STATE OF DELAWARE
DEPARTMENT OF FINANCE
OFFICE OF THE SECRETARY

RICHARD S. CORDREY
SECRETARY OF FINANCE

VIA Disclosure USA

March 24, 2008

BLOOMBERG MUNICIPAL REPOSITORY
100 Business Park Drive
Skillman, New Jersey 08558

DPC DATA INC.
One Executive Drive
Fort Lee, NJ 07024

INTERACTIVE DATA PRICING
AND REFERENCE DATA, INC.
Attn: NRMSIR
100 William Street
New York, NY 10038

STANDARD & POOR'S
SECURITIES EVALUATIONS, INC.
55 Water Street, 45th Floor
New York, NY 10041

RE: Annual Report for the State of Delaware

Ladies and Gentlemen:

In accordance with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Act of 1934, as amended, and a certain Continuing Disclosure Agreement dated as of April 15, 1996, as amended, the State of Delaware is hereby providing you with its Annual Report for the year ended June 30, 2007. This Annual Report is comprised of the State's Preliminary Official Statement dated March 4, 2008, which includes the State's Basic Financial Statements for the fiscal year ended June 30, 2007.

Sincerely,

Richard S. Cordrey
Secretary of Finance

Enclosure

CARVEL STATE BUILDING
820 N. FRENCH ST., 8TH FLR.
WILMINGTON, DELAWARE 19801
TELEPHONE: (302) 577 - 8979
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HASLET ARMORY
122 WILLIAM PENN STREET
DOVER, DELAWARE 19901
TELEPHONE: (302) 744 - 1100
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Annual Report
For the State of Delaware

Continuing Disclosure
in compliance with

S.E.C. Rule 15c2-12(b)(5)

March 24, 2008

Department of Finance
Carvel State Office Building
820 N. French Street
Wilmington, DE 19801
302-577-8988

NEW ISSUE **Ratings: Fitch "AAA"**
Moody's "Aaa"
S&P "AAA"

In the opinion of Bond Counsel, interest on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "Tax Matters" herein, and interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the Bonds. Under existing statutes, interest on the Bonds is exempt from personal and corporate income tax imposed by The State of Delaware. For a more complete discussion, see "Tax Matters" herein.

THE STATE OF DELAWARE
$45,000,000 General Obligation Bonds-Series 2008A
$172,375,000 General Obligation Bonds–Series 2008B

Dated: Date of Issuance **Due: March 1, as shown on the Inside Front Cover**

The Bonds consist of the $45,000,000 General Obligation Bonds-Series 2008A (the "2008A Bonds") and the $172,375,000 General Obligation Bonds-Series 2008B (the "2008B Bonds" and, together with the 2008A Bonds, the "Bonds" or the "2008 Bonds"). The Bonds are general obligations of the State. The full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds.

Interest on the Bonds is payable semiannually on March 1 and September 1 of each year commencing September 1, 2008.

The Bonds maturing on or after March 1, 2017 are subject to redemption prior to maturity in whole or in part at any time and from time to time, at the option of the State, in any order of maturity selected by the State, beginning March 1, 2016, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest as set forth more fully herein.

The Bonds will be issued in book-entry form as fully registered bonds in denominations of $1,000 and integral multiples thereof. The investor will not receive physical delivery of Bond certificates. Principal and interest payments on the Bonds will be paid to The Depository Trust Company or its nominee as record owner of the Bonds and the investors should look for payment to the institution from which their Bonds were purchased.

The Bonds are offered when, as and if issued and received by the Underwriters subject to prior sale, to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Saul Ewing LLP, Bond Counsel, Wilmington, Delaware, and certain other conditions. Certain legal matters will be passed upon for the underwriters of the 2008A Bonds by their counsel Cozen O'Connor, Wilmington, Delaware and Philadelphia, Pennsylvania. It is expected that the Bonds will be available through the facilities of The Depository Trust Company for delivery in New York, New York, on or about March 13, 2008.

The date of this Official Statement is March 4, 2008.

INSIDE FRONT COVER

MATURITIES, AMOUNTS, RATES, YIELDS AND PRICES

2008A BONDS[1]

Maturity (March 1)	Principal Amount ($)	Interest Rate (%)	Yield (%)	Price	CUSIP Number[3] (246380)
2009	2,395,000	3.000	2.200	100.760	Q69
2010	3,775,000	3.000	2.580	100.799	Q77
2011	585,000	3.000	2.840	100.451	Q85
2012	1,060,000	3.000	3.070	99.739	Q93
2013	1,530,000	3.125	3.230	99.520	R27
2014	960,000	3.375	3.390	99.918	R35
2015	1,530,000	3.500	3.550	99.692	R43
2016	1,020,000	3.625	3.710	99.417	R50
2017	1,345,000	3.750	3.870	99.097	R68
2018	3,685,000	4.000	4.020	99.835	R76
2019	1,625,000	4.125	4.240	98.998	R84
2020	1,085,000	4.375	4.410	99.675	R92
2021	940,000	4.500	4.550	99.512	S26
2022	665,000	4.625	4.670	99.540	S34
2023	730,000	4.750	4.780	99.680	S42
2024	730,000	4.750	4.870	98.677	S59
2025	340,000	4.875	4.940	99.257	S67
2026	7,000,000	5.000	5.000	100.000	S75
2027	7,000,000	5.000	5.030	99.634	S83
2028	7,000,000	5.000	5.060	99.249	S91

2008B BONDS[2]

Maturity (March 1)	Principal Amount ($)	Interest Rate (%)	Yield (%)	Price	CUSIP Number[3] (246380)
2009	14,230,000	5.000	2.160	102.701	T25
2010	13,435,000	5.000	2.530	104.708	T33
2011	16,595,000	5.000	2.780	106.278	T41
2012	13,300,000	5.000	2.960	107.581	T58
2013	12,815,000	5.000	3.140	108.491	T66
2014	13,375,000	5.000	3.320	109.024	T74
2015	12,790,000	5.000	3.490	109.265	T82
2016	11,980,000	5.000	3.650	109.258	T90
2017	11,655,000	4.750	3.810[4]	106.405	U23
2018	9,315,000	4.750	3.950[4]	105.421	U31
2019	5,375,000	4.750	4.120[4]	104.240	U49
2020	5,915,000	5.000	4.290[4]	104.746	U56
2021	6,060,000	5.000	4.410[4]	103.925	U64
2022	6,335,000	5.000	4.520[4]	103.179	U72
2023	6,270,000	5.000	4.630[4]	102.440	U80
2024	6,270,000	5.000	4.720[4]	101.839	U98
2025	6,660,000	5.000	4.780[4]	101.441	V22

1 The 2008A Bonds have been sold to retail investors residing in the State of Delaware through a negotiated sale to a group of underwriters represented by Merrill Lynch, Pierce, Fenner & Smith, Incorporated and including Apex Pryor Securities, Bear, Stearns & Co. Inc., Depfa First Albany Securities LLC, Ferris, Baker Watts Inc., Loop Capital Markets, LLC, UBS Investment Bank, Banc of America Securities LLC, Citigroup Global Markets Inc., Edward D. Jones & Co., Janney Montgomery Scott LLC, Stifel Nicolaus & Company, Incorporated, and Wachovia Securities LLC.

2 The 2008B Bonds have been awarded to J.P. Morgan Securities Inc. through a competitive sale.

3 CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the State nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

4 Yield to call date (March 1, 2016).

No dealer, broker, salesperson or other person has been authorized by The State of Delaware or by the Underwriters to give any information or to make any representation in connection with the Bonds or the matters described herein, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied on as having been authorized by the State or by the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date thereof. Only the statements and information contained herein should be considered in making an investment decision with respect to the Bonds. This Official Statement is distributed in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Neither the Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The underwriters of the Bonds have provided the following sentence for inclusion in this Official Statement: The underwriters of the Bonds have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the underwriters of the Bonds do not guarantee the accuracy, completeness or fairness of such information.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such forward-looking statements speak only as of the date of this Official Statement. The State disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the State's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All quotations from and summaries and explanations of provisions of laws and documents described herein do not purport to be complete and reference is made to said laws and documents for full and complete statements of their provisions.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or under any state securities laws in reliance upon exemptions contained in such Act or under such state securities laws. The Bonds will not be listed on any stock or other securities exchange. Any registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds may be registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the State, will have passed upon the accuracy, completeness or adequacy of this Official Statement or approved the Bonds for sale. Any representation to the contrary may be a criminal offense.

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This publication is available on microfiche from the State Bureau of Archives and Records, Hall of Records, Box 1401, Dover, Delaware 19901. Document #25-01-10-01-01-04.

OFFICIAL STATEMENT

of

$217,375,000
THE STATE OF DELAWARE

$45,000,000 General Obligation Bonds-Series 2008A
$172,375,000 General Obligation Bonds-Series 2008B

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page and the appendices, has been prepared by The State of Delaware (the "State") and provides certain information about the State and its $45,000,000 General Obligation Bonds-Series 2008A (the "2008A Bonds") and its $172,375,000 General Obligation Bonds-Series 2008B (the "2008B Bonds", together with the 2008A Bonds, the "2008 Bonds" or the "Bonds").

Brief descriptions of the State, the authorizing Resolution (as defined below) of the State's Issuing Officers (as defined below), and the Bonds are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Resolution and the Bonds are qualified in their entirety by reference to such documents. All such descriptions are further qualified in their entirety by reference to laws relating to or affecting generally the enforcement of creditors' rights and general principles of equity. Copies of such documents are available for inspection at the offices of the Secretary of Finance of the State.

DESCRIPTION OF THE BONDS

General Information

The Bonds are general obligations of the State to be issued pursuant to a resolution adopted on March 4, 2008 (the "Resolution") by the Governor, the Secretary of Finance, the Secretary of State and the State Treasurer (the "Issuing Officers"). The Bonds will contain a pledge of the State's full faith and credit for the payment of the principal of and interest on the Bonds. The Bonds will be dated, bear interest, mature and are payable as described on the cover page of this Official Statement. The Bonds will be issued as fully registered bonds in denominations of $1,000 and integral multiples thereof.

Optional Redemption

The Bonds maturing on or after March 1, 2017 are subject to redemption at the option of the State on or after March 1, 2016, and prior to maturity, in whole or in part at any time and from time to time, in any order of maturity selected by the State, at 100% of the principal amount of the Bonds to be redeemed, plus interest accrued and unpaid to the redemption date.

Notice of Redemption

Notice of redemption will be mailed to registered owners of Bonds not less than 30 days nor more than 60 days prior to any optional redemption date in the manner and upon the terms and conditions set forth in the Resolution. The State, so long as a book-entry system is used for determining ownership of Bonds, will send the notice of redemption to The Depository Trust Company ("DTC"). Any failure of DTC to mail such notice to any DTC participant will not affect the validity of the redemption of the Bonds.

