

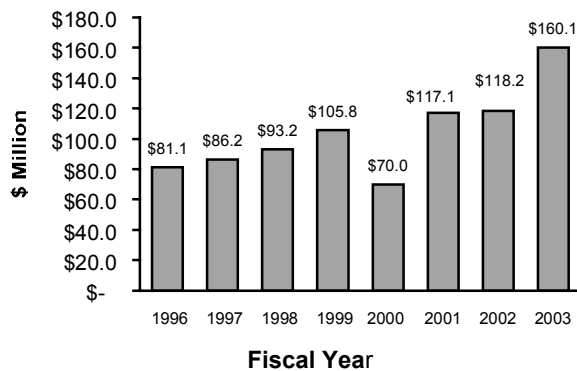
POLICY OVERVIEW

The Governor's Fiscal Year 2003 Recommended Capital Budget totals \$348.6 million. Of this total, \$185.5 million is for the Department of Transportation and \$163.1 million is dedicated to other state projects. The Governor's Fiscal Year 2003 Recommended Capital Budget addresses the following key policy priorities:

Sound Fiscal Management

For Fiscal Year 2003, the Governor recommends the authorization of \$160.1 million in general obligation bonds. In light of the current fiscal conditions, the Governor has crafted the Fiscal Year 2003 Recommended Capital Budget without the support of General Fund Revenue.

General Obligation Bond Authorization



The Fiscal Year 2003 Recommended Capital Budget includes funding for the completion of several major capital construction and renovation projects in a number of school districts. These projects include fully funding school referenda projects in the Capital, Appoquinimink, Caesar Rodney, Cape Henlopen and Smyrna school districts.

The Governor's Fiscal Year 2003 Recommended Capital Budget dedicates resources to renovating and maintaining the state's physical plant. Over \$6.3 million has been recommended for minor capital improvements throughout state agencies. Funds have also been recommended for renovations to the New Castle County Family Court building to accommodate new state tenants when the current occupants are moved to the New Castle County Courthouse, scheduled to open in September, 2002.

Economic Development and Job Creation

The Governor's Fiscal Year 2003 Recommended Capital Budget targets significant resources to support economic development including:

- \$2.5 million for the final year of funding for the Biotechnology Institute, thereby completing a commitment of \$15.0 million for this public/private partnership. This initiative is designed to support key economic development efforts in biotechnology and the life sciences. The biotechnology and life sciences areas are expected to be major growth sectors in the Delaware. 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.

Education

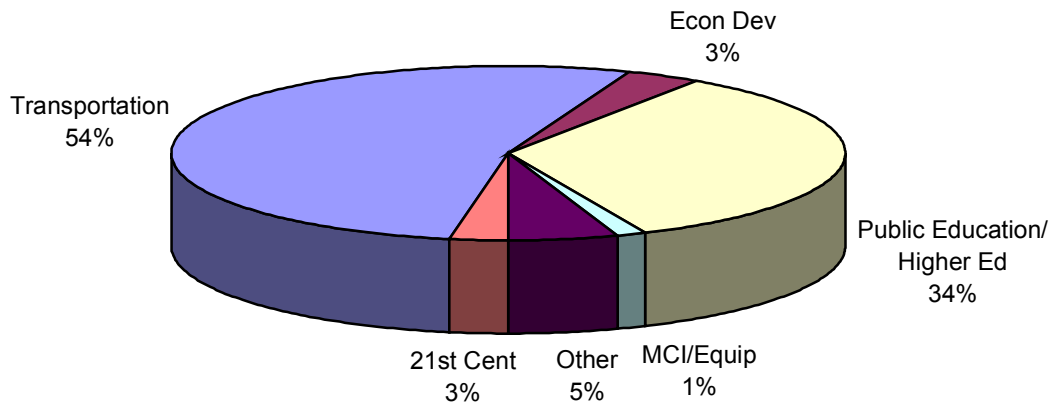
The Governor's Fiscal Year 2003 Recommended Capital Budget reinforces the state's commitment to quality education by providing funds for the following:

- \$107.9 million for public education projects has been recommended. This represents a full 66 percent of the non-transportation capital recommendations. These include completing the funding requirements for capital projects in the Capital, Appoquinimink, Caesar Rodney, Cape Henlopen and Smyrna school districts as well as providing funding for ongoing projects in the Colonial, Indian River, Brandywine, Woodbridge and Christina school districts. Funding is also recommended for the renovation of the John S. Charlton School in the Caesar Rodney School District as well as for the expansion of the State-wide Autistic Program located in the Christina School District.
- \$3.5 million for capital projects at the University of Delaware. These projects include \$2.0 million for the renovation of Wolf Hall and \$1.5 million for the expansion of DuPont Hall.
- \$3.5 million for capital projects at Delaware State University. \$1.0 million of these funds will be directed toward the completion of a new administration building and \$1.5 million for the construction of a multi-purpose Sports/Wellness Complex. In addition, \$1.0 million will be directed to minor capital improvements and equipment

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- \$3.5 million for capital projects at Delaware Technical and Community College. These projects include \$815.0 to complete the Education and Technology Building at the Terry Campus and \$655.0 for renovations of the Jason Building at the Owens Campus. In addition, \$300.0 has been recommended for the Excellence Through Technology Campaign, \$10.0 for planning for the Stanton Campus Expansion, \$340.0 for the renovation and associated equipment at the Stanton and Wilmington campuses and \$1.38 million for minor capital improvements and equipment
- Over \$2.2 million for matching contributions in support of local library projects under the Library Construction Act. These library projects include funds for the Laurel, Seaford, Selbyville, Smyrna, Wilmington Institute and New Castle County North Regional public libraries.

