

POLICY OVERVIEW

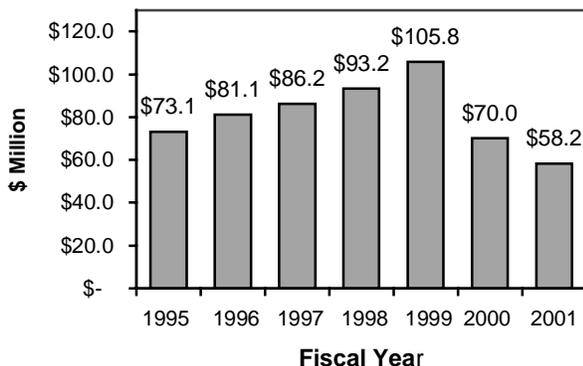
The Governor's Recommended Fiscal Year 2001 Capital Budget totals \$448.2 million. Of this total, \$234.2 million is for Non-Transportation, agency projects, \$191.0 million for the capital program of the Department of Transportation, and \$23.0 million for Twenty-First Century Programs.

The Governor's Recommended Fiscal Year 2001 Capital Budget addresses key policy priorities of the Governor in the following areas:

Fiscal Responsibility

The Governor's Recommended Fiscal Year 2001 Capital Budget authorizes the issuance of less than the legislatively mandated limitation on general obligation bonds. For Fiscal Year 2001, the Governor recommends the authorization of \$58.2 million in general obligation bonds, which is one half of the legislatively mandated limitation. The Governor recommends the appropriation of \$198.0 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 2001 Capital Budget includes funding for the completion of several major capital projects. These projects include fully funding school referenda projects in the Lake Forest, Milford and Seaford school districts; and fully funding the remaining obligations for the New Castle County Courthouse.

The Governor's Recommended Fiscal Year 2001 Capital Budget dedicates significant resources to renovating and maintaining the state's physical plant.

Over \$9.7 million has been recommended for minor capital improvements and maintenance funding.

Economic Development and Job Creation

The Governor's Recommended Fiscal Year 2001 Capital Budget targets significant resources to support economic development in Delaware including:

- \$5.0 million for the second year of funding for the Biotechnology Institute. 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. This 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.
- \$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.
- \$12.5 million for the Diamond State Port Corporation. These funds will be directed towards the first year construction funding for dedicated berths and connector roads for automobile shipments.
- \$500,000 to support Information Technology efforts.

Education

The Governor's Recommended Fiscal Year 2001 Capital Budget reinforces the state's commitment to quality education by providing funds for the following:

- \$96.6 million for Public Education projects. These include completing the funding requirements for capital projects in the Lake Forest, Milford and Seaford school districts as

POLICY OVERVIEW

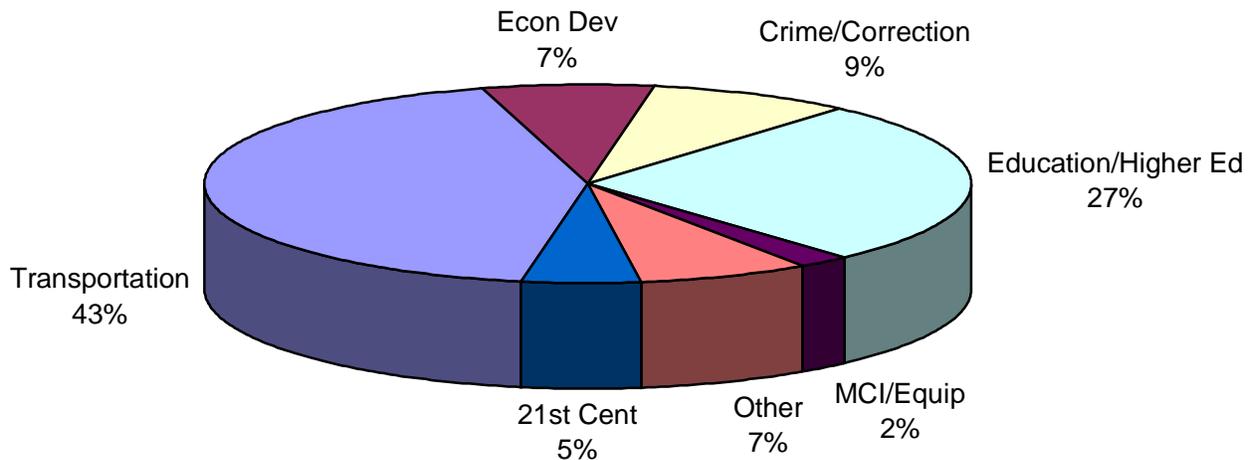
well as providing funding for ongoing projects in the Capital, Colonial and Caesar Rodney school districts. A referendum contingency of \$10.0 million has also been recommended for those projects that will go to referendum in the second half of Fiscal Year 2000.

