

POLICY OVERVIEW

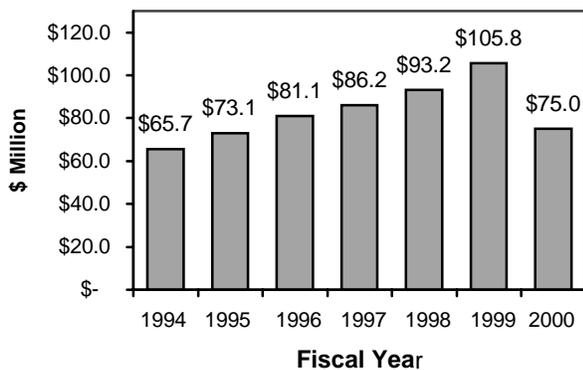
The Governor's Recommended Fiscal Year 2000 Capital Budget totals \$402.5 million. Of this total, \$244.5 million is for Non-Transportation projects, and \$158.0 million is for the capital program of the Department of Transportation.

The Governor's Recommended Fiscal Year 2000 Capital Budget addresses key policy priorities of the Governor in the following areas:

Fiscal Responsibility

The Governor's Recommended Fiscal Year 2000 Capital Budget authorizes the issuance of less than the legislatively mandated limitation on general obligation bonds. For Fiscal Year 2000, the Governor recommends the authorization of \$75.0 million in general obligation bonds, approximately \$30.0 million less than the legislatively mandated limitation. The Governor recommends the appropriation of \$168.5 million in general funds to support capital projects. This strategy will help ease the future debt service burden on Delaware taxpayers by paying for capital projects with current funds rather than issuing additional debt.

General Obligation Bond Authorization



The Fiscal Year 2000 Capital Budget includes completion funding for several major capital projects. These projects include fully funding school referenda projects in the Red Clay, Appoquinimink, and Delmar school districts; funding for a State Police Troop 2 replacement; and fully funding the remaining obligation for the New Castle County Courthouse.

The Governor's Recommended Fiscal Year 2000 Capital Budget dedicates significant resources to renovating and maintaining the state's physical plant. Over \$10.6 million has been recommended for minor capital improvements and maintenance funding. In addition, \$10.9 million has been dedicated for the

renovations and key infrastructure improvements to the Carvel State Office building, the Buena Vista Conference Center, the Governor Bacon Health Center and for renovations and property acquisition for the Sussex County Courthouse.

The Governor's Recommended Fiscal Year 2000 Capital Budget includes \$9.0 million for major technology initiatives. Projects funded include the Delaware Automated Correctional System (DACs) for the Department of Correction, the Pupil Accounting system for the Department of Education, and the Automated System for Acquisitions and Payables (ASAP) statewide system. The ASAP project will implement an enterprise-wide accounting, purchasing, and project management/project accounting system for all State agencies including the Department of Transportation.

Economic Development and Job Creation

The Governor's Recommended Fiscal Year 2000 Capital Budget targets significant resources to support economic development in Delaware including:

- \$10.0 million for the Economic Development 2000 initiative. This initiative is designed to support key economic development efforts in biotechnology and the life sciences. The life sciences and biotechnology areas are expected to be major growth sectors in the Delaware economy heading into the 21st century. The Economic Development 2000 initiative will provide the funds for a partnership with the private sector and institutions of higher education. Both the private sector and our institutions of higher education have already made significant commitments to positioning Delaware to become a world leader in the areas of biotechnology and life sciences.
- \$10.0 million to the Delaware Strategic Fund. The Strategic Fund is the primary economic development tool of the Delaware Economic Development Office and provides a flexible funding mechanism for attracting new jobs and retaining existing jobs. Since 1993, over 17,000 jobs have been retained and created through the Strategic Fund.
- \$5.0 million for the Riverfront Development Corporation. These funds will support the ongoing revitalization of the Christina waterfront. This waterfront development project creates jobs, attracts out of state visitors and tourist dollars and promotes economic revitalization for nearby communities.

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- \$12.0 million for the Diamond State Port Corporation. Of this total, \$10.0 million is dedicated for the second year of the capital improvements plan of the Port and will support ongoing capital improvements and warehouse expansions. The remaining \$2.0 million is recommended for the first year of a multi-year commitment toward improving the auto terminal facilities at the Port.
- \$750,000 to the Delaware Stadium Corporation for the completion of a bleacher expansion at Frawley Stadium.
- \$2.0 million for Delaware's contribution to the dredging of the Delaware River.