FY 2003 Capital Budget by Program Area



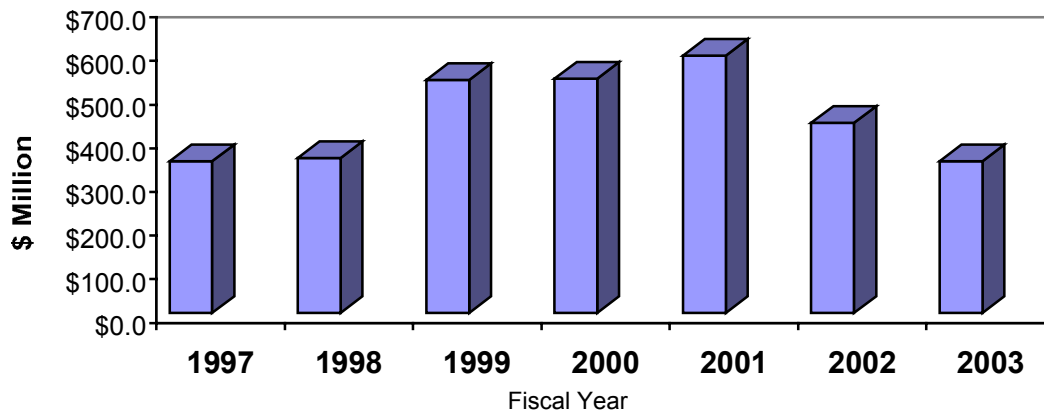
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Protecting Delaware's Environment

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

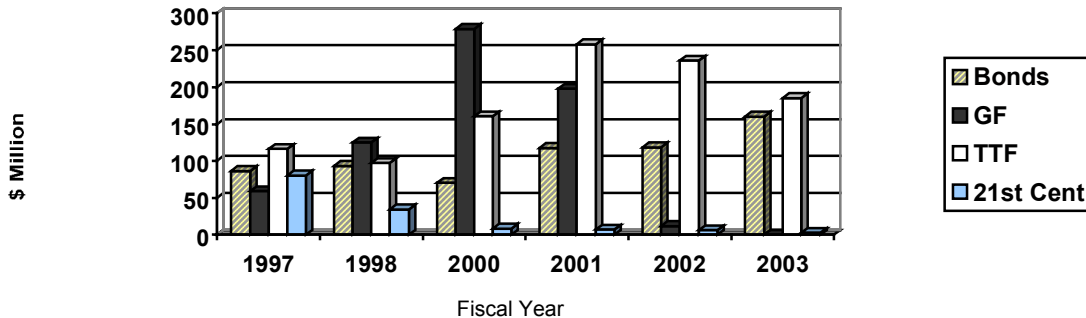
- \$2.3 million for the Conservation Cost Share Program. The Conservation Cost Share Program provides financial assistance to Delawareans employing best practices in the management of animal waste products, thereby reducing nutrient runoff.
- \$1.0 million for beach preservation and replenishment.
- \$1.7 million for the Drinking Water State Revolving Fund. These funds will be matched with \$16.0 million in federal funds. The funds will be used to ensure that drinking water supplies are both safe and affordable.
- \$3.3 million for the Delaware Water Pollution Control Revolving Fund. The funds will be matched with \$6.6 million in federal funds to help replace failing septic systems and improve water quality in environmentally sensitive areas such as the Inland Bays.
- \$5.0 million for Farmland Preservation. This program has permanently preserved over 58,000 acres of farmland since its inception.
- \$100.0 for the engineering studies necessary to design replacement dams for Records and Chipman ponds.

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 2003 December DEFAC revenue estimates as adjusted by the Governor's recommended revenue adjustments, the maximum amount that can be authorized is \$119.7 million.

Reversions and Reauthorizations

A total of \$40.5 million in previously authorized and subsequently deauthorized debt is being recommended for reauthorization in the Fiscal Year 2003 Governor's Recommended Capital Budget.

General Funds

The Governor is not recommending General Funds to support the Fiscal year 2003 capital projects.

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 payoff the principal of their loans, the State can reduce the amount it must hold by the same amount. In Fiscal Year 2002, borrowers will pay \$170.0 in principal to banks, thus allowing the State to reduce its guarantees by this amount in Fiscal Year 2003.

First State Improvement Fund

It is recommended that \$40.0 in interest from the First State Improvement Funds be dedicated to support the Governor's Fiscal Year 2003 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 2003, total Transportation Trust Fund revenues supporting the department's Financial Investments Program are estimated to be \$185.5 million.

21st Century Fund Interest

The Twenty-First Century Fund was created as a result of the settlement of the Delaware v. New York escheat revenue litigation. Interest accrued on the available balances in the amount of \$2.7 million is recommended to support the Fiscal Year 2003 Capital Budget.