UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **May 9, 2007**

MAXIMUS, INC.

(Exact name of registrant as specified in its charter)

Virginia	**1-12997**	**54-1000588**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

11419 Sunset Hills Road, Reston, Virginia	**20190-5207**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(703) 251-8500**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On May 9, 2007, the Company issued a press release announcing its financial results for the quarter ended March 31, 2007. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

On May 9, 2007, the Company held a conference call with respect to these financial results. The conference call was open to the public. The transcript and slide presentation that accompanied the call are furnished as Exhibit 99.2 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits. The following exhibit is being furnished pursuant to Item 2.02 above.

Exhibit No.	Description
99.1	Press release dated May 9, 2007
99.2	Conference call transcript and slide presentation for Earnings Call - May 9, 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MAXIMUS, Inc.

Date: May 9, 2007

By: /s/ David R. Francis
David R. Francis
General Counsel and Secretary

EXHIBIT INDEX

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Exhibit 99.1

**MAXIMUS REPORTS IMPROVED FISCAL 2007 SECOND QUARTER RESULTS
WITH REVENUE OF $179.1 MILLION AND DILUTED EPS of $0.11**

(RESTON, Va. - May 9, 2007) - MAXIMUS (NYSE: MMS), a leading provider of government services, today reported results for its fiscal 2007 second quarter ended March 31, 2007. Highlights include:

- Second quarter revenue of $179.1 million and net income of $2.4 million,
- Diluted earnings per share of $0.45 from Base Operations (excludes Texas project operating loss and legal provision),
- Better-than-expected results from the Texas project, together with the execution of four new interim agreements with MAXIMUS as prime contractor,
- Cash, cash equivalents and marketable securities totaling $177.3 million,
- Days Sales Outstanding of 85 days, and
- New sales awards of $300 million and a total pipeline of $1.2 billion at May 1, 2007.

Revenue for the second quarter was $179.1 million compared to $179.8 million reported for the same period last year. The fiscal 2006 second quarter included approximately $6.9 million of revenue from voter hardware sales and the Corrections business, which has since been divested.

For the second quarter, net income was $2.4 million, or $0.11 per diluted share, compared to net income of $8.9 million, or $0.41 per diluted share, in last year's second quarter. In the quarter, the Company recorded a $6.1 million provision which includes a settlement for a previously disclosed legal matter in Ontario, Canada and estimated future legal expenses for the ongoing arbitration with Accenture related to the Texas project. The Company also reports results from its Base Operations, which excludes the Texas project and legal expenses. Base Operations delivered $0.45 per diluted share in the second quarter.

The Texas Integrated Eligibility project contributed revenue of $11.2 million and a pre-tax loss of $6.5 million, or $0.18 per diluted share, to the Company's second quarter results. Performance on the Texas project reflects better-than-expected results during the transition of the contract and the recognition of previously deferred revenue. The Company announced in March that it would provide services directly to the Texas Health and Human Services Commission (HHSC) as a prime contractor. MAXIMUS has since established four interim agreements with HHSC covering Enrollment Broker services, Children's Health Insurance Program (CHIP) Operations, CHIP Systems, and Eligibility Support services, while the State completes the transition of these programs. The Company now expects that its operations in Texas will contribute to Company profitability beginning in the fiscal 2007 third quarter. Going forward, results from the Texas project will no longer be reported separately.

Richard Montoni, Chief Executive Officer of MAXIMUS, commented, “Overall, we are pleased with the results for the quarter and, we are enthusiastic about the prospects for the remainder of fiscal 2007 and the outlook for fiscal 2008. The Texas project, which was generating significant losses over the last three quarters, will begin contributing to profitability in the second half of our fiscal year. The turnaround on this project, as well as the settlement in Ontario, reflects our strategy of aggressively addressing legacy challenges and optimizing current operations. On the new business front, we are focusing on work that meets our more stringent criteria designed to improve profitability and increase levels of client satisfaction over the longer term. Our pipeline of new opportunities remains strong at over $1.2 billion."

Consulting Segment
Consulting Segment revenue, which represented 13% of total Company revenue for the second quarter, was $23.2 million compared to $26.4 million in the same period last year. Second quarter operating income for the Consulting Segment was $1.0 million compared to $3.0 million reported for the second quarter of last year. As expected, results for the segment were lower year-over-year, as well as sequentially, due primarily to the timing of revenue on contingency-based work and lower volume on a large school-based claiming project.

Systems Segment
Systems Segment revenue represented 20% of total Company revenue for the second quarter of fiscal 2007 and increased 10% to $35.4 million from the prior year period primarily resulting from new profitable contracts in the ERP Division. Anticipated losses in the Educational Systems Division lowered operating income for the period to $93,000 compared to operating income of $278,000 last year. However, on a sequential basis, operating income for the Segment improved significantly when compared to the fiscal 2007 first quarter operating loss of $1.6 million.