Authorization and Purpose

The Bonds are issued pursuant to the State Constitution, statutes of the State, including acts of the General Assembly (the "General Assembly") authorizing the issuance of the Bonds (the "Authorization Acts") and the Resolution. A portion of the proceeds of the Bonds will be applied to pay for various capital facilities of the State and to provide financing for other capital projects, as authorized by the Authorization Acts. The remaining portion of the proceeds of the Bonds will be applied to refund the general obligation bonds of the State identified below (the "Refunded Bonds"):

Schedule of Refunded Bonds

Series	**Maturities**	**Principal Amount**	**Date of Optional Call**	**Redemption Price**
1998A	2009 – 2015	$ 16,390,000	April 12, 2008	100%

In order to provide for the refunding of the Refunded Bonds, the State will use a portion of the proceeds of the Bonds, together with certain other available moneys, to purchase United States Treasury Obligations, State and Local Government Series, or other direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government (the "Government Securities"), the principal of which together with interest payable thereon will be sufficient to pay when due the interest on the Refunded Bonds on or prior to the call date and to redeem on such call date Refunded Bonds which become due after such date. Neither the maturing principal of the Government Securities nor the interest thereon will secure or be available for the payment of principal of, interest or redemption premium, if any, on any obligations of the State other than the Refunded Bonds.

The Government Securities are to be held in a trust fund (the "Escrow Fund") by U.S. Bank National Association (the "Escrow Agent") pursuant to an escrow agreement dated as of March 13, 2008 (the "Escrow Agreement") between the State and the Escrow Agent for the benefit of the holders of the Refunded Bonds.

The State will allocate the debt service with respect to the new money portion of the Bonds to various capital facilities. Although all of such Bonds are authorized to be sold as twenty-year bonds, the State has chosen to sell only $140,000,000 million as twenty-year bonds, and the remaining $61,750,000 million as ten-year bonds. This rapid amortization is consistent with an effective strategy to reduce the State's overall indebtedness.

The State Constitution provides that any money borrowed by the State shall be used exclusively for the purpose for which it is borrowed, but that if any borrowed money remains after a project has been completed or abandoned, such money may be expended according to law. The Delaware Code provides that any funds borrowed pursuant to an Authorization Act and not expended for the purposes set forth therein shall be deposited in a special fund and applied with the approval of the Issuing Officers to the remaining costs of any project authorized by any prior Authorization Act.

SOURCES AND USES OF FUNDS

The sources and uses of funds to accomplish the purposes of the Bonds are expected to be as follows:

Sources:

Principal Amount of Bonds	$217,375,000.00
Net Original Issue Premium	10,110,821.25
Total Sources	$227,485,821.25

Uses:

Capital Projects	$210,665,815.46
Deposit to Escrow Fund	16,514,127.79
Underwriter's Discount	305,878.00
Total Uses	$227,485,821.25

SECURITY FOR BONDS

The Bonds are direct obligations of the State to which the full faith and credit of the State will be pledged. The payment of principal of and interest on debt obligations of the State is made pursuant to appropriations by the General Assembly of the State. The State has always appropriated funds for and paid the principal of and interest on its debt obligations as they have come due.

If the State fails to make sufficient provision to pay the principal of and interest on the Bonds, or, at the time such amount is payable, sufficient funds are unavailable for such payment, a sufficient sum to pay such principal and interest is required by State law to be set apart by the State Treasurer from the first revenues thereafter received by the State. The State Treasurer may be required to set apart and apply such revenue to the payment of such principal and interest at the suit of any holder of the Bonds.

In the event the State fails to make timely payment of the principal of or interest on the Bonds, the owner of the Bond on which default in payment has occurred may also sue the State for breach of contract. In the opinion of the Attorney General of the State, the State may not successfully invoke the defense of sovereign immunity in an action alleging breach of contract by the State, and in the further opinion of the Attorney General, the Bonds pertaining thereto are such contracts. Any judgment against the State obtained in such an action, however, must be paid solely from funds appropriated by the General Assembly for the purpose of such payment.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements of general obligation bonds of the State, prior to and after giving effect to the issuance of the Bonds.

General Obligation Debt Service[1]
(in millions)

	Prior to Issuance of the Bonds				After Issuance of Bonds			
Fiscal Year Ending June 30	Principal	Interest	Debt Service	Total Principal Amount Outstanding	Principal	Interest	Debt Service	Total Principal Amount Outstanding
2008	$ 135.9	$57.8	$193.7	1,175.0	$135.9	$57.8	$193.7	1,376.0
2009	130.2	51.6	181.7	1,044.8	142.7	60.9	203.7	1,233.3
2010	124.6	45.2	169.8	920.3	137.8	54.3	192.1	1,095.5
2011	117.3	39.5	156.8	803.0	130.5	48.0	178.5	965.0
2012	113.0	34.2	149.1	690.1	126.2	44.0	170.2	838.8
2013	103.4	28.7	134.1	586.6	116.7	37.9	154.6	722.1
2014	90.0	24.2	114.1	496.7	103.2	30.7	134.0	618.9
2015	77.4	20.3	97.8	419.2	90.7	26.3	116.9	528.2
2016	68.8	17.0	85.9	350.4	81.8	22.3	104.1	446.4
2017	63.0	14.4	77.4	287.4	76.0	19.0	95.0	370.4
2018	50.3	12.0	62.3	237.1	63.3	16.1	79.3	307.1
2019	39.2	9.9	49.0	198.0	46.2	13.3	59.5	261.0
2020	35.4	8.3	43.7	162.6	42.4	11.4	53.8	218.6
2021	33.2	6.7	39.9	129.3	40.2	9.5	49.7	178.3
2022	33.0	5.3	38.3	96.4	39.9	7.8	47.7	138.4
2023	31.0	3.9	34.9	65.4	38.0	6.0	44.0	100.4
2024	24.1	2.5	26.6	41.4	31.1	4.3	35.4	69.4
2025	17.4	1.6	19.0	24.0	24.4	3.0	27.4	45.0
2026	14.3	0.8	15.1	9.7	21.3	1.9	23.1	23.7
2027	9.7	0.3	10.0	0.0	16.7	1.0	17.7	7.0
2028					7.0	0.4	7.4	0.0
	$1,310.9	$384.4	$1,699.1		$1,511.9	$476.0	$1,987.8	

(1) Totals may not add due to rounding.

BONDED INDEBTEDNESS OF THE STATE

Authorization of General Obligation Debt

General obligation bonds and bond anticipation notes of the State are issued and the proceeds thereof appropriated to various purposes pursuant to Authorization Acts of the General Assembly. Under the State Constitution, Authorization Acts become law upon the approval of three-quarters of all the elected members of each house of the General Assembly and the concurrence of the Governor. The Governor may veto a bill by returning the bill to the house of the General Assembly in which the bill originated within ten days of receipt, Sunday excepted. The General Assembly may override the Governor's veto by a three-fifths vote of all members in each house. No bill becomes law after final adjournment of the General Assembly unless previously approved by the General Assembly and approved by the Governor within 30 days after such adjournment. The Governor has veto power over line item appropriations.

Once an Authorization Act is enacted, the Issuing Officers are authorized by State law to issue bonds and bond anticipation notes thereunder. Bond anticipation notes may be issued for a term of one year and may be renewed, but all such renewal notes must mature not later than four years after the date of original issuance of such notes. No bond anticipation notes have been outstanding since fiscal 1978. Bonds are required to mature within 20 years from their date, may not provide for principal payments higher in later years than earlier years (except for refunding bonds, capital appreciation bonds, qualified zone academy bonds and retail bonds) and may have such other terms as the Issuing Officers may determine, subject to the limitations of the Authorization Acts and other provisions of law.

The Issuing Officers are authorized to issue bonds to refund bonds in advance of maturity provided that the refunding results in a present value savings to the State.

The Issuing Officers may also issue revenue anticipation notes, in an amount they determine necessary, to meet a casual deficiency of revenue in the budgetary General Fund to pay budgetary General Fund obligations or to pay existing debts. Revenue anticipation notes may be issued at any time and from time to time prior to June 25 in any State fiscal year. There has not been a State issue of revenue anticipation notes since fiscal 1977. If at any time during the fiscal year prior to June 15 there is a casual deficiency of revenue in the budgetary General Fund to pay budgetary General Fund obligations or to pay existing debts, the State may draw upon available balances in the State's budgetary Special Funds to pay such obligations or debts. Such draws are required to be reimbursed to the appropriate budgetary Special Funds as soon as sufficient budgetary General Fund monies become available, and in any case, the budgetary General Fund cannot evidence a negative balance after June 15 of such fiscal year.

Debt Limits

There is no Constitutional debt limit of the State.

In 1991, the State enacted legislation to replace the previous statutory debt limits with a three-part debt limit, effective July 1, 1991, as follows:

First, the aggregate principal 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, as 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 conjunction with the adoption of the annual Budget Appropriation Bill for that fiscal year (the "5% Rule"). The June 2007 estimate of net general fund revenues for fiscal year 2008 was \$3,414.1 million, thus a total of \$170.7 million of new tax-supported general obligation debt was permitted under the 5% rule and was authorized.

The level of tax-supported debt permitted under the 5% Rule is set out in the following table. The fiscal year 2008 is based on House Joint Resolution No. 16 which provides fiscal 2008 official revenue, refund and unencumbered fund estimates. The amounts for fiscal years 2009 and 2010 are estimated from the December 17, 2007 meeting of the Delaware Economic and Financial Advisory Council ("DEFAC"). See "STATE FINANCIAL OPERATIONS – Revenue Summary-Fiscal 2008E – Fiscal 2010E" herein. DEFAC projections are dependent on a variety of economic factors affecting the State's projected revenues. Fiscal 2011 and fiscal 2012 are based on the long-term growth rates of 5.2% and 5.8%, respectively, adopted by DEFAC at its September 17, 2007 meeting. See "STATE FINANCIAL OPERATIONS - Revenue and Expenditure Forecasting".

The 5% Rule
(in millions)

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Estimated Net Budgetary General Fund Revenue	$ 3,414.1	$ 3,524.1	$ 3,708.8	$ 3,901.7	$ 4,128.0
Projected New Tax-Supported Debt Authorizations	$ 170.7	$ 176.2	$ 185.4	$ 195.1	$ 206.4

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 aggregate budgetary General Fund revenue, plus Trust Fund revenue for the fiscal year following the fiscal year in which such obligation is incurred (the "15% Test"). The Bonds comply with this test, as illustrated in the following table:

The 15% Test
(in millions)

	Fiscal 2009[(1)]
General Obligation Debt Service	$ 203.7
Less: Excluded Debt Service [(2)]	(56.6)
Other Tax-Supported Debt Service [(3)]	24.5
Total Tax-Supported Debt Service	$ 171.6
Delaware Transportation Authority (TTF) Debt Service	$ 117.2
Total Debt Service	$ 288.8
Estimated Aggregate Budgetary General Fund and TTF Revenue [(4)]	$4,006.1
Total Debt Service as Percent of Total Revenue	7.21%

(1) Year of maximum annual debt service. Totals in column may not add due to rounding.
(2) Portion of general obligation debt service to be reimbursed by local school districts, the Trust Fund and the Delaware State Housing Authority.
(3) Includes projected payments on lease obligations of the State.
(4) Based upon December 17, 2007 revenue projections of DEFAC for fiscal 2009. See "STATE FINANCIAL OPERATIONS - Revenue and Expenditure Forecasting."

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. The Bonds also comply with the Cash Balances Test, as illustrated below:

The Cash Balances Test
(in millions)

	Fiscal 2009[1]
General Obligation Debt Service	$ 203.7
Less: Excluded Debt Service [2]	(56.6)
Net General Obligation Debt Service	$ 147.1
Projected Cumulative Cash Balances [3]	$ 514.6

(1) Year of maximum annual debt service. Totals in column may not add due to rounding.
(2) Portion of general obligation debt service to be reimbursed by local school districts, the Trust Fund and the Delaware State Housing Authority.
(3) As estimated by the Secretary of Finance based upon December 17, 2007 budgetary General Fund revenue projections by DEFAC for fiscal year 2009.

