

POLICY OVERVIEW

The Governor's Recommended Fiscal Year 2006 Capital Budget totals \$631.1 million. Of this total, \$266.7 million is for public education and agency projects, \$333.3 million is for the capital program of the Department of Transportation, and \$31.1 million is for Twenty-First Century Fund projects. The Governor's Recommended Fiscal Year 2006 Capital Budget addresses key policy priorities of the Governor in the following areas:

Economic Development, Job Creation and Retention

In the Fiscal Year 2006 Recommended Capital Budget, the Governor is recommending:

- \$12.0 million for the second year funding for New Economy Initiative programs. The New Economy Initiative focuses on both the diversification of Delaware's economy and the fostering of a vibrant entrepreneurial culture in Delaware's business community. Significant progress has already been achieved utilizing the current year's appropriation. Second year funding will further spur new investments in existing facilities; support clean energy and fuel cell research; and invest in research and development. Funds from the New Economy Initiative will also leverage federal funds to expand the experimental research center (Delaware Biotechnology Institute).
- \$10.0 million to the Delaware Strategic Fund to support economic development in Delaware. 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.
- \$10.0 million for continued support for the Diamond State Port Corporation. This recommendation will allow the Port to continue to update the infrastructure necessary to attract new businesses while supporting those that currently use the port facilities.
- \$5.0 million for the Riverfront Development Corporation. This recommendation will support continued property acquisition along the riverfront as well as to expand conferencing and banquet facilities for patrons of the riverfront.
- \$1.0 million within the capital recommendations of Delaware State University for the High Technology Incubator. This project will encourage the development of small high technology firms in Kent County.

Education

The Recommended Fiscal Year 2006 Capital Budget reinforces the Governor's commitment to quality education by providing funds for the following:

- \$111.6 million for Public Education projects. This represents 37 percent of the non-transportation capital recommendations. Within this amount, \$30.8 million has been recommended to provide capital funding in support of the Governor's initiative to provide full-day Kindergarten by 2008. In addition, funding has been recommended to complete capital projects in the Caesar Rodney, Polytech and Christina school districts as well as for on-going projects in the Red Clay and Appoquinimink school districts. The Governor's Fiscal Year 2006 Capital Budget also recommends funds to make improvements to the Sussex Vo-Tech high school.
- \$5.5 million for capital projects at the University of Delaware. These projects include \$2.0 million for the construction of the Carvel Research and Education Center in Georgetown, \$2.0 million for the renovation of Wolf Hall and \$1.5 million for Brown Lab renovations.
- \$5.6 million for capital projects at Delaware State University. These projects include \$1.0 million for the High Technology Incubator, \$3.0 million for Minor Capital Improvement and Equipment and \$1.6 million in continued funding for the Wellness Center.
- \$5.5 million for capital projects at Delaware Technical and Community College. These projects include \$3.8 million for the expansion of the Stanton Campus, \$300.0 for the Excellence Through Technology Campaign and \$1.4 million for the Collegewide Asset Preservation Program.

Protecting Delaware's Environment

The Governor has recommended funding for projects contributing to protecting the environment. These projects contribute to the foundation of the Livable Delaware agenda of the Governor. Projects include:

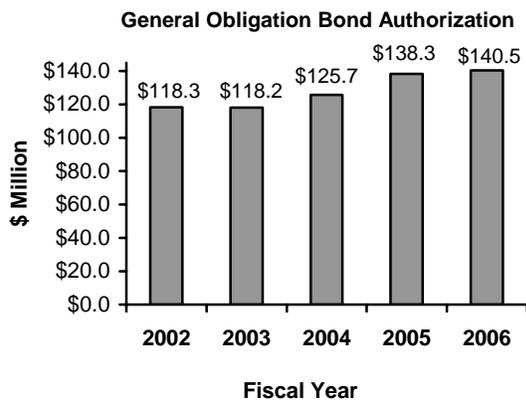
- \$4.9 million for the second year of the Green Infrastructure Program. These funds will be used to complete the purchase of 243 acres of prime forested lands. The total land preserved through this public-private partnership exceeds 8,600 acres. The Green Infrastructure program underscores the commitment to the Livable Delaware program characterized by developing public and private partnerships to preserve our environmental heritage.

POLICY OVERVIEW

- \$8.9 million for continuation of the Farmland Preservation program. To date, this program has permanently preserved over 70,000 acres, placing Delaware among the leaders in the nation for preserving farmland.
- \$10.0 million for Beach Preservation and Replenishment.
- \$3.2 million for Resource, Conservation and Development projects. These funds support best practices in management of soil nutrients.