Operations Segment

Operations Segment revenue represented 67% of total Company revenue for the second quarter of fiscal 2007. Operations Segment revenue for the second quarter was $120.4 million compared to $121.2 million in last year's second quarter which included revenue of approximately $6.9 million from voter hardware and the Corrections business, which the Company divested in the first quarter of fiscal 2007. Second quarter operating income for the Operations Segment was $7.1 million compared to income of $10.5 million reported for the same period last year. The reduction is due to the loss on the Texas project. On a sequential basis, both revenue and operating income increased substantially driven by the improved results from the Texas project, which is now expected to be a profitable contributor to the Operations Segment beginning in the third quarter.

Sales and Pipeline

Year-to-date signed contract wins at May 2, 2007, totaled $302 million, compared to $292 million reported at May 2, 2006. New contracts pending at May 2, 2007, (awarded but unsigned) totaled $82 million compared to $135 million reported last year. Sales opportunities at May 2, 2007, totaled $1.2 billion (consisting of $519 million in proposals pending, $86 million in proposals in preparation, and $601 million in proposals tracking) compared to $1.3 billion the prior year.

Balance Sheet and Cash Flows

At March 31, 2007, cash, cash equivalents, and marketable securities totaled $177.3 million. Days Sales Outstanding (DSO) improved to 85 days at March 31, 2007, benefiting from strong collections, revenue recognition on collected receivables previously reserved, and deferred revenue. The Company's DSO includes $2.1 million of net long-term accounts receivable included in other assets. For the second fiscal quarter, the Company generated net cash from operating activities of $17.5 million and paid a quarterly cash dividend of $0.10 per share on February 28, 2007. Free cash flow, which the Company defines as cash from operations less purchased property and equipment and capitalized software costs, totaled $14.0 million for the second quarter.

Outlook

Total Company revenue for fiscal 2007 is now estimated to be in the range of $740 million to $770 million. As a result, the Company expects that total fiscal year 2007 GAAP diluted earnings per share will be in the range of $0.85 to $0.95, inclusive of losses on the Texas project and legal expenses through March 31, 2007. The Company's outlook does not include any costs associated with the settlement of outstanding legal matters that may occur in the second half of fiscal 2007.

The Company is also establishing preliminary fiscal 2008 guidance, with expected diluted earnings per share to be in the range of $2.30 to $2.60, and an expected revenue growth rate of approximately 10%. The basis for the outlook is driven by a strong state and local market environment coupled with the Company's ongoing efforts to improve and optimize its current base operations.

Website Presentation, Conference Call and Webcast Information

MAXIMUS has posted a presentation on its website, under the Investor Relations page, for analysts to follow along with during the conference call.

The Company will host a conference call at 9:00 a.m. (EDT) this morning. The call is open to the public and can be accessed under the Investor Relations page of the Company's website at www.maximus.com or by calling:

800.552.8050 (Domestic)/206.902.3258 (International)

For those unable to listen to the live call, a replay will be available through Wednesday, May 16, 2007. Callers can access the replay by registering for the digital playback at the following website: http://reg.linkconferencecall.com/DigitalPlayback/DigitalPlaybackRegistration.aspx?recid=5406. Upon registration, participants will receive an email with the call back information.

MAXIMUS is one of America's leading government services companies devoted to providing program management, consulting and information technology services. The Company has more than 5,200 employees located in more than 220 offices in the United States, Canada and Australia. In 1999, 2001, 2002, 2003, and 2005 MAXIMUS was selected by Forbes Magazine as one of the Best 200 Small Companies in America for that year. Additionally, MAXIMUS is included in the Russell 2000 Index and the S&P SmallCap 600 Index.

Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations about revenues, results of operations, profitability, future contracts, market opportunities, market demand or acceptance of the Company's products are forward-looking statements that involve risks and uncertainties. These uncertainties could cause the Company's actual results to differ materially from those indicated by such forward-looking statements and include reliance on government clients; risks associated with government contracting; risks involved in managing government projects; legislative changes and political developments; opposition from government unions; challenges resulting from growth; adverse publicity; and legal, economic, and other risks detailed in Exhibit 99.1 to the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (file number 001-12997).

Non-GAAP Financial Information

This press release includes certain non-GAAP financial information as defined by Securities and Exchange Commission Regulation G. Pursuant to the requirements of this regulation, reconciliations of this non-GAAP financial information to MAXIMUS financial statements as prepared under generally accepted accounting principles (GAAP) are included in this press release. MAXIMUS discloses net income and earnings per share excluding legal settlement expense and losses from the Texas project in the first half of fiscal 2007, and provides certain additional information, such as non-recurring reserves, regarding earnings per share for fiscal 2007. MAXIMUS management believes providing investors with this information gives additional insights into MAXIMUS results of operations. While MAXIMUS management believes that these non-GAAP financial measures are useful in evaluating MAXIMUS operations, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with GAAP.