"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 (for example, certificates of participation), 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 such local school district obligations are not in default; b) any obligations of the Delaware Transportation Authority; c) any tax or other revenue anticipation notes or bonds of the State; or d) 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-budgetary General Fund source.

"Transportation Trust Fund debt obligations" include 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

On June 30, 2007, the outstanding general obligation debt of the State, a portion of which was supported by budgetary General Fund revenue and a portion of which was supported by budgetary Special Funds, was as follows:

Outstanding General Obligation Debt
(in millions)

General Obligation Debt Supported by Budgetary General Fund Revenue

State Facilities	$360.9
School Facilities (State Share)	463.9
Subtotal	$824.8

General Obligation Debt Supported by Budgetary Special Funds

Highways and Other Transportation Improvements	$3.4
School Facilities (Local Share)	482.1
Housing Authority Loans	0.5
Subtotal	$486.0
Total General Obligation Debt Outstanding	$1,310.9

The Trust Fund reimburses the budgetary General Fund for the payment of debt service on previously issued transportation-related general obligation debt and debt issued on behalf of the Division of Motor Vehicle. As of June 30, 2007, $3.4 million of such debt was outstanding.

The State pays between 60% and 80% of the cost of capital improvements for public school districts upon approval of such cost by the State Board of Education. The school districts pay the remaining percentage. In conjunction with aggregate construction spending of capital improvement projects, the State issues bonds for 100% of the cost of approved school district projects pursuant to Authorization Acts. Simultaneously, the school districts issue their own bonds (the "School District Bonds") to the State for their 20% to 40% share of capital costs at an interest rate not exceeding 1/4 of 1% above the interest rate on the corresponding State bonds. As debt service payments on the State's bonds become due, school districts are required to pay debt service on the School District Bonds from their tax receipts into the State's budgetary General Fund, and the State pays the total debt service from its budgetary General Fund appropriation.

No school district has ever defaulted on any such obligation to the State. This policy allows the local school districts to borrow capital funds at very competitive rates and to lessen the associated costs of issuance and market access.

Authorized but Unissued General Obligation Debt

Before the issuance of the Bonds, statutory authorization will exist for the issuance of additional general obligation debt of the State in the principal amount of $472.2 million.

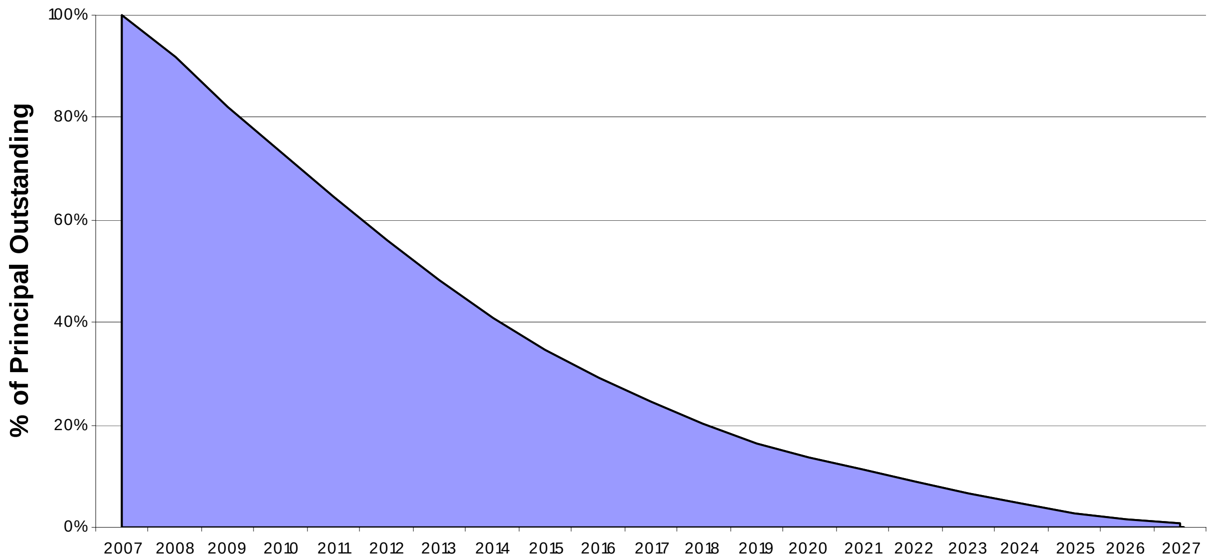
General Obligation Note Debt

There are no outstanding State general obligation notes or any notes of any authority or agency for whose debt the State has a contingent liability as of the date of this Official Statement.

Debt Burden Comparisons

The State's general obligation debt outstanding was $1,240.0 million on December 31, 2007 with approximately 78% scheduled to mature within ten years. The following chart further demonstrates the State's commitment to the rapid retirement of its general obligation debt.

General Obligation Debt Amortization as of December 31, 2007



Delaware's debt burden reflects the centralized role of the State government in financing capital projects that are typically funded by local governments in other states, such as schools and correctional facilities. In the U.S. Census Bureau's Public Education Financial Survey of 2004-2005, Delaware ranked 7th in state spending per pupil in elementary – secondary public schools. Of the $1,310.9 million of debt outstanding as of June 30, 2007, $482.1 million or 37% was issued on behalf of local school districts. This debt is fully supported by the property tax revenues of those districts.

The State has instituted a number of measures designed to manage and reduce its indebtedness, as outlined below.

- **Aggressive Retirement of General Obligation Debt**: The State voluntarily retires its general obligation debt rapidly. Almost 80% of current general obligation debt is scheduled to mature within ten years, as noted above.

- **Strict Debt Limitations**: In 1991, the State instituted new debt limits, one of which restricts new debt authorizations to 5% of budgetary General Fund revenue as projected for the next fiscal year. Should revenue collections increase during the fiscal year, no additional authorizations are made. The debt limit also effectively eliminates the use of any "off balance sheet" financing instruments, such as certificates of participation. See "Bonded Indebtedness of the State - Debt Limits" for further information concerning the State's debt limits.

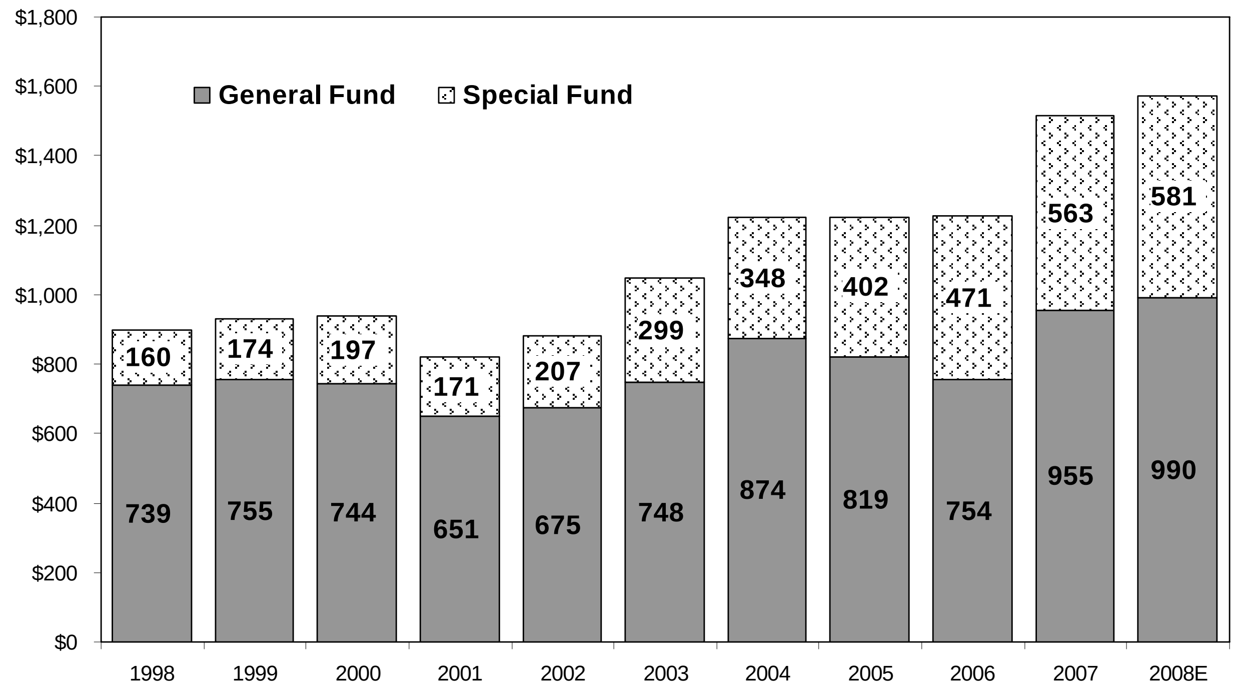
- **Significant "Pay-As-You-Go" Financing**: Over the years, the State has appropriated surplus cash for "pay-as-you-go" financing. Revenue surpluses between fiscal years 1993 to 2001 allowed the State to appropriate cash on average at a rate of 52.6% of capital expenditures. With more modest revenue growth, cash contributions in fiscal 2002 and 2003 were reduced. However, between fiscal 2004 and 2008, the pay-as-you-go financing exceeded $979 million.

- **Debt Reduction**: During the period of 1995-2001, the State implemented a substantial debt reduction plan as extraordinary surpluses permitted. Revenues in the fiscal years since 2001 have precluded additional debt reduction efforts, but the State remains committed to debt reduction as a policy initiative as revenues allow.

- **Numerous Bond Refundings**: The State has undertaken a series of bond refundings which have lowered the overall debt service on outstanding State general obligation debt. In fiscal 2003, the State refunded over $167 million of its general obligation bonds for a combined savings of $8.7 million. In fiscal 2004, savings of $2.9 million were realized after the State refunded $74.6 million of its general obligation bonds, and in fiscal 2005, savings of $1.9 million were realized after the State refunded $48.3 million of its general obligation bonds. The State continues to monitor opportunities to refund its outstanding bonds to lower future debt service requirements.

The result of these initiatives has been to reduce the rate of growth in Delaware's debt burden, as depicted on a fiscal year basis in the following three charts.

