

POLICY OVERVIEW

The Governor's Recommended Fiscal Year 2008 Capital Budget totals \$554.8 million. Of this total, \$224.6 million is for Public Education and agency projects, and \$330.2 million is for the capital program of the Department of Transportation. The Governor's Recommended Fiscal Year 2008 Capital Budget addresses key policy priorities of the Governor in the following areas:

Education

The Recommended Fiscal Year 2008 Capital Budget reinforces the Governor's commitment to quality education by providing funds for the following:

- \$98.2 million for Public Education projects to complete capital improvements in the Lake Forest School District as well as to address ongoing projects in the Brandywine, Colonial and Cape Henlopen school districts and the Sterck School for the Deaf. Funds are also included for a referenda contingency.
- \$3.5 million for renovations of the Brown Laboratory at the University of Delaware.
- \$3.5 million for Minor Capital Improvements and Equipment at Delaware State University.
- \$3.5 million for capital projects at Delaware Technical & Community College. These projects include \$1.0 million for the Health Sciences Building at the Stanton Campus, \$800.0 for campus improvements and renovations, \$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:

- Continued dedication of earmarked revenue totaling \$20.0 million to the Farmland Preservation Program and the Open Space Program.
- \$5.0 million for Beach Preservation and Replenishment.
- \$3.2 million for Conservation Cost Share projects to support best practices in the management of soil nutrients for urban and rural landowners.

- \$1.0 million for the Forestland Preservation Program. This program will help protect and enhance Delaware's remaining forested lands and provide wildlife habitat, preserve open space, and protect air and water quality.
- \$1.0 million for the Dam Emergency Planning Fund. These funds will be used to develop Emergency Action Plans (EAP), which consist of an engineering inspection, dam break analysis, inundation map, emergency action plan and an operations and maintenance plan.

Health, Safety and Self-Sufficiency for Every Delaware Family

The Recommended Fiscal Year 2008 Capital Budget supports the safety and security of Delawareans through investments in emergency response and local law enforcement technology. These investments include:

- \$12.7 million to continue the upgrades of the 800 MHz emergency radio system.
- \$7.5 million for housing preservation. These funds will be used to preserve the supply of low-income housing units for families in need.
- \$1.6 million for critical deferred maintenance projects at the Holloway Campus of the Department of Health and Social Services.
- \$1.4 million in continued support to Local Law Enforcement Technology/Education.
- \$1.3 million for the installation of fire suppression systems at state-owned long term care facilities.

Economic Development, Job Creation and Retention

In the Fiscal Year 2008 Recommended Capital Budget, the Governor is recommending:

- \$12.0 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.
- \$6.5 million for the creation of a new State Employee Workforce, Education and Training Center.

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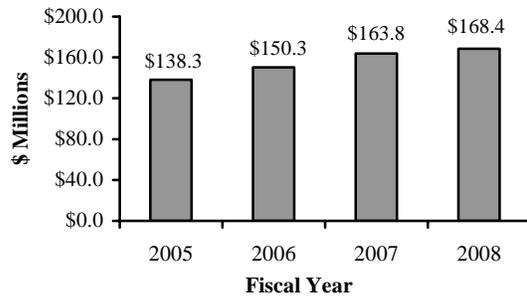
- \$5.0 million for the fourth year of funding for New Economy Initiative programs. Funds from prior year appropriations to this program have been targeted toward investments in cutting edge technology and supporting existing Delaware industries. This year's funding will focus on fast-growing, small businesses in various technology fields.
- \$3.0 million for continued support for the Diamond State Port Corporation.
- \$2.0 million for the Riverfront Development Corporation. This recommendation will support the continued success of this important economic development project.
- \$1.0 million to the Fraunhofer Center for Molecular Biology for support in the development of new vaccines. This investment represents the second year of a five year commitment toward this effort.

Sound Fiscal Management

For Fiscal Year 2008, the Governor recommends the authorization of \$168.4 million in general obligation bonds and \$43.0 million General Funds. The Delaware Constitution limits the issuance of general obligation long-term debt to capital purposes and Delaware traditionally amortizes this debt rapidly. In past years Delaware has supplemented this authorization with significant "pay-go" cash, thereby limiting new debt authorizations. This sound financial management practice has been an important factor in maintaining Delaware's AAA bond rating.

The Transportation Trust Fund (TTF) authorization in the Fiscal Year 2008 Recommended Capital Budget reflects a financial strategy which places the highest priority on supporting a core transportation program and matching federal funds while reserving additional authorizations for only the most critical projects. To address the structural deficit in the Transportation Trust Fund (TTF), the Governor recommends a multi-dimensional strategy focusing on cost containment, revenue enhancements, and creating a deliverable Capital Transportation Plan that meets critical infrastructure needs throughout Delaware.

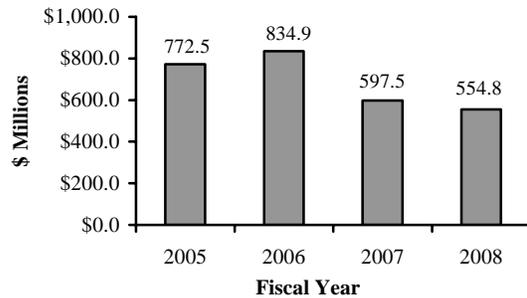
General Obligation Bond Authorization



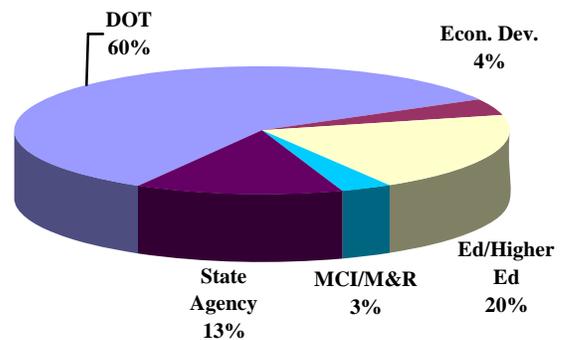
Additional Fiscal Year 2008 Capital Budget Highlights

- \$19.3 million for minor capital improvements, maintenance and renovation to State facilities.
- \$3.6 million for the Kent County Courthouse Complex.
- \$20.0 million for the continued development of the ERP Financials Reengineering Project.

Capital Budget Authorization



FY 2008 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 2008 DEFAC revenue estimates plus Governor's Recommended adjustments, the maximum amount that could be authorized is \$168.4 million.

Reversions and Reprogrammings

A total of \$9.4 million of reprogramming is recommended to support the Fiscal Year 2008 Governor's Recommended Capital Budget.

Bond Premium Funds

As part of a general obligation bond issuance the State may receive funds from investors at settlement as a premium for the purchase of these bonds. Accrued funds received as premiums from prior general obligation bond sales totaling \$3.8 million are recommended to be dedicated to projects within the Fiscal Year 2008 Governor's Recommended Capital Budget.

General Funds

A total of \$43.0 million in General Funds are recommended to support the Fiscal Year 2008 Governor's Recommended Capital Budget.

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 2008, total TTF authorization supporting the Department's Financial Investments Program are estimated to be \$330.2 million, of which \$25.8 million are TTF reauthorizations.

Capital Budget Revenue Sources