Education

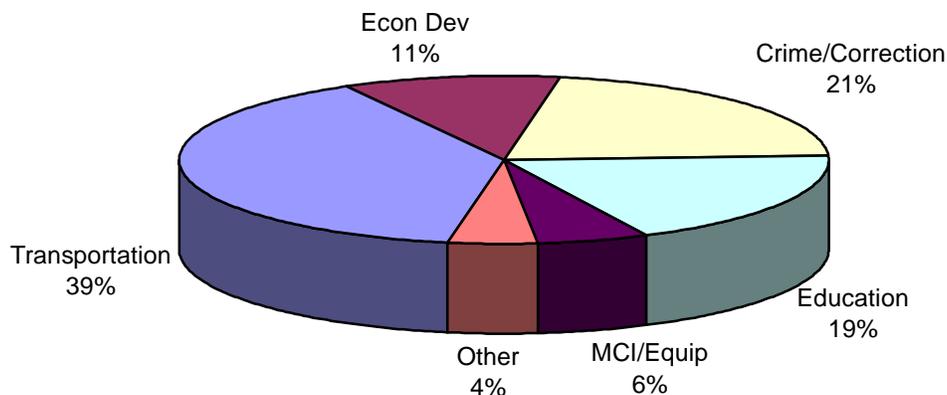
The Governor's Recommended Fiscal Year 2000 Capital Budget reinforces the state's commitment to provide quality education by providing funds for the following:

- \$48.5 million for Public Education projects. These include completing the funding requirements for capital projects in the Red Clay, Appoquinimink, and Delmar school districts as well as setting aside \$13.0 million in a contingency for pending referenda projects.
- \$8.0 million for capital projects at the University of Delaware. These projects include \$4.0 million for the renovation of Townsend Hall, \$3.0 million for the renovation of Carpenter Sports

Building and \$1.0 million for renovations and equipment to support efforts in Biotechnology and Information Technology.

- \$8.0 million in support for Delaware State University. Projects funded include \$5.0 million for the construction of a new Administration building, and \$3.0 million for Minor Capital Improvements.
- \$8.0 million for capital projects at Delaware Technical and Community College. These projects include \$400,000 to complete the Student Services Center and \$2.75 million for renovations at the Jason building, both projects at the Owens Campus. In addition, \$3.1 million is recommended for renovations to the former Polytech building at the Terry Campus, and \$700,000 is recommended for renovations at the Wilmington and Stanton Campuses. Other projects include \$750,000 for the Administrative Software project, and \$300,000 for Excellence Through Technology.
- \$2.3 million for matching contributions in support of local library projects under the Library Construction Act. These library projects include funds for the Georgetown, Dover, Milton, Lewes, Wilmington, and Bear Public Libraries. Funds are matched dollar for dollar as per amendments to the Library Construction Act contained in the FY 1999 Capital Improvements Act.

FY 2000 Capital Budget by Program Area



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Protecting Delaware's Environment

The Governor has recommended funding for projects contributing to statewide nutrient management efforts:

- \$2.3 million for the Conservation Cost share program -- an increase of \$1.1 million from the Fiscal Year 1999 funding. The Conservation Cost Share program provides financial assistance to Delawareans employing best practices in the management of animal waste products, thereby reducing nutrient runoff.
- \$1.0 million for the renovation of the laboratory of the Department of Agriculture.
- \$200,000 to match private and federal contributions toward research into finding permanent solutions to the nutrient management issue.

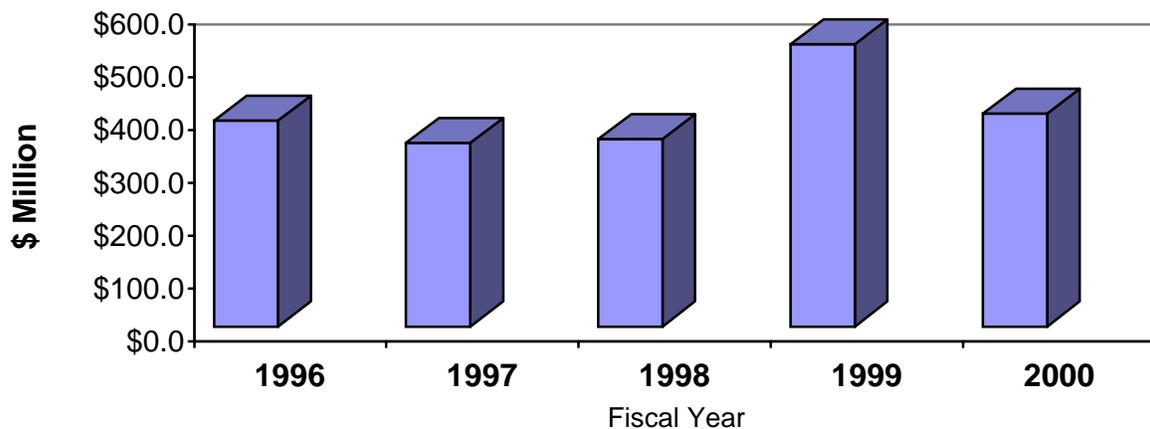
In addition, the Governor's Recommended Fiscal Year 2000 Capital Budget includes \$2.3 million for state park funding, including dedicated funding for Fort Delaware State Park and Wilmington parks.