Debt Per Capita at June 30



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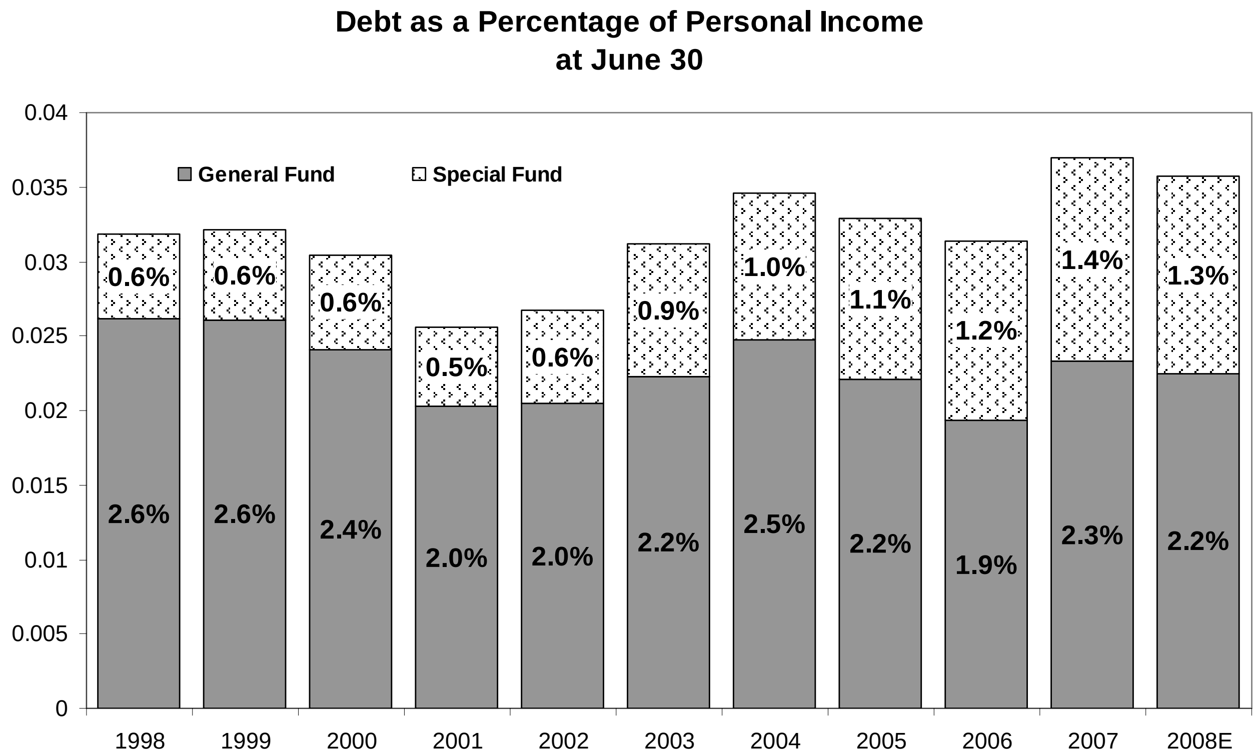
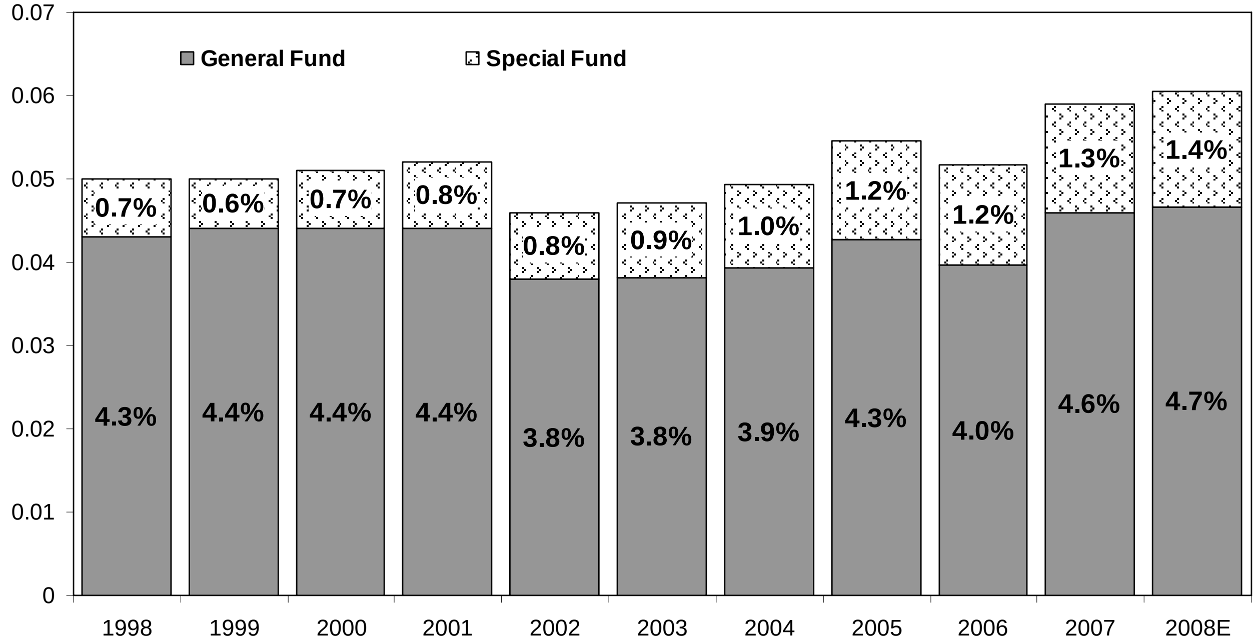
(1) Shaded area represents portion of general obligation debt funded by the budgetary General Fund. The remainder is funded by budgetary Special Funds.
(2) Decrease in fiscal 2001 due to a shift in timing of bond sale to fiscal 2002.
(3) 2008 data assumes a population growth rate of 1.3%.



(1) Shaded area represents portion of general obligation debt funded by the budgetary General Fund. The remainder is funded by budgetary Special Funds.

(2) Personal Income estimates provided by Global Insight and Delaware Department of Finance.

Debt Service as a Percent of Net Budgetary General Fund Revenue at June 30



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(1) Shaded area represents portion of general obligation debt funded by the budgetary General Fund. The remainder is funded by budgetary Special Funds.

Qualified Zone Academy Bonds

Qualified Zone Academy Bonds ("QZAB") are general obligation bonds backed by the full faith and credit of the State for the repayment of principal, primarily through the use of a sinking fund with a bullet maturity. QZABs are taxable bonds the proceeds of which are limited to improving eligible public schools, such capital projects having been approved by the General Assembly. In lieu of receiving periodic interest payments from the State, an eligible QZAB holder is generally allowed annual federal income tax credits while the QZAB is outstanding.

On December 8, 2006, the State issued $1,433,000 QZABs for the purpose of financing renovations of the following facilities in the Cape Henlopen School District, Sussex County, Delaware: the Lewes School, Milton Elementary School, Rehoboth Elementary School and H.O. Brittingham Elementary School. In conjunction with the QZAB, the State executed a forward delivery contract requiring that the State establish an escrow account to be funded with annual sinking fund deposits and which will be guaranteed interest at a rate of 2.72% per annum.

In 2004, the State issued $908,000 QZABs and, in fiscal 2005, issued $224,177 QZABs to finance the renovations of the Charlton School in the Caesar Rodney School District, Kent County, Delaware. In fiscal 2003, the State issued $760,000 QZABs and, in fiscal 2002, issued $649,000 QZABs. The fiscal 2003 QZAB proceeds funded the renovation of the Charlton School in the Caesar Rodney School District, Kent County, Delaware. The fiscal 2002 QZAB proceeds assisted in the renovation of Georgetown and Showell elementary schools in the Indian River School District, Sussex County, Delaware.

State Revenue Debt

There is currently no State revenue debt outstanding, nor any plans to authorize any State debt other than State general obligation debt.

Lease Obligations

The State has entered into long-term leases with terms in excess of one year. Aggregate remaining lease payments total approximately $154.6 million with $94.2 million payable through fiscal 2011. Real estate rentals account for 82.7% of the aggregate payments and equipment rentals account for the remainder. All payments are subject to annual appropriation. The State may not be held contractually liable for the payments in the event that such appropriations are not made. See "APPENDIX B - Notes to the Financial Statements - #8, Lease Commitments". Lease obligations are subject to one of the State's debt limits, the 15% Test. See "BONDED INDEBTEDNESS OF THE STATE - Debt Limits" for a further explanation.

INDEBTEDNESS OF AUTHORITIES, UNIVERSITY OF DELAWARE AND POLITICAL SUBDIVISIONS

Oversight responsibility for the issuance of debt by the State and authorities deemed to be part of the State's financial reporting entity is centralized under the Secretary of Finance. The following section sets forth certain indebtedness of State authorities, Delaware State University, the University of Delaware and political subdivisions of the State. The State is not directly or contingently liable for debt service for any of the following indebtedness.

Authorities

Delaware Transportation Authority

The Delaware Transportation Authority (the "Authority") is a body corporate and politic constituting an instrumentality of the State. The Authority acts by resolution of the Secretary of the Department of Transportation (the "Department"), the Director of Finance of the Department and the Transportation Trust Fund Administrator. The Department has overall responsibility for coordinating and developing comprehensive, multi-modal transportation planning and policy for the State. The Authority assists in the implementation of this policy and has the power to develop a unified system of air, water, vehicular, public and specialized transportation in the State, subject to oversight by the Department and the State as hereinafter described.

To assist the Authority in financing a unified transportation system, the State created the Transportation Trust Fund (the "Trust Fund" or "TTF") within the Authority in 1987 to receive revenue and receipts of the Authority. The primary sources of funding of the Trust Fund are motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation-related fees, all of which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned and continuously appropriated these taxes and fees to the Trust Fund. The other major source of funding for the Trust Fund is toll and concession revenue of the Delaware Turnpike and the Route 1 Toll Road. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financings for these projects.

Beginning on October 1, 2007, many of the tolls and motor vehicle fees pledged to the Trust Fund were increased to provide additional revenues to support the growth in the State and to maintain existing transportation infrastructure. When fully implemented, the new tolls and fees will add approximately $572.4 million to TTF revenues over a six-year period.

As of June 30 2007, the Delaware Transportation Authority had outstanding $983.3 million in Transportation System Senior Revenue Bonds and $35.54 million in Transportation System Junior Revenue Bonds. The Authority may issue bonds to refund prior Authority obligations.

Additional bonds secured on parity with the Senior Bonds or secured on parity with the Junior Bonds may be issued subject to the satisfaction of debt service coverage tests and certain other requirements. Under certain circumstances, additional revenue may be pledged by the Authority to secure its bonds, in which case such revenue may be taken into account in determining satisfaction of these debt service coverage tests. The Authority may also incur additional debt, which has a lien on revenue subordinate to the lien of other bonds. See "APPENDIX B - Notes to the Financial Statements - #6, Revenue Bonds".

In addition to debt service coverage tests and certain other requirements, future debt issues of the Authority are subject to one of the debt limits of the State. The debt limit mandates that the aggregate maximum annual payments on the State's tax-supported obligations and the TTF debt obligations of the Authority (plus certain lease obligations) may not exceed 15% of total budgetary General Fund revenue, plus Trust Fund revenue for the fiscal year following the fiscal year in which such debt is issued. See "BONDED INDEBTEDNESS OF THE STATE - Debt Limits" for a further explanation.

The bonds of the Authority do not constitute a debt of the State or a pledge of the general taxing power or the faith and credit of the State or any political subdivision, agency or instrumentality thereof other than the Authority. The State's pledge and assignment to the Authority of motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees and other revenue pursuant to State law creates an obligation of the State, until there are no longer any Authority bonds remaining outstanding, to continue to impose and collect these taxes and fees at least at the rates in effect on the date of issuance of the Authority bonds and to transfer this revenue to the Authority. The State, however, has no obligation to increase these taxes or fees to provide sufficient revenue to meet payments of debt service on the Authority bonds.