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MAXIMUS, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	September 30, 2006	March 31, 2007 (unaudited)
ASSETS		
Current assets:	$ 39,545	$ 42,871
Cash and cash equivalents	117,315	134,409
Marketable securities	1,512	324
Restricted cash	153,399	126,673
Accounts receivable - billed, net of reserves of $5,830 and $24,468	47,728	39,077
Accounts receivable - unbilled	9,003	3,678
Income taxes receivable	6,844	13,704
Deferred income taxes	8,334	8,609
Prepaid expenses and other current assets.		
Total current assets	383,680	369,345
Property and equipment, at cost .	71,078	74,882
Less accumulated depreciation and amortization	(37,649)	(42,100)
Property and equipment, net	33,429	32,782
Capitalized software	57,260	58,533
Less accumulated amortization	(23,335)	(27,709)
Capitalized software, net	33,925	30,824
Deferred contract costs, net	11,165	8,482
Goodwill	86,688	86,019
Intangible assets, net	5,720	4,444
Other assets, net	3,894	2,903
Total assets	$ 558,501	$ 534,799
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 54,484	$ 51,456
Accrued compensation and benefits	24,426	24,136
Deferred revenue	54,414	41,432
Current portion of capital lease obligations	1,690	1,594
Other accrued liabilities	1,600	1,509
Total current liabilities	136,614	120,127
Capital lease obligations, less current portion	2,044	1,239
Deferred income taxes	14,944	13,874
	153,602	135,240
Total liabilities		
Shareholders' equity:		
Common stock, no par value; 60,000,000 shares authorized; 21,544,964 and 21,868,583 shares issued and outstanding at September 30, 2006 and March 31, 2007, at stated amount, respectively	156,349	161,929
Accumulated other comprehensive income (loss)	(916)	528
Retained earnings	249,466	237,102
Total shareholders' equity	404,899	399,559
Total liabilities and shareholders' equity	$ 558,501	$ 534,799

MAXIMUS, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2007	2006	2007
Revenue	$ 179,773	$ 179,077	$ 342,499	$ 340,215
Cost of revenue	134,441	136,202	252,421	277,062
Gross profit	45,332	42,875	90,078	63,153
Selling, general and administrative expenses	30,886	34,451	62,450	69,104
Legal expense	725	6,104	1,225	9,104
Income (loss) from operations	13,721	2,320	26,403	(15,055)
Interest and other income, net	940	1,615	2,978	2,092
Gain on sale of business	-	-	-	684
Income (loss) before income taxes=	14,661	3,935	29,381	(12,279)
Provision (benefit) for income taxes	5,791	1,573	11,605	(4,246)
Net income (loss)	$ 8,870	$ 2,362	$ 17,776	$ (8,033)
Earnings (loss) per share:				
Basic	$ 0.41	$ 0.11	$ 0.83	$ (0.37)
Diluted	$ 0.41	$ 0.11	$ 0.81	$ (0.37)
Dividends per share	$ 0.10	$ 0.10	$ 0.20	$ 0.20
Weighted average shares outstanding:				
Basic	21,421	21,714	21,427	21,651
Diluted	21,888	21,972	21,892	21,651

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended March 31, 2006	Six Months Ended March 31, 2007
Cash flows from operating activities:		
Net income (loss)	$ 17,776	$ (8,033)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,475	4,754
Amortization	3,839	5,271
Deferred income taxes	(2,774)	(7,930)
Gain on sale of business	-	(684)
Non-cash equity based compensation	2,687	1,401
Change in assets and liabilities, net of effects from divestiture:		
Accounts receivable - billed	(15,156)	26,726
Accounts receivable - unbilled	(2,449)	7,606
Prepaid expenses and other current assets	427	(264)
Deferred contract costs	(11,513)	2,683
Other assets	(459)	2,357
Accounts payable	8,674	(2,534)
Accrued compensation and benefits	(3,002)	(291)
Deferred revenue	14,537	(12,577)
Income taxes	432	5,325
Other liabilities	(999)	1,218
Net cash provided by operating activities1	6,495	25,028
Cash flows from investing activities:		
Proceeds from sale of business, net of transactions costs	-	2,171
Purchases of property and equipment	(6,204)	(4,242)
Capitalized software costs	(4,223)	(1,485)
Increase in marketable securities	(17,525)	(17,094)
Net cash used in investing activities	(27,952)	(20,650)
Cash flows from financing activities:		
Employee stock transactions	4,217	3,418
Repurchases of common stock	(9,266)	-
Payments on capital lease obligations	(743)	(901)
Tax benefit due to option exercises and restricted stock units vesting	904	762
Cash dividends paid	(4,292)	(4,331)
Net cash used in financing activities	(9,180)	(1,052)
Net increase (decrease) in cash and cash equivalents	(20,637)	3,326
Cash and cash equivalents, beginning of period	59,073	39,545
Cash and cash equivalents, beginning of period	59,073	39,545
Cash and cash equivalents, end of period	$ 38,436	$ 42,871

