

Debt Limits

There is no Constitutional debt limit of the State.

In 1991, the General Assembly passed legislation to replace the prior statutory debt limits with a three-part debt limit, as follows:

First, the aggregate principle amount of new “tax-supported obligations of the State” (hereinafter defined) which may be authorized in any one fiscal year (excluding refunding bonds) may not exceed 5% of estimated net budgetary General Fund revenue for that fiscal year. This is determined by a joint resolution approved by a majority of the members elected to each house of the General Assembly and signed by the Governor in connection with the adoption of the annual Budget Appropriation Bill for that fiscal year (the 5% Rule). The June 2003 budgetary General Fund revenue estimate for fiscal year 2004 was \$2,514.0 million, thus a total of \$125.7 million of new general obligation debt was permissible under the 5% Rule. For fiscal year 2004, \$125.8 million was authorized (including \$180,000 from deauthorized amounts). The authorization for the issuance of the bonds consists of authorizations from fiscal 2004 as well as prior years.

The level of new tax-supported debt authorization permitted under the 5% Rule is set out in the following table. The figures assume the September 2003 budgetary General Fund revenue projections of the Delaware Economic and Financial Advisory Council (DEFAC) for fiscal 2005. From the DEFAC’s fiscal 2005 estimate, the figures assume 3.6% annual revenue growth for fiscal 2006, 4.3% annual growth for fiscal 2007, and 4.1% annual growth for 2008 and 2009, respectively.

The 5% Rule

(in Millions)

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
Estimated Net Budgetary General Fund Revenue	\$ 2,698.2	\$ 2,794.4	\$ 2,915.4	\$ 3,034.1	\$ 3,158.5
Projected New Tax-Supported Debt Authorizations	\$ 134.9	\$ 139.7	\$ 145.8	\$ 151.7	\$ 158.0

Second, no “tax-supported obligations of the State” and no “Transportation Trust Fund (“Trust Fund” or “TTF”) debt obligations” (hereinafter defined) of the Delaware Transportation Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations exceed 15% of the estimated budgetary General Fund revenue plus Transportation Trust Fund revenue for the fiscal year following the fiscal year in which such obligation is incurred (the “15% Test”). As of Fiscal 2004, this ratio stands at 8.1%.

Third, no general obligation debt (with certain exclusions) may be incurred if the maximum annual debt service payable in any fiscal year on all such outstanding obligations will exceed the estimated cumulative cash balances (including all reserves)

for the fiscal year following the fiscal year in which such obligation is incurred (the “Cash Balances Test”) as estimated by the Secretary of Finance. As of Fiscal 2004, the debt service payable represents 29.5% of the estimated cumulative cash balance.

“Tax-supported obligations of the State” include: a) all obligations of the State or any agency or authority thereof to which the State’s full faith and credit is pledged and; b) all obligations of the State or any agency or authority thereof extending beyond one year with respect to the lease, occupancy or acquisition of property which are incurred in connection with debt financing transactions, and which are payable from taxes, fees, permits, licenses and fines imposed or approved by the General Assembly. Tax-supported obligations do not include: a) obligations incurred to acquire a like principal amount of full faith and credit obligations issued by a local school district to the extent local school district obligations are not in default; b) any obligation notes of the Delaware Transportation Authority; c) any tax or other revenue anticipation notes or bonds of the State; d) obligations to the extent that the debt service is reasonably expected to be offset (as determined by the Secretary of Finance) by lease payments, user fees, federal grants or other payments from a non-budgetary General Fund source.

“Transportation Trust Fund debt obligations” includes all debt obligations of the Delaware Transportation Authority, including all obligations extending beyond one year with respect to the lease, occupancy or acquisition of property which are incurred in connection with debt financing transactions (for example, certificates of participation), and which in any case are payable from the Trust Fund. Trust Fund debt obligations do not include any obligations to the extent that the debt service with respect thereto is reasonably expected to be offset (as determined by the Secretary of Finance) by lease payments, user fees, federal grants or other payments from a non-State source.

General Obligation Debt

The following tables reflects the outstanding general obligation debt of the State as of June 30, 2003, of which a portion is supported by budgetary General Fund revenue and a portion of which is supported by budgetary Special Funds.

Outstanding General Obligation Debt

(in Millions)

General Obligation Debt Supported by Budgetary General Fund Revenue

State Facilities	\$ 482.1
School Facilities (State Share)	124.2
Miscellaneous	4.2
Subtotal	<u>\$ 610.5</u>

General Obligation Debt Supported by Budgetary Special Funds

Highway and Other Transportation Improvements	\$ 3.3
School Facilities (Local Share)	240.2
Housing Authority Loans	0.3
Subtotal	<u>\$ 243.8</u>

Total General Obligation Debt Outstanding	<u><u>\$ 854.3</u></u>
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