Delaware State Housing Authority

The Delaware State Housing Authority ("DSHA"), created in 1968, had outstanding on June 30, 2007, $727.5 million of tax-exempt revenue bonds and $7.5 million of taxable revenue bonds. Approximately $695.8 million of the outstanding tax-exempt bonds were issued to finance the purchase of single-family homes, and $31.7 million was issued to finance multi-family housing. The security for these bonds is mortgage loan repayments, reserve funds, bond proceeds and other revenue. The taxable bonds have been issued primarily to finance second mortgages, providing down payment and closing cost assistance to eligible first-time homebuyers. See "APPENDIX B - Notes to the Financial Statements - #6, Revenue Bonds".

DSHA bonds do not constitute a debt or liability of the State. The enabling legislation, however, provides that the General Assembly may, but is not obligated to, make appropriations to restore the DSHA's capital reserve fund if such fund is drawn upon to meet debt service payments on certain of the DSHA's bonds. As of June 30, 2007, there were no DSHA bonds outstanding which are entitled to the benefit of the capital reserve fund. To date, the General Assembly has not been requested to make any such "moral obligation" appropriations. The statutory debt limit of the DSHA is $350.0 million in bonds carrying the moral obligation of the State.

The Delaware Economic Development Authority

The Delaware Economic Development Authority and its predecessors had outstanding approximately $1.481 billion in economic development revenue bonds on June 30, 2007, none of which are backed by the full faith and credit of the State.

The following two Authorities are not part of the State's financial reporting entity. The State, however, exercises oversight regarding their debt activities.

Delaware Solid Waste Authority

The Delaware Solid Waste Authority was created in 1975 and is the sole entity in the State responsible for the planning and administration of a comprehensive statewide program for the management, storage, collection, transportation, utilization, processing (including resource recovery), and disposal of solid waste and sewage sludge. On June 30, 2007, the Authority had $95.7 million outstanding solid waste revenue bonds.

Delaware Health Facilities Authority

The Delaware Health Facilities Authority, established in 1973, is authorized to issue revenue bonds and notes to finance projects for health care facilities located in the State. As of June 30, 2007, there were outstanding $448.5 million of revenue bonds issued for the benefit of these facilities. The Authority has no taxing power and no source of funds other than from the contractual obligations of participating health care facilities.

Delaware State University

There were outstanding on June 30, 2007, $9.735 million of revenue bonds issued by the Delaware State University. These bonds are secured by the University's pledge of certain of its net operating revenue and net non-operating revenue, exclusive of gifts, grants, bequests, contributions and donations to the extent specifically restricted to a particular purpose inconsistent with their use for the making of debt service payments and any funds appropriated by the State of Delaware. On December 6, 2007, Delaware State University issued $47.58 million in additional revenue bonds through the Delaware Economic Development Authority. The 30-year bonds were issued to finance a new student center, including a swimming pool and a student wellness/recreation center.

University of Delaware

There were outstanding on June 30, 2007, $243.5 million of revenue bonds issued by the University of Delaware for housing, dining and other auxiliary facilities. These bonds are secured by revenue generated by the facilities.

Political Subdivisions

The approximate aggregate principal amount of general obligation bond indebtedness of the three counties, the City of Wilmington, the other cities and towns and the school districts of the State is outlined in the table which follows, as of June 30, 2007.

General Obligation Debt of Political Subdivisions
(in millions)

New Castle County	$225.0
Sussex County	135.0
Kent County	22.9
Wilmington	193.8 (1) (2)
Other Cities and Towns	144.4 (2)
School Districts	482.1 (3)
Total	$1,203.2

(1) Of this total, $13.2 million in principal is supported by payments from the Diamond State Port Corporation, an instrumentality of the State. Excludes $33.6 million of Wilmington Parking Authority bonds guaranteed by the City of Wilmington.
(2) Excludes revenue bonds and anticipation notes.
(3) Represents local shares sold by the State on behalf of the school districts (as reported in the earlier chart entitled "Outstanding General Obligation Debt").

Source: Chief fiscal officers of respective governmental entities.

Indebtedness of counties, towns, and cities, other than the City of Wilmington, has been incurred primarily for water and sewer projects and general municipal purposes, subject to various debt limits. The State is not liable for any of this indebtedness. Unlike most other states, the State, rather than the local governments, is principally responsible for capital expenditures for schools and correctional facilities.

School districts may not issue bonds (including bonds sold to the State by school districts to fund the 20% to 40% share of capital costs), except to refund outstanding bonds, in an aggregate amount causing bonded debt of the district, less sinking funds on hand for payment of such bonded debt, to exceed 10% of the assessed value of the real property in the district.

ECONOMIC BASE

The State is located on the eastern seaboard of the United States and is bordered by the Atlantic Ocean and the Delaware Bay, as well as by the states of New Jersey, Pennsylvania and Maryland. It has a land area of 1,955 square miles, ranking 49th in area in the United States. The State is 96 miles long and varies from 9 to 35 miles wide, with elevations ranging from sea level to 442 feet. As the first state to ratify the United States Constitution on December 7, 1787, Delaware is known as "The First State."

Recent History

Since fiscal 2002, Delaware's economic performance has largely matched or exceeded national trends. Over that period, the State's rate of employment and income growth exceeded that of the United States, and while Delaware's ties to the national economy are unmistakable, throughout the recent business cycle, Delaware consistently posted lower unemployment rates than the United States. (For a summary of Delaware's most recent economic forecast, see "STATE FINANCIAL OPERATIONS – Economic Projections".)

Since the adoption of the Financial Center Development Act in 1981, diversifying Delaware's economy has consistently ranked among State policymakers' highest priorities. The State's economic development efforts have followed a two-pronged approach. Broadly speaking, Delaware has continually improved its business climate using a combination of prudent fiscal management, judicious tax cuts, and strategic investments in public education and infrastructure. When faced with specific challenges, alert and supportive policymakers have teamed with the business community to develop effective policy responses to a changing economic landscape.

Delaware's public-private partnership proved its worth in 2006 by crafting bank tax legislation in response to Bank of America's acquisition of MBNA. These efforts convinced the management of the Bank of America to remain chartered in Delaware. More recently, this partnership has gathered to address the future of Delaware's automobile industry. Chrysler's Newark, Delaware assembly plant is currently slated to be idled late in calendar 2009. The prospects for the State's General Motors facility near Wilmington appear less certain as the latest agreement between GM and the United Auto Workers does not specify plans for the plant beyond 2011. Significant efforts remain focused on maintaining both sites' viability as automobile assembly plants. Given the fluid nature of this situation, however, the State is prepared to capitalize on the sites' inherent advantages, such as highway and rail access and close proximity to the University of Delaware, with businesses in other industries, if necessary.

Delaware continues to pursue high technology industries, including life sciences research and development, pharmaceuticals, agricultural biotechnology, human biotechnology and information technology. The State has made a significant investment to establish the Delaware Biotechnology Institute, a partnership involving State government, Delaware's higher education institutions and the private sector. The Institute is designed to expand the State's scientific base and create opportunities for the development of new technologies in the emerging life sciences field.

The State's business friendly legal system continues to attract new incorporations. In recent years, more than 70% of new U.S. initial public offerings ("IPO") have chosen Delaware as their legal domicile. Even though IPO activity has suffered from economic and other factors, the State has continued to register a record number of business formations in the form of LLCs and LPs.

Population

Between 2006 and 2007, Delaware's population increased by 1.4 percent, to 864,764 inhabitants. In comparison, there was 0.2 percent growth in the region and 1.0 percent growth in the nation over the same period. Net in-migration accounted for 59 percent of the population growth in the state from 2006 to 2007.

The following table presents population trends for Delaware, the mid-Atlantic region and the United States for 2002 through 2007.

Population
(in thousands)

	Delaware		**Mid-Atlantic Region** (1)		**United States**	
	Population	**Change**	**Population**	**Change**	**Population**	**Change**
2002	805	1.2	46,235	0.4	287,288	1.0
2003	816	1.4	46,450	0.5	290,448	0.9
2004	828	1.5	46,614	0.4	293,192	0.9
2005	841	1.6	46,701	0.2	295,896	0.9
2006	853	1.5	46,806	0.2	298,755	1.0
2007	865	1.4	46,900	0.2	301,621	1.0

(1) Mid-Atlantic region consists of Maryland, New Jersey, Pennsylvania, New York and Delaware.
Source: U.S. Census Bureau.

Major Political Subdivisions

The State has three counties: Kent, New Castle, and Sussex. All of the cities and towns in the State are independent, incorporated municipalities. There are three major cities: Wilmington, the largest city, with a 2006 estimated population count of 72,826; Dover, the State capital and the site of a major U.S. Air Force base, with a 2006 estimated population count of 34,735 residents; and Newark, the site of the University of Delaware, with a 2006 estimated population count of 30,014.

The following table shows the population of the State's three counties for the years 2001 through 2006. Approximately 62 percent of the State's population lives in New Castle County, the northernmost county. Sussex County, the southernmost county, continues to show very strong growth, approximately three times that experienced by New Castle County. The most recent data, however, shows that Kent County is growing even more rapidly, over four times faster than New Castle County and over 25 percent faster than Sussex County.

Population by County

	New Castle	Change	Kent	Change	Sussex	Change
2001	505,943	0.8	129,048	1.5	160,459	1.9
2002	509,954	0.8	131,518	1.9	164,119	2.3
2003	514,253	0.8	134,418	2.2	168,190	2.5
2004	518,031	0.7	138,819	3.3	171,912	2.2
2005	522,094	0.8	143,462	3.3	176,185	2.5
2006	525,587	0.7	147,601	2.9	180,288	2.3

Source: U.S. Census Bureau.

Personal Income

Personal income is the income received by all persons from all sources. The State's total personal income grew 6.7 percent from calendar 2005 to 2006, compared with 6.7 percent for the mid-Atlantic region and 6.6 percent for the nation. Total State personal income in calendar 2006 was $33.3 billion.

The following table provides per capita personal income comparisons for calendar 2002 through 2006. (Per capita personal income is the annual total personal income of State residents divided by the population.) Per capita personal income of Delaware residents grew 5.1 percent from calendar 2005 to 2006. It grew by 6.6 percent in the mid-Atlantic region and 5.6 percent in the U.S. over the same period. State per capita personal income was 106 percent of U.S. per capita personal income in calendar 2006.

Per Capita Personal Income

	Delaware	Change	Mid-Atlantic Region	Change	United States	Change	Delaware as Percent of the United States
2002	$32,932	2.6%	$35,027	0.7 %	$30,795	0.8%	107%
2003	33,537	1.8	35,738	2.0	31,466	2.2	107
2004	35,317	5.3	37,764	5.7	33,072	5.1	107
2005	37,080	5.0	39,757	5.3	34,685	4.9	107
2006	38,984	5.1	42,361	6.6	36,629	5.6	106

Source: U.S. Department of Commerce.
Mid-Atlantic region includes Delaware, Maryland, New York, New Jersey and Pennsylvania.

Unemployment Rates

Delaware's average unemployment rate for 2006 fell to 3.6 percent from 4.0 percent in 2005. The three surrounding states had an overall average unemployment rate of 4.5 percent in 2006, down from 4.8 percent in 2005. The following table presents the average annual unemployment rates for Delaware, the region, and the U.S. from 2001 through 2006.