MAXIMUS, Inc.
Segment Information
(In thousands)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	**2007**	**2006**	**2007**
Revenue:				
Consulting	$ 26,368	23,224	$ 50,003	47,880
Systems	32,229	35,412	68,519	69,953
Operations	121,176	120,441	223,977	222,382
Total	$ 179,773	$ 179,077	$ 342,499	$ 340,215
Gross Profit:				
Consulting	$ 10,168	9,253	$ 20,364	20,160
Systems	9,997	9,914	23,867	18,465
Operations	25,167	23,708	45,847	24,528
Total	$ 45,332	$ 42,875	$ 90,078	$ 63,153
Selling, General, and Administrative expense:				
Consulting	$ 7,192	8,221	$ 14,852	16,313
Systems	9,719	9,821	19,702	19,969
Operations	14,623	16,650	29,235	33,514
Corporate/Other	(648)	(241)	(1,339)	(692)
Total	$ 30,886	$ 34,451	$ 62,450	$ 69,104
Income (Loss) from Operations:				
Consulting	$ 2,976	$ 1,032	$ 5,512	$ 3,847
Systems	278	93	4,165	(1,504)
Operations	10,544	7,058	16,612	(8,986)
Consolidating adjustments	648	241	1,339	692
Legal expense	(725)	(6,104)	(1,225)	(9,104)
Total	$ 13,721	$ 2,320	$ 26,403	$ (15,055)

MAXIMUS, Inc.
Supplemental Pro Forma Information
(Dollar in millions, except per share data)
(unaudited)

	Three Months Ended		
	Dec. 31, 2006	Mar. 31, 2007	Total
Income before taxes, as reported (GAAP)	$ (16.2)	$ 3.9	$ (12.3)
Add back Texas project operating loss	24.0	6.5	30.5
Add back provision for legal expense	3.0	6.1	9.1
Pro Forma income before income taxes, base operations (Non-GAAP)	$ 10.8	$ 16.5	$ 27.3
Diluted earnings per share, as reported (GAAP)	$ (0.48)	$ 0.11 $(0.37)	
Add back Texas project operating loss	0.71	0.18	0.89
Add back provision for legal expense	0.09	0.16	0.25
Pro Forma diluted earnings per share, base operations (Non-GAAP)	$ 0.32	$ 0.45	$ 0.77

Lisa Miles:

Good morning and thank you for joining us for our first quarter earnings conference call. If you wish to follow along, we've posted a presentation on our website, under the Investor Relations page. On the call today is Rich Montoni, Chief Executive Officer and David Walker, Chief Financial Officer. Following our prepared comments, we will open the call up for Q&A.

Forward Looking Statement:

Before we begin, I'd like to remind everybody that a number of statements being made today will be forward-looking in nature. Please remember that such statements are only predictions, and actual events or results may differ materially as a result of risks we face, including those discussed in exhibit 99.1 of our SEC filings. We encourage you to review the summary of these risks in our most recent 10K, filed with the SEC on February 8th. The Company does not assume any obligation to revise or update these forward-looking statements to reflect subsequent events or circumstances.

And with that, I'll turn the call over to Dave.

David Walker
Draft CFO comments Q2 2007

Thanks Lisa. Good morning.

This morning the Company reported second quarter revenue totaling $179.1 million and net income of $2.4 million or $0.11 per diluted share.

As outlined in our press release, financial results are comprised of three components:

- Losses on the Texas contract;
- Legal provisions; and
- Base operations.

For the second quarter, revenue from the Texas project was $11.2 million and generated a pre-tax loss of $6.5 million or $0.18 per diluted share. You may recall that we had estimated that the second quarter pre-tax loss on the Texas project was expected to be in the range of $13 million to $18 million.

Results from Texas were better than expected due to the recognition of deferred revenue and collection of previously reserved receivables. This was somewhat offset by costs incurred for work performed under the new contracts where we were unable to recognize the revenue in the second quarter. This will provide a benefit in the third quarter as we expect results from the Texas project will be slightly more accretive in the quarter.

The Company is now operating under new contracts being performed directly for the Texas Health and Human Services Commission. Beginning in the third quarter, we no longer plan to separately disclose the results of the Texas program. Looking forward, we expect the Texas project will go from a loss position to become a positive contributor to earnings.

Rich will talk more about the new Texas contracts later in the call. *(pause)*

Legal Costs, the second component of our financial results, had a pre-tax expense in the quarter of $6.1 million or $0.16 per diluted share. These legal costs primarily relate to estimated future legal expenses for our ongoing arbitration with Accenture and a final settlement for a previously disclosed legal matter related to a contract in Ontario.

Base Operations - which excludes results from the Texas project and legal expenses -- delivered $0.45 per diluted share in the second quarter.

Let's move into the results by business segment starting with Consulting.

- **Consulting**
  - Consulting Segment revenue was $23.2 million for the second quarter, and operating income totaled $1.0 million- or an operating margin of 4.4%.

