

Principal of and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute and the corporate income tax credited to the Department less amounts required for debt service on Maryland Port Authority Loans. These amounts are applicable to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State's resources for payment.

Under the terms of authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (i) total receipts (excluding federal funds for capital projects, bond and note proceeds, income received from a sinking fund separately dedicated to the Refunding Bonds, and other receipts not available for debt service), less administration, operation and maintenance expenses, for the preceding fiscal year equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued and any then outstanding Maryland Port Authority loans and that (ii) total proceeds from pledged taxes equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued and any then outstanding Maryland Port Authority loans.

County Transportation Bonds are issued by the Department and the proceeds are used by participating counties and Baltimore City to fund local road construction, reconstruction and other transportation projects and facilities and to provide local participating funds for federally-aided highway projects. Debt service on these bonds is payable from the counties' and Baltimore City's shares of highway user revenues.

As of June 30, 1981, Transportation bond debt service requirements for sinking fund deposits and principal and interest payments (amounts expressed in thousands) in future years were as follows:

Years ending June 30,	Consolidated Transportation Sinking Fund Deposits	County Transportation Bonds Sinking Fund Deposits	Consolidated Transportation Bonds (Principal and Interest)	County Transportation Bonds (Principal and Interest)	Consolidated Transportation Bond Anticipation Notes	Total Transportation Bond Debt Service Requirements
1982	\$39,998	\$17,831	\$ 6,769	\$5,238	\$63,101	\$132,937
1983	39,998	17,781	6,769	7,503		72,051
1984	39,998	17,314	6,769	7,483		71,564
1985	39,998	15,779	10,769	7,532		74,078
1986	39,998	15,171	11,473	7,555		74,197
1987	12,671	5,466	13,188	7,534		38,859
1988			13,775	7,566		21,341
1989			18,057	7,580		25,637
1990			17,226	7,589		24,815
1991			16,395	7,622		24,017
1992			14,589	7,622		22,211
1993			13,806	7,630		21,436
1994			13,005	7,600		20,605
1995			6,201	7,139		13,340
1996				7,164		7,164

On February 15 and May 25, 1978 the Department of Transportation issued Consolidated Transportation Bonds, Refunding Series 1978 and County Transportation Bonds—First Issue Refunding Series, 1978, respectively. The net proceeds of these issues, after underwriters' discounts and other financing expenses, in principal amounts aggregating \$510,625,000 were used to purchase U.S. Government securities sufficient to fully provide for the timely payment of \$500,585,000 Consolidated Transportation Bonds, State Highway Construction Bonds and County Transportation Bonds. As a result of these transactions, the refunded bonds are deemed to be defeased and, accordingly, are no longer reported as long-term debt in the financial statements. These U.S. Government Securities purchased were deposited with the State Treasurer and are accounted for in the Refunded Transportation Debt Expendable Trust Fund. Accordingly, the fund balance has been reserved for the retirement of refunded debt.

The \$60,000,000 Consolidated Transportation Bond Anticipation Notes Series 1980, due July 15, 1981, were refinanced on July 15, 1981 through the issuance of \$60,000,000 of 8.92% Consolidated Transportation Bond Anticipation Notes, due July 15, 1982.