Unemployment Rates

	Delaware	Mid-Atlantic Region(1)	United States
2001	3.5	4.6	4.7
2002	4.0	5.7	5.8
2003	4.2	5.8	6.0
2004	4.0	5.3	5.5
2005	4.0	4.8	5.1
2006	3.6	4.5	4.6

Sources: U.S. Department of Labor and Delaware Department of Labor.
(1) Mid-Atlantic Region consists of Delaware, Maryland, New York, New Jersey and Pennsylvania.

In the most recent month for which data are available, January 2007, the U.S. Bureau of Labor Statistics reports that Delaware's unemployment rate of 3.4 percent was tied with Iowa at 12th lowest in the nation. In the surrounding states, Maryland tied for 16th at 3.8 percent, New Jersey tied for 23rd at 4.2 percent, New York was 25th at 4.3 percent, and Pennsylvania was tied for 35th at 4.7 percent.

Employment

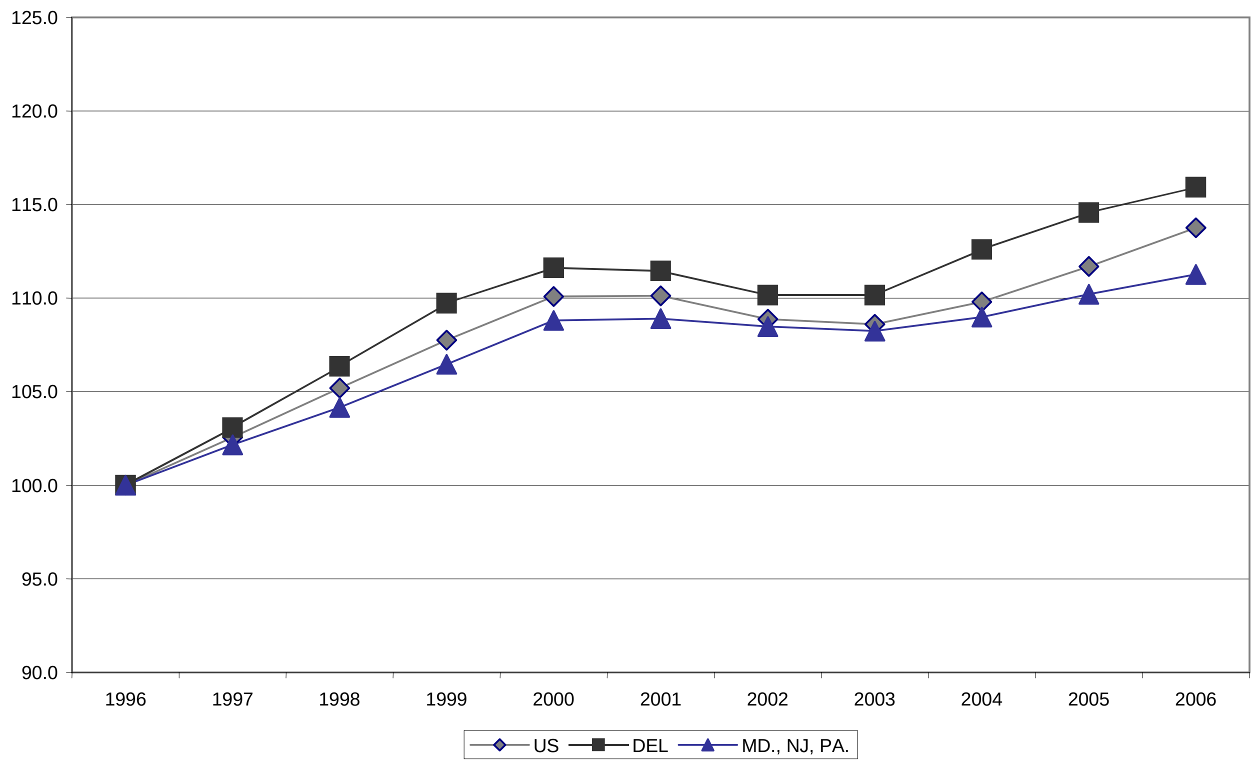
The rate of non-agricultural job growth in Delaware slowed to 1.2 percent in 2006, below the national rate of job growth of 1.8 percent. Growth in the surrounding states remained at 1.0 percent, just below the rate of growth in Delaware.

Non-Agricultural Employment Growth Rates - %

	Delaware	**Mid-Atlantic Region**	**United States**
1999	3.2%	2.2%	2.4%
2000	1.7	2.2	2.2
2001	(0.1)	(0.2)	0.0
2002	(1.2)	(0.9)	(1.1)
2003	0.0	(0.4)	(0.3)
2004	2.2	0.7	1.1
2005	1.7	1.0	1.7
2006	1.2	1.0	1.8

Sources: U.S. Department of Labor and Delaware Department of Labor.

Total Employment Growth (1996 = 100)



Source: Delaware Department of Labor

In terms of employment, Government remained the single largest industry sector in Delaware in 2006. Total employment across all federal, state and local government entities averaged 60,600 over the year. Among private industry sectors, Retail Trade had the greatest number of workers, with an average of 53,700 during 2006. The third largest was Health Care and Social Assistance, with 48,800.

Looking at industry growth by net jobs added from 2005 to 2006, Health Care and Social Assistance led the way, adding 1,600 workers over the year. Construction had the second greatest job growth, adding 1,400 jobs. Government was the only other industry sector to add over 1,000 jobs; employment there was 1,200 higher in 2006 than in 2005.

On a percentage basis, the fastest growing industry sector was Educational Services, which grew at a 7.4 percent rate in 2006. Second fastest was Construction, which added jobs at a 5.0 percent rate. Third was Health Care and Social Assistance, which increased employment by 3.4 percent over the year. Transportation, Warehousing and Utilities ended 2006 with the same number of jobs as in 2005, as did Information. Finance and Insurance, Management of Companies and Enterprises, and Professional, Scientific, and Technical Services all lost jobs in 2006, while Manufacturing reversed a long-term trend by adding 300 workers.

Employment By Industry Sector
(in thousands)

	2001	2002	2003	2004	2005	2006
Construction	24.4	24.1	24.2	26.3	27.9	29.3
Manufacturing	39.4	37.1	35.7	34.6	33.2	33.5
Wholesale Trade	13.4	13.6	14.2	14.7	14.9	15.2
Retail Trade	50.6	51.1	51.8	52.5	53.5	53.7
Transportation, Warehousing and Utilities[1]	12.8	12.3	12.7	13.5	13.3	13.3
Information	8.1	7.7	7.4	7.1	6.7	6.7
Finance and Insurance	40.4	40.3	39.1	38.3	38.7	37.5
Professional, Scientific and Tech. Services	27.2	26.0	25.8	26.7	27.0	26.4
Management of Companies	13.1	12.3	11.5	12.5	12.5	12.0
Administrative and Support Services	25.7	22.5	21.7	22.6	23.0	23.5
Educational Services	6.1	6.4	6.6	6.8	6.8	7.3
Health Care and Social Assistance	41.3	42.3	43.8	45.2	47.2	48.8
Arts, Entertainment and Recreation	7.5	8.2	8.6	8.8	8.8	8.9
Accommodation and Food Services	28.9	29.4	29.8	31.2	31.8	32.1
Other Services	17.3	17.9	18.3	18.9	19.8	20.4
Government	56.9	57.1	57.2	57.7	59.4	60.6
Total Nonfarm Employment	413.1	351.2	408.4	417.4	424.5	429.2

[1] Combines the industry sector Transportation and Warehousing with the sector Utilities.
Source: Delaware Department of Labor.

Chemical and Advanced Materials Industry

In Delaware, the business of chemistry is a vital part of the economy. It represents the leading export category for the State accounting for more than three-quarters of Delaware's total manufactured exports. The chemical manufacturing industry is an historical cluster in Delaware with more than a 200 year local history. The requirement for rapid chemical and material innovations has diversified and today thousands are employed in this vital industry.

In Delaware the chemistry industry is diverse, going beyond the manufacturing of chemicals and includes advanced materials, instrumentation, research and development, marketing, distribution, intellectual property, and other capabilities that distinguish industry segments.

The importance of the chemical industry to Delaware's economy stems historically from the fact that two large companies - E.I. du Pont de Nemours & Co., Inc. ("DuPont") and Hercules Incorporated ("Hercules"), maintain their global headquarters within the State. Both companies are engaged in corporate management, finance, research, engineering and related activities in support of their worldwide operations.

Founded in 1802, DuPont (NYSE: DD) is a science company and one of the State's largest employers with over 8,000 employees in Delaware. Operating in more than 70 countries with consolidated net sales of over $27 billion, DuPont offers a wide range of innovative products and services for markets including agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and apparel. In 2005, DuPont announced that it would invest $80 million in its research and development center near Wilmington and has undertaken a series of ventures involving production of biofuels, or fuels such as ethanol that are derived from grains, plant fibers or other renewable sources. As a result, President Bush visited the Delaware facilities in 2007 to promote alternative energy initiatives. DuPont science and innovation is globally recognized and was again ranked No. 1 as the "Most Admired" company in the chemicals industry according to Fortune magazine's 2007 annual survey of companies around the world. The company's growth and productivity strategies for increasing shareholder value are generating strong results and DuPont expects its positive momentum to continue with strong sales growth outside the United States.

Hercules Incorporated, (NYSE: HPC) established in 1912, produces and markets specialty chemicals used in making a variety of products for home, office and industrial markets. Hercules' production facilities include 35 major plants strategically located throughout the world as well as a research center in Wilmington, Delaware. In 2006, Hercules dedicated their new Paper Applications Laboratory at their Wilmington, Delaware site as part of their $15 million plan to renovate their central research center and make it the "hub" for the company's future research and development efforts. In connection with the upgrade of its research center, Hercules closed a facility in the Netherlands resulting in a dozen additional jobs for scientists in Delaware. Net sales continued to increase in 2007.

GE Energy has announced a company-wide strategy to aggressively pursue new technologies that help meet today's environmental challenges. This will include continued investment in their Newark, Delaware solar panel manufacturing site which employs just over 300. In 2007, the U.S. Department of Energy announced that GE Energy would be the recipient of approximately $18.6 million over three years to research how to make better, more affordable solar panels. In April 2007, in partnership with the State, the University of Delaware and others, GE Energy participated in completing a first-of-its-kind solar-powered poultry house that will operate at a Laurel, Delaware farm owned by Allen Family Foods Inc. The house is part of a research project to evaluate the use of solar power as an economical source of energy for Delaware's energy intensive poultry houses.

Air Liquide (OTC: AIQUY) is a worldwide leader in industrial and medical gases and related services. Founded in 1902, Air Liquide operates in more than 65 countries through 125 subsidiaries. Air Liquide provides innovative solutions to over a million customers in various industries, and helps them improve their performance and protect the environment. Air Liquide has recently opened their state-of-the-art R&D facility in Delaware where they are consolidating US research and development operations along with some of their manufacturing engineering business. The total capital expenditures budget for this project is nearly $30 million. The total employment targeted at the new facility will be 160 by 2010 and includes a global recruitment plan for top scientists.

Agilent's (NYSE: A) Life Sciences and Chemical Analysis group is a world leading provider of instrumentation, supplies, software and services to life science and chemical analysis markets. With revenue of $1.4 billion in fiscal year 2006, it accounted for approximately 28% of Agilent's $5.1 billion of total revenue in 2006. The Little Falls Site in Delaware is the major location for the company's chemical analysis measurement R&D, marketing and manufacturing operations. In November 2007, Agilent opened its East Coast Center of Excellence at the company's Delaware facility which employs almost 800.