  - The Consulting Segment performed as expected during the quarter. If you recall, I explained during our last quarterly call that we expected the results to be softer in Q2 as a result of timing associated with completion of work and customer required actions or work acceptance. On a year-to-date basis the operating income margin was 8.0%.

- **Systems**

Moving into the Systems Segment - As expected, the Systems Segment showed improvement over last quarter.

- Systems revenue in the second fiscal quarter totaled $35.4 million compared to $32.2 million reported for the same period last year and $34.5 million reported last quarter. This revenue growth is primarily from new contracts in the ERP division.

- The Segment returned to profitability in the second quarter with operating income of $93,000. During the quarter, the new work in the ERP division drove the improved results. Over the last several months we've successfully managed the ERP division to a solid rebound with a refreshed backlog of profitable contracts. At the same time, we're winding down a couple of legacy contracts which created cost overruns in Fiscal 2006.

- The improvements in ERP helped offset weakness in the Educational Systems division. Education launched an enterprise version of its Schoolmax student information system at the end of last fiscal year and will continue to deploy both technical and sales resources, which will continue to impact profitability for the remainder of the year.

- As we discussed on our last quarterly call, we see many large software licensing opportunities in the market. These contracts have longer procurement and installation cycles and generally require license revenue to be recorded ratably. While this intellectual property has tremendous potential to provide long-term value for our shareholders, 2007 remains a transition year for the System segment.

➢ **Operations:**

Turning to the Operations Segment:

- Revenue for the Operations Segment totaled $120.4 million for the second quarter, compared to revenue of $121.2 million for the same period last year. Revenue for the second quarter of 2006 was higher relative to 2007 by $6.9 million from a large voting hardware sale and the Corrections business which has since been divested.

- In the current quarter, the Operations Segment posted operating income of $7.1 million. For the first time since the second quarter of last year, the Operations Segment has returned to profitability. This is principally driven by the curtailment of the Texas losses. Excluding the Texas loss the operating income for the segment was $13.6 million or an operating margin of 12.4%, which compares favorably to $12.8 million in the same quarter of the prior year, similarly adjusted for Texas. The normalized 12.4% operating margin is a solid indicator that the underlying Operations business remains healthy.

- Sequentially, the Operations Segment revenue grew $18.5 million and operating income grew and $23.1 million, over the first fiscal quarter of 2007. This growth largely reflects contract charges recorded during the first quarter on the Texas and Ontario projects of approximately $16.0 million. Reductions in the Texas operating loss of $5.5 million and expansion of other margins also contributed to the operating income improvement.

Moving onto balance sheet and cash flow items.

We ended the second fiscal quarter with cash, cash equivalents, and marketable securities of $177.3 million.

Our accounts receivable for the quarter totaled $165.8 million. We also have $2.1 million in long-term accounts receivables which are classified within other assets on the balance sheet. DSOs improved in the quarter to 85 days, a reduction of 11 days over last quarter. About 5 days of this improvement is a temporary benefit associated with recognition of deferred revenue on the completed Texas contract and collection of previously reserved receivables. But approximately 6 days of the DSO improvement demonstrates that we are making solid headway in our efforts to achieve better contract terms and complete older fixed price, milestone contracts.

Cash flow in the quarter was very strong. Cash provided from operating activities totaling $17.5 million in the quarter with free cash flow of $14.0 million. Approximately $10 million of this cash flow was derived from large subcontractors and vendors as well as tax refunds received in the quarter.

Other uses of cash include $2.2 million used to pay a quarterly cash dividend of $0.10 per share in February.

In summary, we see continued improvements in our balance sheet. We are actively focusing on optimizing contract management and performance. As we wind down the old Texas contract we should expect to see margins return to more normalized levels over the coming quarters. Excluding the impact of the Texas project during the quarter, operating margin for the consolidated company would have been 8.9% and as I noted earlier, the Operations Segment would have delivered a normalized 12.4% operating margin.

We believe a 10% operating margin is a reasonable objective for the total Company and we continue to take the necessary steps to meet this objective in the short-term.

And with that, I'll turn the call over to Rich.

Q2 FY 07 Earnings Call Draft CEO Comments
Rich Montoni

Thanks David and Good morning, everyone.

I believe the quarter's results reflect solid progress with several important developments at MAXIMUS, and give us a positive outlook that the clouds are lifting and there are clearer skies ahead. The results evidence the progress we have made with our strategy to optimize our current business and remedy legacy project and overhang matters. Inherent in this has been the implementation of management controls designed to improve the risk profile and profitability of new work we sign-up. Let's look at the components of the $0.11 of GAAP EPS, as outlined in this morning's press release.

- During the quarter, we had a provision for legal expense of $6.1 million pre-tax or $0.16 per share,
- A pre-tax operating loss on the Texas project of $6.5 million or $0.18 per share,
- and base operations delivered pre-tax income of $16.5 million or $0.45 per share.

The legal provision in the quarter relates principally to two matters; a legal settlement in Ontario, Canada and is for future estimated legal expenses related to the ongoing Accenture arbitration.

