

POLICY OVERVIEW

The Governor's Recommended Fiscal Year 2007 Capital Budget totals \$402.1 million. Of this total, \$285.6 million is for public education and agency projects, and \$116.5 million is for the capital program of the Department of Transportation. The Governor's Recommended Fiscal Year 2007 Capital Budget addresses key policy priorities of the Governor in the following areas:

Economic Development, Job Creation and Retention

In the Fiscal Year 2007 Recommended Capital Budget, the Governor is recommending:

- \$10.0 million for the third year funding for New Economy Initiative programs. Funds from previous years appropriations to this program have been targeted toward investments in cutting edge technology and supporting existing Delaware industries. This year's funding will build upon existing efforts. Funds from the New Economy Initiative will also leverage federal funds to expand the experimental research center.
- \$1.0 million to the Fraunhofer Center for Molecular Biology for support in the development of new vaccines. This investment represents the first year of a five year commitment toward this effort.
- \$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.
- \$7.0 million for continued support for the Diamond State Port Corporation.
- \$5.0 million for the Riverfront Development Corporation. This recommendation will support the continued success of this important economic development project.

Education

The Recommended Fiscal Year 2007 Capital Budget reinforces the Governor's commitment to quality education by providing funds for the following:

- \$105.8 million for Public Education projects including the continued implementation of full day kindergarten. This funding will complete capital projects in the Red Clay Consolidated School District as well as address on-going

projects in the Appoquinimink, Indian River, Smyrna, Sussex Technical, Lake Forest, Brandywine, Polytech and Colonial school districts.

- \$3.5 million for renovations to Brown Laboratory at the University of Delaware.
- \$3.5 million for Minor Capital Improvement and Equipment at Delaware State University.
- \$3.5 million for capital projects at Delaware Technical and Community College. These projects include \$1.0 million for the expansion of 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.
- \$3.7 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.

Health, Safety and Self-Sufficiency for Every Delaware Family

The Recommended Fiscal Year 2007 Capital Budget supports the safety and security of Delawareans through investments in emergency response and local law enforcement technology. These investments include:

- \$2.5 million for Automated Fingerprint Identification System (AFIS) funding targeted toward local law enforcement agencies.
- \$13.7 million to continue the upgrades of the 800 MHz emergency radio system.
- \$1.2 million in continued support to Local Law Enforcement Technology and Education

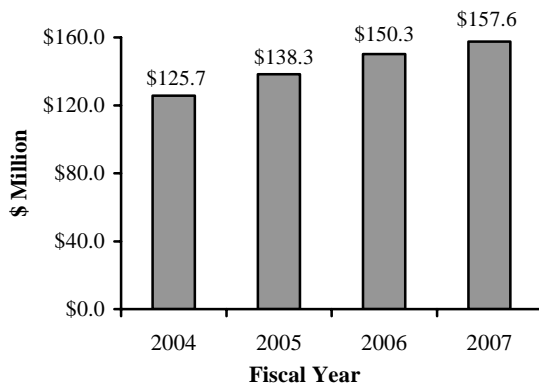
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Sound Fiscal Management

For Fiscal Year 2007, the Governor recommends the authorization of \$157.6 million in general obligation bonds and \$118.0 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 level of Transportation Trust Fund (TTF) authorization in the Fiscal Year 2007 Recommended Capital Budget is substantially lower than in past fiscal years. The recommended authorization 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. Trust Fund revenues have been bolstered by a recommended \$20.0 million in General Fund cash to be deposited to the TTF.

General Obligation Bond Authorization

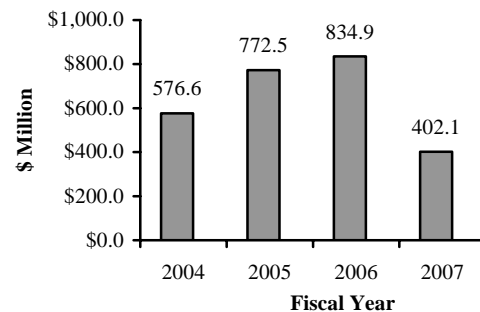


Additional Fiscal Year 2007 Capital Budget Highlights

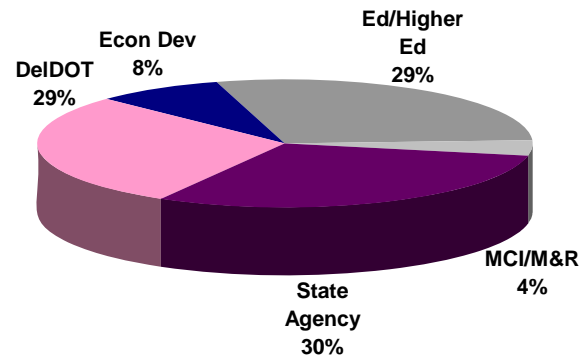
- \$16.0 million for minor capital improvements, maintenance and renovation to state facilities.
- \$16.7 million for the Kent County Courthouse Complex.
- \$19.8 million to complete the construction of a new medical building at the Stockley Campus.

- \$5.6 million for critical deferred maintenance projects at the Holloway Campus of the Department of Health and Social Services.
- \$8.2 million for capital projects at the Kirkwood Highway, Hockessin, South Coastal and Bear libraries.
- \$15.1 million for the continued development of the ERP Financials Reengineering Project.

Capital Budget Authorization



FY 2007 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 2007 DEFAC revenue estimates plus Governor's Recommended adjustments, the maximum amount that could be authorized is \$157.6 million.

Reversions and Reprogrammings

A total of \$2.5 million of special fund revenue is recommended to support the Fiscal Year 2007 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 \$7.5 million are recommended to be dedicated to projects within the Fiscal Year 2007 Governor's Recommended Capital Budget.

General Funds

A total of \$118.0 million in General Funds are recommended to support the Fiscal Year 2007 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 2007, total TTF revenues supporting the department's Financial Investments Program are estimated to be \$116.5 million.

Capital Budget Revenue Sources