Ciba Specialty Chemicals (NYSE: CSB) continues to expand its business operations in Newport, DE by adding jobs and further developing the site as its NAFTA business and manufacturing headquarters for its Coating Effects Business Segment. Some of this was accomplished through the relocation of positions from their Tarrytown, NY facility and the addition of a new processing line. Ciba continues to make strides in reinventing itself for a sustainable and competitive future and have made significant investments in Delaware over the last 10 years. During that period, the company has invested more than $200 million in the expansion and modernization of their pigment manufacturing capabilities.

INEOS Films, a division of INEOS Group, the third largest chemical company in the world, opened its new rigid films production site in Delaware with a ribbon cutting ceremony in November 2007 marking the official opening. In 2004, INEOS Group purchased the site and building in Delaware City, Delaware and established INEOS Films North American headquarters. Plant renovations began in May 2005 and were completed in phases, culminating with the full production of high quality rigid films now underway. The investment in the new facility was in excess of $30 million.

Companies such as BASF, Buchi, Dow Reichhold, FMC BioPolymers, FujiFilm, Kuehne Chemical, Noramco, Orient Chemical and Rohm and Haas have all invested capital at their Delaware manufacturing sites in 2007. The business of chemistry has strong roots in Delaware and has demonstrated an ability to adapt in its long local history. The industry's products permeate our society and are critical to the quality of life enjoyed by the public. Delaware's scientists utilize their research and development strengths, knowledge of chemical processes, and innovative drive to create solutions as well as a successful and sustainable industry.

Life Sciences

In 1999, AstraZeneca Inc. (NYSE: AZN) ("AZ"), formed by the merger of Stockholm-based Astra AB and London-based Zeneca Group PLC, one of the largest pharmaceutical companies in the world, selected Delaware as its U.S. headquarters. AZ's R&D Wilmington site is a center of excellence in psychiatry, concentrating on developing therapies for schizophrenia, anxiety, depression, bipolar and dementia. In 2004, AZ opened a state-of-the-art Automated Compound Management Facility (ACMF) at its Wilmington R&D campus. Part of a four-year, $165 million investment in US research facilities, this addition is one of four new AZ drug discovery research facilities of its kind worldwide. With the ability to store over 2.8 million compound samples, the R&D Wilmington ACMF is a critical part of AstraZeneca's strategy to improve the speed and productivity of drug discovery and development. The ACMF has smoothed the progress of the company's worldwide initiative to rebuild its proprietary library of compounds helping to ensure the quality of these compounds for future use by applying optimal storage conditions and best handling practices. With advanced technologies and automated processes, ACMF will enable scientists to do drug discovery research in ways that were not possible before.

In September 2006, AstraZeneca employed 4,711 in Delaware.

Research and Development

Delaware's economy has long been a source of innovation and technological growth. Some of the state's most prominent firms, such as Agilent (NYSE: A), AstraZeneca, DuPont and W. L. Gore and Associates, are world renowned for their technical breakthroughs and resulting commercial success. The presence of these firms and others like them, as well as its highly capable research universities, have positioned Delaware as first in the nation for industry investment and research and development as well as high wage service jobs. The Kauffman Foundation and the Information Technology & Innovation Foundation rank Delaware 7th overall in the 2007 State New Economy Index, which measures the ability of states to transform from an industrial economic model to one that creates and retains high value-added, high-wage jobs. Delaware has consistently ranked in the top 10 and currently ranks in the top 5 states in the nation for high-wage traded services, foreign direct investment, gazelle jobs, scientists and engineers, patents and industry investment in R&D.

Delaware’s high quality workforce and innovative research and development environment provide excellent opportunities for technology-based business growth and foster entrepreneurial ventures. The State provides a variety of technology resource programs and innovative business development support to enhance commercialization opportunities, such as Delaware’s Patent Portfolio. Delaware has contracted with the Center for Advanced Technology and Innovation to evaluate and assess more than 250 patented technologies donated from DuPont and Hercules Corporation. Delaware is making available to the public the first 105 of these donated patents with marketing and licensing arrangements to entrepreneurs or technology-focused companies currently under consideration.

The University of Delaware's outstanding reputation for research in cooperation with industry is well recognized in many areas. The University's innovative research efforts are illustrated through its partnerships with industry in composite materials, information science, biotechnology, alternative energy, virology and development of genetically engineered vaccines, and agrigenetics, including plant tissue culture research. Through its seven colleges, institutes and various centers, including the Center for Composite Materials, Center for Catalytic Science and Technology, and Center for Climatic Research, the University has fostered growth and development in the chemical, computer, energy, food, agricultural and marine sciences industries.

The University's Institute of Energy Conversion, one of the world's largest thin-film solar cell laboratories performing research and process development for industry, has been designated by the U.S. Department of Energy as a national center of excellence in photovoltaic research and education. The University of Delaware's Center for Composite Materials is one of three partners in an Army Research Laboratory Materials Center of Excellence.

Nemours Biomedical Research, the nation's largest group medical practice devoted to pediatric care, education, and research and headquartered at the Alfred I. DuPont Hospital in Wilmington, Delaware, has more than 40 different research programs and laboratories to support the medical and surgical staff in restoring and improving the health of acutely and chronically ill children. Based on dollars received from the NIH, collectively, Nemours Biomedical Research would rank 16th in overall awards to children's hospitals. According to the American Hospital Association Guide there are about 250 such children's hospitals.

The Delaware Technology Park (“DTP”) is part of Delaware’s commitment to attracting both established businesses and promising high-tech companies. With a combination of government, academic and industry partners, it is now home to 57 high-tech companies, including the Delaware Biotechnology Institute. The mission behind the Delaware Technology Park is to promote economic development and innovation and, to that end, has developed an integrated system of technology focused facilities and services.

Biotechnology

The Delaware Biotechnology Institute (DBI), located in the Delaware Technology Park, is an academic unit of the University of Delaware and a partnership among government, academia and industry to help establish Delaware as a center of excellence in biotechnology and the life sciences. DBI's mission is to build a biotechnology network of people and facilities to enhance academic and private sector research, catalyze unique cross-disciplinary research and education initiatives and to foster the entrepreneurship that creates high quality jobs. DBI's 72,000 square foot research facility is designed to house 170 faculty and student researchers and features 38 laboratories, 6 state-of-the-art research instrumentation centers, and several large and small conference areas.

Some of the companies started at DBI are: the Fraunhofer Center for Molecular Biotechnology, Napro Biopharmaceuticals (now Tapestry Pharmaceuticals), LLuminari, Pharmaleads (now AthenaBio), Neurologix, InfoQuest Systems, NanoSelect and Orphagenix, Inc. Orphagenix founders, two University of Delaware researchers, are using a novel gene-repair therapy to develop orphan drugs, which target diseases that affect 200,000 patients or fewer. Orphagenix licenses the technology it uses from the University of Delaware, which holds the patents.

Delaware’s investments serve as seed funding for private investments, such as Fraunhofer Center for Molecular Biotechnology’s (CMB) recent $3.5 million grant from the Bill & Melinda Gates Foundation to support the development of transmission-blocking vaccines against malaria. Established in July 2001 as a partnership between the Fraunhofer Society in Germany and the State of Delaware, CMB conducts research in the area of plant biotechnology, developing cutting edge technologies to assist the diagnosis, prevention and treatment of human and animal diseases. CMB will use the Gates Foundation funding to produce lifesaving vaccines in non-genetically modified plants. This is the third grant that CMB has received from the Bill & Melinda Gates Foundation having previously received a $2.7 million award for the development of novel subunit vaccines against influenza and a $1.2 million grant for pre-clinical studies towards the development of a vaccine against African trypanosomiasis.

DBI led Delaware's effort towards gaining Experimental Program to Stimulate Competitive Research (EPSCoR) status with the National Science Foundation's Experimental Program Status Competitive Research. EPSCoR status provides Delaware and 22 other qualifying states and U.S. territories with a better chance for federal funding dollars. Eight federal agencies participate in this program with the National Institutes of Health (NIH) and the National Science Foundation (NSF), two of the most prominent agencies.

Over the past five years, DBI has successfully built a nationally recognized capability in plant molecular biology to better understand the basic processes that control plant development on the genetic level. Combined with the highly regarded genomics-based poultry disease research located at DBI, this newly developed capability has direct applications to serve Delaware’s agricultural industry.

Leading-edge interdisciplinary research is at the core of DBI's work. Successful partnerships are already underway involving biology, biochemistry, engineering, marine, materials science and computational biology. Encompassing 12 academic departments at the University of Delaware alone, collaborations are also state-wide, national and international, with the participation of scientists from Delaware State University, Delaware Technical & Community College, and Wesley College. DBI-affiliated researchers are principal investigators in a growing portfolio of federal research grants from NSF, NIH, the U.S. Department of Agriculture (USDA) and numerous other government agencies and private foundations.

To ensure Delaware’s continued voice in regional biotechnology industry opportunities, the Delaware BioScience Association (DBA) was formed in 2006. DBA is a non-profit trade association dedicated to promoting and expanding Delaware’s bioscience industry by establishing a unified voice in order to accelerate the growth of human, animal, plant, and industrial bioscience, advocating on behalf of the industry in support of public policies that advance bioscience in the State, supporting initiatives that help attract bioscience talent and enterprises to the State, as well as support their retention and growth, and developing and implementing programs that build local, regional, national, and international recognition of and support for Delaware’s bioscience industry.

DTP/DBI/DBA have helped enable about 12,000 new jobs in life science in 20 new companies between 1998 and 2007. Over $200 million has been invested and $250 million of grants have been won by DTP companies and DBI.

Financial Services Industry

Banks and other financial institutions have been a major focus of Delaware's economic development activity since 1981. In that year, landmark legislation was passed that opened Delaware to interstate banking, modernized the State's banking laws, and permitted the creation of new types of special purpose intermediaries. The 1981 Financial Center Development Act created strong economic incentives for the banking industry in Delaware, including a favorable state tax structure and a market based approach to lending that eliminated restrictive usury caps. These laws continue to create a favorable economic environment for banking. The State subsequently enacted additional legislation in order to sustain the State’s competitive advantage in banking. In 1989, the Bank and Trust Company Insurance Powers Act was signed into law which allowed state-chartered banks and trust companies to underwrite and sell various types of insurance. In response to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, the State enacted legislation in 1995 to keep Delaware's banking community competitive and to maintain Delaware's role as a financial services center. In 1995, the State Bank Commissioner issued the “Incidental Powers Regulation”, which is designed to keep Delaware competitive by allowing state-chartered banks and trust companies to exercise additional powers incident to a banking corporation. The state tax structure was modernized in 2006 by allowing banks to elect an alternative system based on a three-factor income apportionment for multi-state operations, plus a location benefit tax reflecting the value of utilizing Delaware's banking laws and bank system.

There are currently over 60 banks and trust companies in Delaware, including full-service commercial banks, credit card banks, non-deposit and limited purpose trust companies, wholesale banks, and federal and state savings banks. Banking is one of the State's largest private industry sector employers, with over 28,000 employees. Credit cards are a major industry. Prominent credit card issuers in Delaware include Bank of America, Chase Bank (USA) and Discover Bank. In 2006, Bank of America selected Delaware as the state in which it would headquarter its entire credit card operation, after acquiring MBNA in a transaction valued at about $35 billion. Before the acquisition, MBNA was the State's largest private employer, with over 10,000 employees in Delaware. The combined entity, forming Bank of America's Card Services Division, is one of the largest credit card issuers in the United States, with $150 billion in managed outstanding balances and 45 million active accounts. Bruce L. Hammonds, formerly CEO of MBNA, is now CEO and president of Bank of America Card Services and continues to be based in Wilmington, Delaware.

