There has been an increased interest during the past two decades in the use of subordinate liens in the field of revenue bond financing, in part because of the inability to issue additional pari passu bonds because of strict earnings tests. The use of the subordinated lien in temporary or interim financing is fairly common. However, it is also receiving wider acceptance today as a means of creating new bonds without disturbing the prior pledge of revenues securing the outstanding bonds. Sometimes this is done with the consent of the prescribed percentage of holders of the outstanding bonds, as in the case of the New Jersey Turnpike Authority in 1952. It may also be accomplished without requiring bondholders' consent where the existing bond resolution authorizes the use of surplus revenues for general corporate purposes. In that case, the surplus revenues may be made available to the subordinated lien bonds, and upon the retirement or payout of the prior lien bonds the new bonds will succeed to the position of the first lien. Where the coverage was insufficient to support an entire issue of first lien bonds, projects have also been financed initially through the use of first and second lien bonds, and in some cases third lien bonds.

The maximum repayment period for revenue bonds, while regulated largely by market conditions prevailing and the time of issuance, has probably lengthened on the average in the past 20 years, subject, of course, to the statutory limits which may be prescribed in each case. This is due in part to a market demand for long-term investments. It is also due in part to the desire of the issuer to spread its debt service burden in order to accommodate future possible bond issues for other projects or improvements which share in the same revenues.

Capitalization of interest out of revenue bond proceeds is more common today than it was 20 years ago. In the case of new projects with a lengthy construction period, it is almost essential to provide for funded interest during the period before the project becomes revenue-producing. In addition to the security provided by funded interest, it is also a source of investment income during the initial period. Most revenue bond laws provide for capitalization of interest during the construction period and a reasonable time thereafter, and most issuers financing new projects take advantage of its benefits.