- \$8.0 million for capital projects at the University of Delaware. These projects include \$4.0 million for the renovation of Townsend Hall, \$3.5 million for the renovation of Wolf Hall and \$500,000 for Minor Capital Improvements and Equipment.
- \$8.0 million in support of Delaware State University. These funds will be directed toward the construction of a new Administration building.
- \$8.0 million for capital projects at Delaware Technical and Community College. These

projects include \$2.68 million for renovations of the Jason building, at the Owens Campus, \$4.1 million for renovations to the former Polytech building at the Terry Campus, and \$425,000 for renovations and equipment at the Wilmington and Stanton Campuses, and for planning of and expansion of the Stanton campus. Other projects include \$465,000 for the Administrative Software project and \$300,000 for Excellence Through Technology.

- \$2.1 million for matching contributions in support of local library projects under the Library Construction Act. These library projects include funds for the Georgetown, Dover, Selbyville, Bridgeville and Laurel Public Libraries. Funds are matched dollar for dollar as per amendments to the Library Construction Act contained in the Fiscal Year 1999 Capital Improvements Act.

FY 2001 Capital Budget by Program Area



POLICY OVERVIEW

Protecting Delaware's Environment

The Governor has recommended funding for projects contributing to protecting our environment including:

- ◆ \$23.0 million for investments in Open Space, Farmland Preservation, and Water/Wastewater infrastructure.
- \$2.3 million for the Conservation Cost Share program. The Conservation Cost Share program provides financial assistance to Delawareans employing best practices in the management of animal waste products, thereby reducing nutrient runoff.
- \$700,000 to complete renovations of the laboratory of the Department of Agriculture, a key investment in nutrient management efforts.

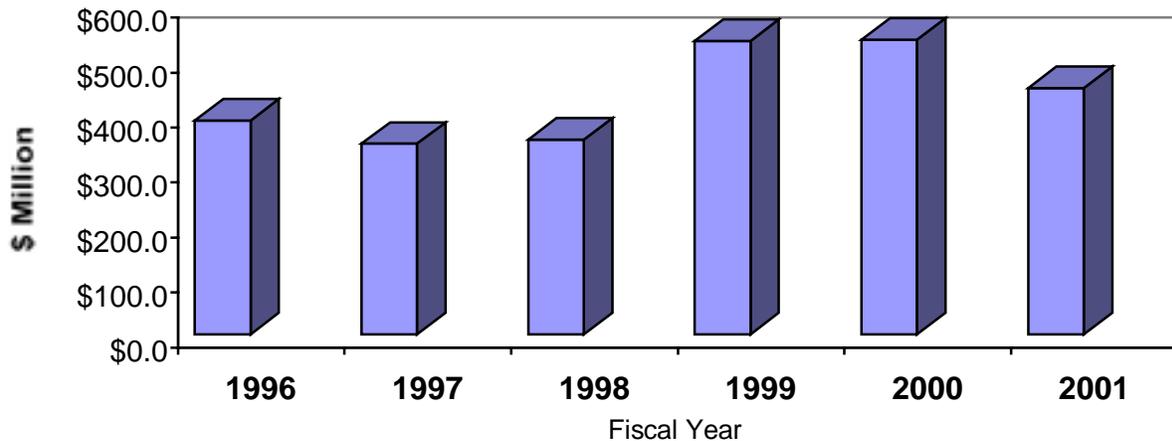
In addition, the Governor's Recommended Fiscal Year 2001 Capital Budget includes \$2.2 million for state park funding, including dedicated funding for Fort Delaware State Park and Wilmington parks. These funds are in addition to the \$900,000 per year in interest earnings from the Parks Endowment Fund.