We decided to settle the Ontario matter to avoid the cost, risk and distraction of litigation. The provision for additional future arbitration costs is based on recent run rates, which have been higher than originally estimated, and should be sufficient to cover costs at least through 9/30/07. Naturally, should the matter be settled before then, these costs would not be incurred.

The Ontario settlement is consistent with our previously stated strategy of managing legacy issues aggressively and clearing out the remaining significant matters that still exist today. We continue working to resolve both the DC matter and the outstanding arbitration in Texas.

As with any outstanding legal matter, we are limited in our disclosures and cannot provide any additional details at this time related to potential outcomes.

But the bottom line is that we are working to resolve these overhang matters timely, get them behind us, and move forward with growing our business over the long-term.

Let's turn our attention to the positive new developments in Texas as outlined in this morning's press release. We are very pleased that we have turned a large operating loss into what we expect to be a collection of profitable contracts in the second half of the year. We have signed four new interim contracts directly with the Texas Health and Human Services Commission.

We believe that these new agreements with the Health and Human Services Commission are reflective of our commitment to the State throughout this process. Despite the challenges of our previous role as subcontractor, we remained committed to the State. Our customer loyalty helped maintain the integrity of our brand in the marketplace. We also believe that the new agreements reflect the professionalism of our employees throughout the history of the integrated eligibility project in Texas.

We expect these contracts may evolve as the Commission seeks to transition services and come to a decision on how these programs will operate over the longer term. Today, we're in the first phase with interim agreements that run for 60 days on each of the four programs. Following that, it's likely that the commission may consider extended, but still short-term agreements as they work through transition plans and ultimately recompetes.

Let me summarize the four agreements:

- First, on the enrollment broker contract, a service which we've actually been managing for the State of Texas since 1997, we signed a 60-day agreement effective March 15th. It is our expectation that we will reach a long-term agreement for the enrollment broker work that will likely carry us through June 2010.

- The Second agreement became effective March 15th, spans 60-days and covers Eligibility Services.

- The third agreement covers systems work under the CHIP program and became effective April 1st. This also runs for 60 days.

- And lastly, we signed a 60-day agreement effective May 1st on the CHIP Operations program where MAXIMUS is responsible for the enrollment of children whose families have too much income to qualify for Medicaid but can't afford private insurance.

It is our expectation that these contracts in aggregate will initially produce revenues on a monthly basis of approximately $10 million
With these contracts now contributing to profitability and no longer representing a loss, on a go-forward basis we will no longer report Texas separately. Results from these operations will be included as part of results for our total operations.

We are very pleased to have reached direct contractual agreements with the TX Health and Human Services Commission which brings much of this chapter to resolution.

As to future operations of the new Texas contracts, those in place are interim agreements and will expire from May 15th to June 30th. We expect these may be renewed or extended, again in the short term, until longer-term contracts can be put into place. As mentioned before, we expect that over the longer term the Enrollment Broker work will remain substantially the same and a long-term contract will run through June 2010. The contracts underlying the remaining work will depend upon the direction the State plans to take - so we'll have to wait and see. But for practical purposes, much of the work will need to be done at least for the foreseeable future.

Since I assumed the role of CEO one year ago, we implemented improved processes, strengthened personnel and have moved decisively to address legacy issues. In the second quarter, we started to realize some of the benefits of this direction. As we have discussed in prior calls, with new specific management controls now in place, we have been much more disciplined in the upfront process in terms of bidding, pricing, and project scope.

As a result, the work we are bidding on and winning is of higher quality with more favorable terms. Of course, we continue to work through cleaning up some of our legacy contracts and overhangs, but at the same time we've been refreshing the backlog with quality work. I'm very pleased with the progress we've made. We're clearly getting traction and making headway, which is reflective in our new awards signed as of May 2nd, which topped out just over $300 million. More than half of our new awards are coming from contracts sized between $3 and $30 million which also reflects our move towards more profitable, less volume driven business.

We’ve also secured another $82 million of awarded but unsigned contracts. As outlined in the press release, the overall sales pipeline remains very healthy with potential opportunities in excess of $1.2 billion.

We see several opportunities throughout all segments of the business with the overall macro environment driving strong demand, particularly in areas such as Health and Human Services.

The Deficit Reduction Act has clearly influenced demand in areas such as Workforce Services where states are now required to have a 50% work participation rate and the definition of work activities has changed. As a result we’ve seen increased activity in this area with more jurisdictions moving towards an outsourcing model. We recently expanded a current project with new work that was previously performed in house. The work expansion nearly triples the size of that project alone.

We’ve also witnessed some jurisdictions designing procurements for larger organizations and shying away from community based organizations. Along these lines, we just secured a new, 5-year, $44 million workforce services job in Tennessee. This work was previously performed by a network of small community based organizations.

Switching gears to the Health business, on our last conference call I told you that we were notified of award on a new enrollment broker job. During the quarter, we started work on this new EB project for the State of South Carolina. This work was previously performed in-house and was won through a competitive bid.