Sound Fiscal Management

For Fiscal Year 2006, the Governor recommends the authorization of \$140.5 million in general obligation bonds and \$147.5 million in pay as you go cash to address the critical infrastructure projects in Delaware. The sound financial management practices – through limiting debt levels and supplementing the Bond and Capital Improvements Act with pay as you go cash is one factor why Delaware has maintained its AAA bond ratings. The Governor’s Fiscal Year 2006 Capital Budget maintains this fiscal integrity while at the same time continuing to make significant progress towards improving public education facilities, preserving and protecting Delaware’s environmental assets and critical facilities.

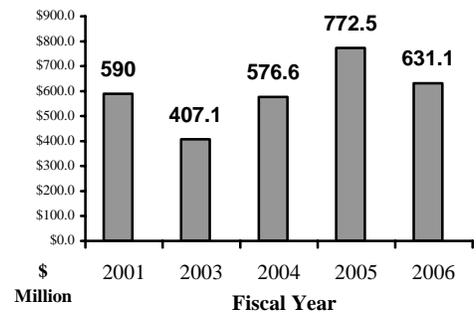


Additional Fiscal Year 2006 Capital Budget Highlights

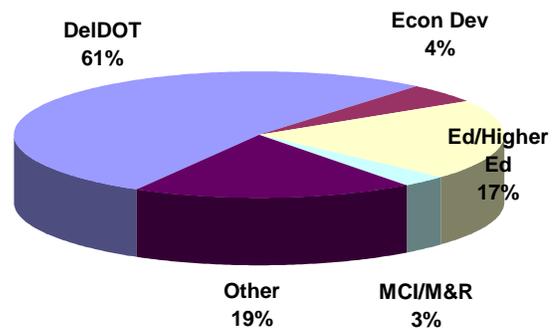
Representing a significant investment in core state facilities and infrastructure, the Fiscal Year 2006 Recommended Capital Budget dedicates resources to renovating and maintaining the state’s physical plant. In Fiscal Year 2006, \$20 million has been recommended for minor capital improvements, and maintenance and restoration projects throughout state agencies. Other highlights include:

- \$8.0 million for the Kent County Courthouse Complex. These funds will be used to begin construction of courtrooms and judicial support facilities adjacent to the existing historic Kent County Courthouse facility.
- \$3.2 million for the renovation of the Holloway Campus and \$13.4 million for a new medical building at the Stockley Campus.
- \$1.5 million to complete renovations to the Old State House. This historic building will serve as one of the key features of the First State Heritage Park that will highlight the valuable sites and buildings that are a part of Delaware’s heritage.
- Over \$2.8 million for capital projects at the Seaford and Hockessin, Dover and South Coastal libraries as well as for planning funds for the Delmar, Milford, and Kent County Public libraries.

Capital Budget Authorization



FY 2006 Capital Budget by Program Area



POLICY OVERVIEW

DESCRIPTION OF FUNDING SOURCES

General Obligation Bonds

Title 29, §7422(b), Delaware Code, restricts the authorization of tax supported debt to five percent of the estimated General Fund revenue for that fiscal year. Based on the current estimates for Fiscal Year 2006 DEFAC revenue estimates plus Governor's Recommended adjustments, the maximum amount that could be authorized is \$140.5 million.

General Funds

A total of \$109.0 million in General Funds are recommended to support the Fiscal Year 2006 Governor's Recommended Capital Budget.

Livable Delaware Infrastructure Fund

The Governor recommends the creation of the Livable Delaware Infrastructure Fund. This fund would cap the amount of Abandoned Property Revenue deposited to the General Fund at \$246.5 million beginning in Fiscal Year 2006. Receipts in excess of that amount would be dedicated to the Livable Delaware Infrastructure Fund.

For Fiscal Year 2006, the Governor recommends the projected deposits to this fund of \$38.5 million be used for environmental and infrastructure projects within the Fiscal Year 2006 Bond and Capital Improvements Act.

Transportation Trust Fund

The Transportation Trust Fund (TTF) was created by the General Assembly in June 1987 as a dedicated funding mechanism for the Department of Transportation.

For Fiscal Year 2006, total Transportation Trust Fund revenues supporting the department's Financial Investments Program are estimated to be \$333.3 million.

Capital Budget Revenue Sources

