

POLICY OVERVIEW

The Governor's Recommended Fiscal Year 2005 Capital Budget totals \$592.7 million. Of this total, \$275.5 million is for public education and agency projects, \$273.7 million is for the capital program of the Department of Transportation, and \$43.5 million is for Twenty-First Century initiative. The Governor's Recommended Fiscal Year 2005 Capital Budget addresses key policy priorities of the Governor in the following areas:

Economic Development, Job Creation and Retention

In the Fiscal Year 2005 Recommended Capital Budget, the Governor is recommending:

- \$20.5 million for the New Economy Initiative. The New Economy Initiative will include a Competitiveness Fund to spur new investments in existing facilities; provide seed funding for technology based-small businesses; make available venture capital funding to meet an identified need in Delaware; capitalize on areas of emerging technologies; support clean energy and fuel cell research; and invest in research and development. These initiatives will focus on diversification of Delaware's economy and foster a vibrant entrepreneurial culture in Delaware's business community. Funds from the New Economy Initiative will also be utilized to 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.
- \$15.0 million for continued support for the Port of Wilmington. 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.
- \$9.0 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.
- \$15.0 million for Flood Mitigation and Water Supply Initiatives. This initiative is part of a comprehensive plan to solve dangerous, life threatening flooding problems that occur in and

around the Red Clay Creek basin which includes: the creation of a flood mitigation retention basin; the construction of wetlands as part of the Interstate 95 expansion; and the Bread and Cheese reservoir projects. This comprehensive flood project also includes flow improvements in the upper portions of the basin to prevent flooding in those areas above the mitigation/retention area. Future water supply needs will also be addressed by evaluating and potentially expanding the capacity of Hoopes Reservoir.

Education

The Recommended Fiscal Year 2005 Capital Budget reinforces the Governor's commitment to quality education by providing funds for the following:

- \$119.3 million for Public Education projects. This represents 37 percent of the non-transportation capital recommendations. These include completing the funding requirements for capital projects in the Indian River, New Castle County Vo-Tech and Brandywine school districts as well as providing funding for on-going projects in the Red Clay, Appoquinimink and Christina school districts. Funding is recommended to finish the six special education classroom addition to a middle school in the Cape Henlopen school district. The Governor's Fiscal Year 2005 Capital Budget also recommends funds to construct classrooms to replace the modular buildings in the Polytech School District.
- \$7.0 million for capital projects at the University of Delaware. These projects include \$4.0 million for the renovation of Wolf Hall and \$1.0 million for Brown Lab renovations. Minor Capital Improvement and Equipment will also receive \$1.0 million and a further \$1.0 million for Minor Capital Improvement and Equipment previously in the operating budget.
- \$6.0 million for capital projects at Delaware State University. These projects include \$1.0 million for the construction of a new Information and Technology Building. \$4.0 will be directed to Minor Capital Improvement and Equipment and \$1.0 million for improvements for the existing sports stadium and Alumni Field.
- \$6.0 million for capital projects at Delaware Technical and Community College. These projects include \$2.2 million to begin the expansion of the Stanton Campus, \$1.8 million to finish the Education and Technology Building at the Terry Campus, \$300.0 for the Excellence

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Through Technology Campaign and \$1.4 million for the Collegewide Asset Preservation Program. For the Owens Campus, \$300.0 has also been recommended for campus improvements.

Protecting Delaware's Environment

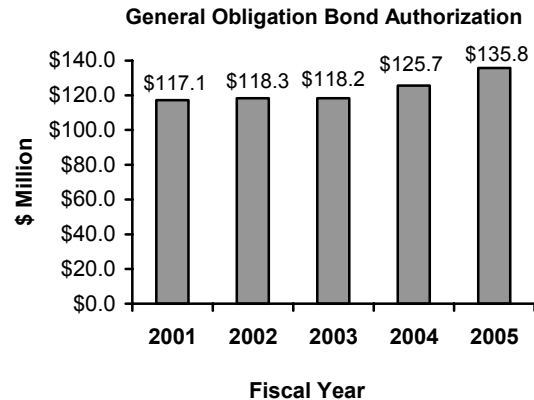
The Governor has recommended funding for projects contributing to protecting the environment. These projects contribute to the foundation of the Livable Delaware agenda of the Governor. Projects include:

- \$22.1 million for the establishment of the Green Infrastructure Program. This program will seek opportunities to partner with environmental groups and work to preserve some of the most important natural habitats and working forests lands. The Green Infrastructure program underscores the commitment to the Livable Delaware Program characterized by developing public and private partnerships to preserve our environmental heritage.
- \$8.9 million for continuation of the Farmland Preservation program. To date, this program has permanently preserved 70,432 acres, placing Delaware among the leaders in the nation for preserving farmland.
- \$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.
- \$1.0 million for a replacement dam for Haven's Lake. This investment will improve the public safety for those in the area of this water control structure.