On April 1st we started the implementation phase with an expected go-live date of August 1st. Under this new state-wide initiative, we are launching a regional rollout with all operations across the state expected to be up and running by February 1, 2008. The project is set to run through March 2010 but there are also two one year options available.

In the Consulting Segment we’ve been advancing ways to expand into broader areas. During the quarter, the Segment won a new project to provide program management, change management and business process re-engineering to the Department of Conservation in a large Western State. This is a great example of the Company’s cross-collaboration and cross-selling efforts. The effort will largely focus on integrating the Oracle business suite into their business processes. We’re excited about this single-agency project that has very well-defined scope.

As Dave touched upon in his comments, I’m also pleased with the improvements we’ve made in certain areas of the Systems Segment, most notably in our ERP division. The division came off a particularly challenging year in fiscal 2006, in part, due to some of the contractual terms that we agreed to when we signed on to these projects years ago. As FY 06 came to a close, the division was able to navigate these legacy projects to completion while at the same time, they secured new work and refreshed their backlog as they moved into FY 07. We’re seeing improvement in the overall Systems segment but the results remain mixed with solid performance from the Asset Services and ERP Division, offsetting softness in Educational Systems Division.

Conclusion

So in conclusion, where do we go from here? We've talked this morning about how we are gaining traction in some of our businesses and how we are addressing legacy issues and implementing both changes in processes and personnel. While we have had to contend with some high-profile challenges, I am proud of what our team has accomplished in recent quarters.

Of course, there's still more to do. We will continue our detailed initiatives including our Business Review Committee, our Quality and Risk Management, and our ongoing training with focus on project execution.

In addition to clearing up the remaining legacy issues, our Board of Directors continues to re-evaluate the Company's capitalization. Our cash and marketable securities remain substantial, at $177.3 million and with our positive quarterly cash flow capability; we recognize that this may not be the most efficient use of our cash in the long term. Presently, there is no specific intent to effect a cash distribution, such as a resuming our Share Repurchase Program. However, as soon as we resolve the arbitration and the DC matter, you can expect that we will address the excess capitalization.

For now, our focus is on returning the business as a whole to an operating margin of 10%, which, we believe, is attainable. I know that's a number that's been floated around before, but with the Texas operating losses substantially behind us, we are intent on returning to this level of operating profitability built on quality, not volume. In order to reach the 10% threshold, we will need all three of our segments to contribute.

In Consulting, our target operating margin for the segment is 15% plus. We think this segment should be able to contributed 15% but realize that it can fluctuate as a result of timing work.

Similarly in Systems, we do see some margin fluctuation but our overall target is really returning this segment to a 10% margin contributor. It has not performed there over the last several quarters and we don't expect it to be there in FY 07. But as we look beyond this year, we expect that our Systems business will achieve that 10% target. Even greater in the long-term.

In Operations, our target operating margin for the segment is typically in the range of 8-12%. The wide range results from the differences in margin contributions across some of these divisions and the overall mix. We typically see the Health business perform at the higher end of the range, certainly when we have mature programs in place. But on the other side, the Child Support and Federal businesses typically run in the high single digits.

But pushing this entire Segment towards the higher end of that range is a longer-term goal. As disclosed in this morning's press release, the Company now expects total revenue in the range of $740 million to $770 million and GAAP diluted earnings per share of $0.85 to $0.95, which includes the Texas project results and legal expenses through the second quarter of fiscal 2007. Our revised full year guidance does not include any costs associated with legal settlements that may occur in the back half of fiscal 2007.

In addition, we also established preliminary fiscal 2008 guidance. Our continued efforts to improve the base business along with strong demand in the state and local markets are largely the basis for this early outlook. As a result, we preliminarily expect revenue growth of roughly 10% in fiscal 2008 with diluted earnings per share for fiscal 2008 in the range of $2.30 to $2.60.

And with that, let's open it up for questions.

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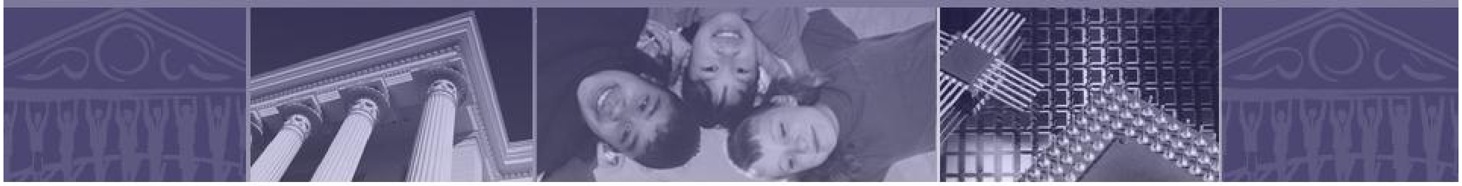

