

9. Long-Term Obligations

A. General Long-Term Debt:

Changes in general long-term debt, for the year ended June 30, 1994, are as follows (amounts expressed in thousands):

	General Obligation Bonds	Transportation Bonds	Maryland Transportation Authority Bonds	Accrued Workers' Compensation Costs	Accrued Annual Leave	Obligations Under Capital Leases	Total Long Term Obligations
Balance, July 1, 1993	\$2,279,390	\$1,098,635	\$302,457	\$ 91,244	\$135,268	\$103,023	\$4,010,017
Bond Issuances.....	587,755	543,745					1,131,500
Bond Accretion.....			2,719				2,719
New obligations under capital leases.....						41,838	41,838
Reduction in bond principal.....	(363,141)	(596,245)	(2,635)				(962,021)
Retirements of obligations under capital leases.....						(31,297)	(31,297)
Net increase in accrued workers' compensation costs				10,251			10,251
Net decrease in accrued annual leave					(3,543)		(3,543)
Balance, June 30, 1994.....	\$2,504,004	\$1,046,135	\$302,541	\$101,495	\$131,725	\$113,564	\$4,199,464

General Obligation Bonds —

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, including 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 a loan for a particular object or purpose. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller of the Treasury and the State Treasurer, by resolution, authorizes the issuance of bonds in a specified amount for part or all of the loan authorized by a particular enabling act.

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 appropriations provide the resources for repayment of general obligation bonds.

Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

On October 6, 1993, the State issued \$283,545,000 in General Obligation Bonds with an average interest rate of 4.24% to advance refund \$123,365,000 of certain outstanding 1989–1991 series bonds with an average interest rate of 6.61% and to fund certain capital projects. Of the total bond proceeds, \$141,980,000 were used to purchase U.S. government securities. Furthermore, on February 16, 1994, the State issued \$184,210,000 in General Obligation Bonds with an average interest rate of 4.22% to advance refund \$56,176,000 of certain outstanding 1987–1990 series bonds with an average interest rate of 6.73%. Of the total bond proceeds, \$63,697,000 were used to purchase U.S. Government securities. The securities purchased from the proceeds of these advance refunding bond issues were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, these previously outstanding bonds are considered defeased and the liability for those bonds has been removed from the general long-term debt account group. The State advance refunded these bonds to reduce its total debt service payments over the next 15 years by \$12,397,000 and to obtain an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$7,844,000. Also, during fiscal year 1994, general obligation bonds aggregating \$120,000,000 were issued.

As of June 30, 1994, the State has \$310,515,000 of defeased debt outstanding, including the 1994 defeasance transactions described above.