Sound Fiscal Management

For Fiscal Year 2005, the Governor recommends the authorization of \$135.8 million in general obligations and additional General Fund revenues 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 General Fund revenue has been continually affirmed by the rating agencies – and is one factor why Delaware has maintained its AAA bond ratings. The Governor's Fiscal Year 2005 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 including but not limited to the state's first Veterans Home, a new State Area Command (STARC) Headquarters for the National Guard and a new psychiatric hospital.



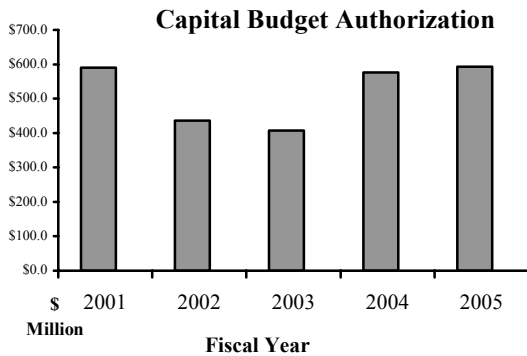
Additional Fiscal Year 2005 Capital Budget Highlights

Representing a significant investment in core state facilities and infrastructure, the Fiscal Year 2005 Recommended Capital Budget dedicates resources to renovating and maintaining the state's physical plant. In Fiscal Year 2005, \$17.1 million has been recommended for minor capital improvements, maintenance and restoration projects throughout state agencies. Highlights include:

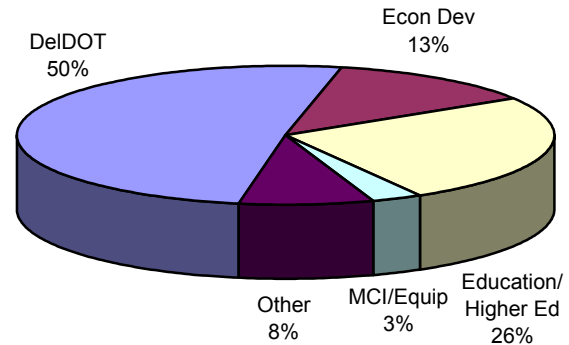
- \$10.4 million in funding for the Kent County Courthouse. These funds will be used to begin construction of an addition to the Courthouse and to plan for the renovation of the existing Courthouse. \$500.0 to complete the renovations to the Sussex County Courthouse is also recommended.
- \$2.5 million for planning and programming of a Veterans Home. The construction of this home will address the needs of many veterans in Delaware.
- \$2.1 million for the construction of a State Area Command (STARC) headquarters facility for the Delaware National Guard. This facility will allow for more effective command and control of Delaware National Guard units.
- \$5.4 million for the planning and design of a new psychiatric hospital on the Holloway Campus and \$1.8 million for a new medical building at the Stockley Campus.

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- Over \$3.4 million has been recommended for capital projects at the Seaford and Kirkwood libraries as well as for planning funds for the New Castle, South Coastal and Greenwood Public Libraries. The Governor also recommends \$150.0 to conduct a state-wide Master Plan for Library needs.



FY 2005 Capital Budget by Program Area



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 2005 DEFAC revenue estimates plus Governor's Recommended adjustments, the maximum amount that could be authorized is \$135.8 million.

General Funds

A total of \$180.0 million in General Funds are recommended to support the Fiscal Year 2005 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 2005, total Transportation Trust Fund revenues supporting the department's Financial Investments Program are estimated to be \$273.7 million.

Twenty-First Century Fund Interest

The Twenty-First Century Fund was created as a result of the settlement of the Delaware v. New York

abandoned property case. Interest of the available balances in the amount of \$500.0 is recommended to support the Fiscal Year 2005 Capital Budget.

Venture Capital Funds

For Fiscal Year 2005, a total of \$2.7 million in proceeds from previously invested Venture Capital Funds will be used to support the economic development projects in the Delaware Economic Development Office.

Capital Budget Revenue Sources

