day of August, 2010.

STATE OF MARYLAND

By:_____
Martin O'Malley, Governor

By:_____
Peter Franchot, Comptroller

By:_____
Nancy K. Kopp, Treasurer

as Members of the Board of Public
Works of the State of Maryland

Schedule A

(1) Summary of Outstanding Tax Supported Debt.

(2) Summary of State Revenues and Expenditures.

(3) Summary of General Fund Balances.

(4) Summary of State Reserve Fund.

(5) Budget for Current Fiscal Year.

(6) Description of material litigation based on the accountant's report contained in the Comprehensive Annual Financial Report.

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