Fighting Crime

The Governor's Recommended Fiscal Year 2000 Capital Budget includes targeted funding for expanded criminal justice agency facilities including:

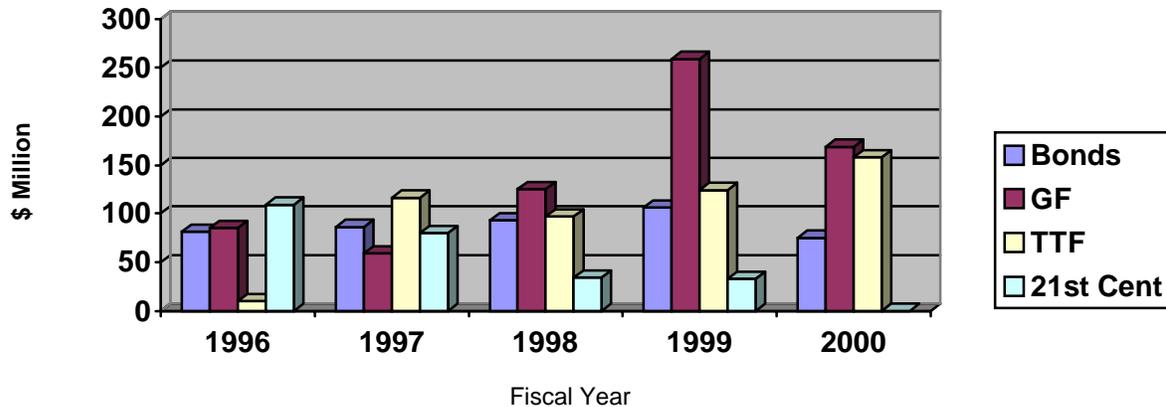
- \$77.0 million for the New Castle County Courthouse at Sixth and King streets. The new 550,000 sq. ft. facilities will provide a state of the art facility for more efficient services in our court system, better service to our citizens and swifter justice for those who appear in our courts. Consolidating the current space needs for the court system, designing a building that can be expanded in the future and ensuring that new innovations in courtroom technology can be easily incorporated into the complex will provide a court center that will serve Delaware well into the 21st Century.
- \$2.0 million for the planning and preliminary sitework for the construction of a Violation of Probation Center at the Multi-Purpose Criminal Justice Facility in Wilmington.
- \$3.5 million for the initial phase of construction for statewide Secure Care facility needs. These funds will be applied to address the findings of a needs assessment conducted by the Department of Services for Children, Youth and their Families.
- \$5.0 million to complete funding for a new Delaware State Police Troop 2 facility. The current Troop 2 facility located in New Castle will be replaced with a new facility expected to be located in the Glasgow area.

Capital Budget Authorization



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Capital Budget Revenue Sources



DESCRIPTION OF FUNDING SOURCES

General Obligation Bonds

Title 29, §7422(b), Delaware Code, restricts the authorization of tax supported debt to 5 percent of the estimated General Fund revenue for that fiscal year. Based on the FY 2000 DEFAC revenue estimates, the maximum amount that could be authorized is \$108.9 million. The Governor has recommended the authorization of \$75.0 million of general obligation bonds, significantly lower than the authorization allowed under State law.

Deauthorization of General Obligation Bonds

Between 1964 and 1982, the General Assembly appropriated funds to guarantee loans made by commercial lenders to Delaware businesses. The loans were in the form of industrial revenue bonds. As these borrowers pay off the principal of their loans, the State can reduce the amount it must hold by the same amount. In FY 1999, borrowers will have paid \$620,000 in principal to banks, thus allowing the State to reduce its guarantees by this amount in FY 2000.

First State Improvement Fund

It is recommended that \$40,000 interest from remaining programmed First State Improvement fund be dedicated to support the FY 2000 Capital Budget.

Health Facilities Subsidy Fund/Reversions and Reprogramming

It is recommended that \$75,000 be transferred from the State Treasurer's Bond Reversion accounts and that \$50,000 be transferred from the Health Facilities Subsidy fund to support FY 2000 capital projects.

Stripper Well Funds

As a result of a court settlement in 1986, \$2.0 billion of oil overcharge revenue was directed to be distributed to states, and Delaware's share has totaled \$9.0 million. These funds are dedicated to projects with payback periods of one to 15 years. For FY 2000, \$200,000 of these funds are recommended to be dedicated toward eligible projects.

General Funds

A total of \$168.5 million of general funds is recommended to support the FY 2000 Governor's Recommended Capital Budget.

Transportation Trust Fund

The Transportation Trust Fund was created by the General Assembly in June, 1987 as a dedicated funding mechanism for the Department of Transportation. During the past 10 fiscal years, the State has increased fee and tax rates for existing dedicated revenue streams and transferred certain transportation-related revenue from the General Fund to the TTF. Also during this time period, the Department has also increased the toll rates on the Delaware Turnpike.

For FY 2000, total Transportation Trust Fund revenues supporting the Department's Financial Investments Program are estimated to be \$158.0 million.