David N. Walker

Chief Financial Officer and Treasurer

2nd Quarter Fiscal 2007

May 9, 2007

Second Quarter FY2007 Results

- Revenue totaling $179.1 million and net income of $2.4 million, EPS of $0.11
- Financial results are comprised of three components
  - Losses on the Texas contract
  - Legal provisions
  - Base operations
- Texas: revenue of $11.2 million, pre-tax loss of $6.5 million, EPS of $0.18
  - Previous guidance expected the loss to be in the range of $13 - $18 million
  - Better than expected results due to recognition of deferred revenue and collection of reserved receivables
- Legal Costs: $6.1 million pre-tax or EPS of $0.16
  - Estimated future legal expenses for ongoing arbitration with Accenture
  - Final settlement related to a contract in Ontario, Canada
- Base Operations: delivered EPS of $0.45, or operating margin of 8.9% (excludes Texas and legal)

Results by Business Segment

- Consulting Segment revenue was $23.2 million, operating income totaled $1.0 million with an operating margin of 4.4%
  - Year-to-date operating income margin of 8.0%
- Systems Segment revenue was $35.4 million compared to $32.2 million for FY06 Q2; FY07 Q1 was $34.5 million
  - Return to profitability driven from new work in ERP Division with operating income of $93,000
- Operations Segment revenue totaled $120.4 million, compared to revenue of $121.2 million for FY06 Q2
  - Returned to profitability with operating income of $7.1 million
  - Excluding the Texas loss, the segment had operating income of $13.6 million or an operating margin of 12.4%

Balance Sheet and Cash Flow Items

- Cash, Cash equivalents, and marketable securities of $177.3 million
- Accounts Receivables totaled $165.8 million; $2.1 million in long-term accounts receivables
- DSOs improved to 85 days; reduction of 11 days over FY07 Q1
  - Improved 5 days from temporary benefit of deferred revenue recognition and the collect of previously reserved receivables
  - Balance of Improvement demonstrates efforts to achieve better contract terms and complete older fixed price, milestone contracts
- Cash provided from operating activities totaling $17.5 million, free cash flow of $14.0 million
- $2.2 million used to pay a quarterly cash dividend of $0.10 per share in February

In Summary

- Continued improvements in balance sheet
- Actively focusing on optimizing contract management and performance
- Expect to see margins return to more normalized levels over the coming quarters
- Excluding the impact from TX, operating margin for the consolidated Company would have been 8.9%. Operations Segment delivered a normalized 12.4% operating margin
- Taking the necessary steps to achieve a 10% operating margin objective in the short-term

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HELPING GOVERNMENT SERVE THE PEOPLE®

Richard A. Montoni

President and Chief Executive Officer

2nd Quarter Fiscal 2007

May 9, 2007

Second Quarter Results - $0.11 GAAP EPS

- Provision for legal expense of $6.1 million pre-tax or EPS of $0.16
- Pre-tax operating loss on the Texas project of $6.5 million or EPS of $0.18
- Base operations delivered pre-tax income of $16.5 million or EPS of $0.45
- Legal settlement in Ontario Canada
  - Settled to avoid cost, risk, and distraction of litigation
  - Consistent with strategy of legacy issues
- Ongoing Accenture arbitration
  - Based on recent run rates

Texas Update

- Large operating loss turned into a collection of profitable contracts
- Four new interim contracts signed directly with the Texas Health and Human Services Commission expected to contribute approximately $10 million in monthly revenue

Contract	Length	Effective Date
Enrollment Broker	60 Days	March 15, 2007
Eligibility Services	60 Days	March 15, 2007
CHIP Systems	60 Days	April 1, 2007
CHIP Operations	60 Days	May 1, 2007

New Sales Awards and Pipeline

- Over $300 million new awards signed
  - More than half between $3 and $30 million in size
- $82 million awarded but unsigned
- $1.2 billion in overall sales pipeline
  - $519 million in proposals submitted
  - $86 million in proposals in preparation
  - $601 million in opportunities tracking

New Work Across all Segments

- Deficit Reduction Act influenced demand in Workforce services
  - Expanded current project in Arizona tripling the size
  - Secured 5-year $44 million workforce services job in Tennessee
- Health business awarded new $30 million 5-year Enrollment Broker job for the State of South Carolina
- Consulting won a new project with the Department of Conservation
  - Exemplifies Company's cross-collaboration and cross-selling efforts
- New work in Enterprise Systems
  - Secured several new projects in ERP and refreshed backlog

Conclusion and Guidance

- Demonstrating traction resolving legacy issues
- Building a stronger book of profitable business
- Pending resolution of pending overhang, will address excess capitalization
- Focus on returning to a total Company operating margin of 10%
  - Consulting target margin: 15%+
  - Systems target margin: 10% (+ longer term)
  - Operations target margin: 8-12%
- Fiscal 2007 now expecting total revenue of $740 million to $770 million; GAAP diluted EPS $0.85 to $0.95
- Establishing Fiscal 2008 preliminarily guidance: revenue growth of 10%; diluted EPS of $2.30 to $2.60