Fighting Crime/Enhancing Public Safety

The Governor's Recommended Fiscal Year 2001 Capital Budget includes targeted funding including:

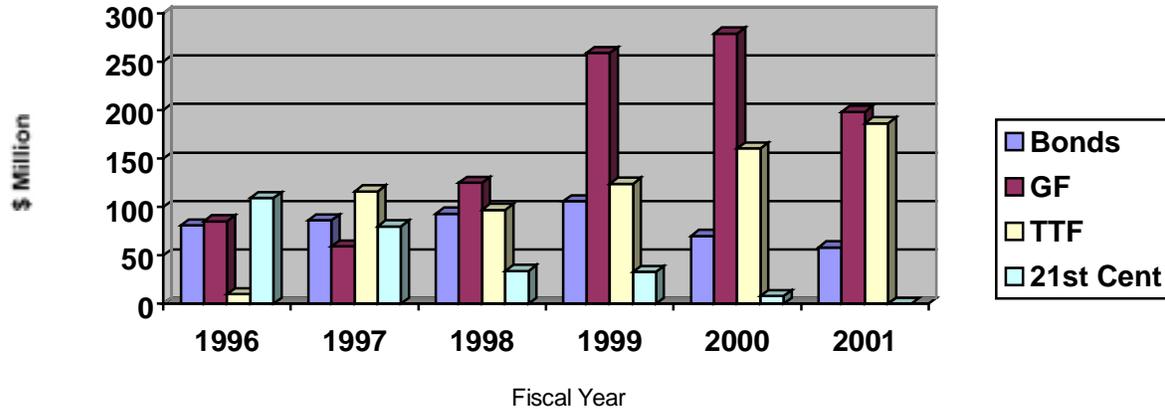
- \$31.9 million for the New Castle County Courthouse at Fifth and King streets in Wilmington. The new courthouse will provide a state of the art facility for more efficient services in our court system, better service to our citizens and swifter justice for those who appear in our courts. Consolidating 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.
- \$11.5 million for the construction of a 77-bed juvenile detention facility to be located on the grounds of the Stevenson House in Milford.
- \$5.0 million to significantly enhance in-building coverage of the state's 800MHz radio system.
- \$3.5 million to address recommendations resulting from the Master Planning and Women's Correctional Needs Assessment efforts currently underway.
- \$3.0 million for the purchase of the Kent County Courthouse and for the costs associated with the planning, design and engineering of an addition to that facility.

Capital Budget Authorization



POLICY OVERVIEW

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 five percent of the estimated General Fund revenue for that fiscal year. Based on the Fiscal Year 2001 DEFAC revenue estimates, the maximum amount that could be authorized is \$116.5 million. The Governor has recommended the authorization of \$58.2 million of general obligation bonds, one half of the authorization allowed under State law.

General Funds

A total of \$198.0 million of General Funds is recommended to support the Fiscal Year 2001 Governor's Recommended Capital Budget.

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 Fiscal Year 2000, borrowers will have paid \$643,000 in principal to banks, thus allowing the State to reduce its guarantees by this amount in Fiscal Year 2001.

First State Improvement Fund

It is recommended that \$40,000 in interest from remaining programmed First State Improvement fund be dedicated to support the Fiscal Year 2001 Capital Budget.

Health Facilities Subsidy Fund/Reversions and Reprogramming

It is recommended that \$30,000 be transferred from the State Treasurer's Bond Reversion accounts and that \$20,000 be transferred from the Health Facilities Subsidy fund to support Fiscal Year 2001 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 fifteen years. For Fiscal Year 2001, \$200,000 of these funds are recommended to be dedicated toward eligible projects.

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. 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 Fiscal Year 2001, total Transportation Trust Fund revenues supporting the Department's Financial Investments Program are estimated to be \$186.3 million.