Construction

Delaware's housing production during 2006 totaled 7,881 units, a 19.8% decrease from 9,831 units in 2005. Single family construction decreased by 27.5% to 5,282 units, while multi-family starts increased by 11.9% to 1,396 units. The sale of mobile homes decreased by 7.6% to 1,203 units.

The following table outlines total housing production in the State by county for 2002 through 2006. Housing production includes single and multifamily, public and private housing, as well as mobile homes. In 2006, single family housing (including condominiums) represented 67% of total production, multifamily units represented 18%, and mobile homes represented 15%.

Production of Housing Units

	2002	2003	2004	2005	2006
New Castle County	2,255	2,432	2,937	2,209	1,752
Kent County	1,452	2,170	2,133	2,270	1,840
Sussex County..............................	2,624	3,184	3,512	4,050	3,086
Mobile Homes..............................	1,128	1,191	1,110	1,302	1,203
Total	7,459	8,977	9,692	9,831	7,881

Source: Delaware State Housing Authority.

Automotive Industry

Delaware is the only east coast state with major automotive assembly plants. Employment at the two plants totals 2,800, less than 1% of the total jobs in Delaware.

The Pontiac Solstice based on the Kappa platform was launched at the GM Wilmington Boxwood Assembly Plant in 2004. The platform was designed by GM to accommodate a range of vehicles from niche sports cars to small SUVs. Vehicles produced at the assembly plant include the Pontiac Solstice, Saturn Sky, turbo charged GXP versions of both vehicles, and for export, the Opel Roadster and Daewoo G2X. Various automotive industry news sources have reported that a Pontiac Solstice fastback coupe will be produced at the assembly plant in 2009. The fastback coupe will have a hardtop and is expected to have a more powerful engine.

Until recently, three shifts of production were needed at the GM plant to meet consumer demand for the vehicles. Production will be based on two shifts with extended hours. Vehicle production increased in 2007 by approximately 20 percent from 34,443 in 2006 to a total of 42,923. Exports of the Opel Roadster and Daewoo G2X accounted primarily for the increase production.

The new GM-UAW labor agreement resulted in vehicle commitments for 16 GM North American Assembly Plants. After 2012, however, no vehicle products have been currently allocated for GM Wilmington Boxwood Assembly Plant. Two significant elements of the new labor agreement are: 1) health care obligations for current and retired workers have shifted from the GM, Chrysler, and Ford to a UAW managed Voluntary Employee’s Beneficiary Association (VEBA) Trust, and 2) a two-tier wage agreement allows for new non-core employees to be paid a lower hourly wage. These changes should help to improve relative labor cost efficiencies for the GM Wilmington Boxwood Assembly Plant in competing for a new vehicle platform. State of Delaware officials have maintained an ongoing dialog including several direct meetings with GM senior executives emphasizing Delaware’s competitive manufacturing environment and support for a new vehicle platform.

On May 14, 2007, DaimlerChrysler AG announced the sale of 80.1 percent of the Chrysler Group to equity firm Cerberus Capital Management. Daimler continues to hold a 19.9 percent stake. The transaction was completed on August 3, 2007; Chrysler LLC is the new company name. Although Chrysler announced that the Newark Assembly Plant would be idled in late 2009, the State of Delaware is working to keep the assembly plant operational. Discussions between State officials, Chrysler LLC, and other potential auto manufacturers are ongoing relative to opportunities and challenges for the Newark Assembly Plant.

The Chrysler Newark Assembly Plant produced 77,199 vehicles in 2007, down approximately 7 percent from 83,056 vehicles produced in 2006. Chrysler LLC has partnered with General Motors and BMW to design and produce a two-mode hybrid transmission. The new transmission will be used in the 2008 Hybrid Dodge Durango and Chrysler Aspen. The new hybrid vehicles are expected to have 20 to 25 percent improved fuel efficiency. The assembly plant will continue to produce non-hybrid versions of both vehicles as well until the scheduled plant idle date in the fourth quarter of 2009.

Incorporations

As of December 2007, the total number of business entities registered with the Delaware Division of Corporations exceeded 850,000. More than 161,000 new entities registered during 2007 – the 6th consecutive year in which new filings surpassed the prior year. The principal driver of this growth has been the popularity of alternative business entities, such as Delaware limited liability companies. The State continues to be the corporate home of over half of all publicly-traded firms in the United States. Delaware is the legal domicile of more than 60% of the companies listed in the "Fortune 500". Delaware leads the nation in per capita business entity filings and has ranked among the top five states in the nation for new business entity formations since 1989.

Since 1985, significant changes have been made to Delaware's corporate laws, specifically in such important areas as directors' liability and corporate takeovers. In addition to the option of forming a Delaware corporation, the Delaware Code enables businesses to form as general partnerships, limited partnerships, limited liability companies and statutory trusts. Businesses may also qualify as limited liability partnerships or limited liability limited partnerships. These changes, combined with a well-developed body of case law; prompt resolution of commercial and corporate disputes by Delaware's Court of Chancery; and efficient, friendly service from the Delaware Division of Corporations have resulted in significant business formation activity.

In order to sustain its competitive edge over other states and countries, Delaware continues to adopt statutes that respond to changing business conditions. A 2003 law extends the corporate jurisdiction of the Court of Chancery to include jurisdiction over commercial technology disputes and allows the Court to mediate many types of complex business disputes, providing a more cost-effective, confidential, and consensual method for resolving litigable disputes. Laws passed in 2004 and 2005 provide incentives for businesses to locate headquarter services or captive insurance operations in Delaware. Recent laws simplify the process of converting from one type of business entity to another type of entity. The Division of Corporations continues to enhance its services by offering 1-hour processing service and expanding Internet services to allow businesses to reserve corporate names, access general corporate information and file annual tax returns. All of these enhancements provide further incentives for entrepreneurs, businesses and investors to make Delaware their legal home.

Revised Article IX of the Uniform Commercial Code (UCC) took effect in most U.S. states in 2001 and provided that many UCC documents should be filed in the debtor's state of incorporation. In July 2001, Delaware became one of the first states to allow for the filing of UCC information via the Internet. In calendar year 2007, the Division of Corporations processed more than 231,000 UCC filings and 149,000 UCC search requests. General fund revenue from UCC transactions totaled $13.0 million in fiscal year 2007.

The Division of Corporations collects and disburses certain recording, courthouse municipality, statutory trust and UCC fees on behalf of the State's three counties (New Castle County, Kent County and Sussex County) and three county seats (City of Wilmington, City of Dover and Town of Georgetown). In fiscal year 2007, the Division disbursed $12.3 million of such fees to the State's three counties and three county seats. Such revenues are set aside and are not counted within the State's general fund figures.

Agriculture

Agriculture is a significant industry in Delaware. In 2006, there were 2,300 farms, and farmland of 515,000 acres accounted for 41% of Delaware's total land area. Farm size averaged 224 acres.

In 2006, the total market value of agricultural land and buildings was $5.36 billion, and the average value per farm was $2,329,000. The average market value per acre of farmland and buildings in Delaware was $10,400, almost five times the national average. Only four states had a higher value per acre of farm real estate.

In 2006, the value of agricultural sector production was $1.12 billion with Delaware farmers realizing a record $969 million in cash receipts from all commodities. This was a slight increase over 2005 cash receipts of $965 million.

Delaware's 2006 net farm income decreased 4% from the 2005 record level of $405 million to $387 million. A five cent per pound live weight drop in the price for broiler chickens and a 13% drop in the value of vegetable production primarily accounted for the decrease.

In 2006, Delaware ranked 1st in the United States in both the agricultural production value per farm ($487,946) and per acre ($2,179) as well as cash receipts per acre at $1,882 and net farm income per acre at $752. Delaware ranks 4th nationally in the number of equine per county and equine-related expenditures in Delaware are estimated at $280 million annually.

The cash receipts from Delaware farms as compared to the U.S. total in 2002-2006 are outlined in the table below.

FARM CASH RECEIPTS

	DELAWARE				**UNITED STATES**	
Year	**Livestock & Livestock Products**	**Crops**	**Total Cash Receipts**	**Change from Previous Year**	**Total Cash Receipts**	**Change from Previous Year**
	---------million dollars--------			**percent**	**billion dollars**	**percent**
2002	547	170	717	-15.0	195.0	-2.5
2003	592	165	757	5.6	215.5	10.5
2004	743	194	937	23.8	237.3	10.1
2005	791	174	965	3.0	240.7	1.4
2006	786	183	969	0.4	239.3	-0.6

Sources: Delaware Department of Agriculture and National Agricultural Statistics Service/USDA.

The Port of Wilmington

The Port of Wilmington (the "Port") is one of the two largest importers of containerized bananas in the world and is a significant east coast importer of: fruit, juice and produce, particularly winter Chilean fruit, citrus products from Morocco, juice concentrate and fruit from Argentina and liquid bulk juice concentrate from Brazil. The Port handles import and export vehicles (General Motors, Volkswagen and Audi use the Port as either a point of entry into the United States, or a point of consolidation for export). Other notable break bulk items moving over the Port's pier include: steel, lumber, news print, dry bulk and liquid petroleum products. The Port has also established a niche in handling specialized cargo such as large sized wind turbines, dismantled distillation or chemical plants, livestock export, and is enjoying a nascent passenger cruise business.

The Port has a central location on the east coast and excellent access to rail and highway transportation systems. Warehouse facilities include 250,000 square feet of dry and 750,000 square feet of modern temperature controlled refrigerated space. The combination of relatively new facilities, operational experience, proximity to transportation networks and a skilled labor force have made the Port among the most successful ports in the very competitive mid-Atlantic and Northeast region.

Founded in 1923, the Port is owned and operated by the Diamond State Port Corporation ("DSPC"). In June 1995, the General Assembly authorized the creation of the DSPC, a membership corporation with the Department of State as the sole member, for the purpose of acquiring and operating the Port. On September 1, 1995, DSPC acquired substantially all of the Port's assets from the City of Wilmington. Under the terms of that agreement, DSPC agreed to make payments to the City equal to $39.9 million over a 30-year period and to pay amounts equal to total debt service on approximately $50.0 million of indebtedness previously incurred by the City for Port related assets. The Delaware Transportation Authority's Transportation Trust Fund has loaned funds to the DSPC to enable it to restructure certain of the DSPC's debt and to fund certain capital projects. The Delaware River and Bay Authority has participated with DSPC to fund a refrigerated warehouse in 2006. DSPC does not have the power to pledge the credit of the State.

In fiscal 2007, a total of 3.8 million tons of cargo passed through the Port's facilities, a decrease of 15% from the 4.5 million tons handled in fiscal year 2006. This tonnage decrease was due primarily to a sharp decline in imported petroleum liquid bulk products. Lease revenue increased from $3.9 million in fiscal year 2006 to $4.4 million in fiscal year 2007, but combined with reductions in imported meat, forest products and dry bulk, operating revenue declined by $0.4 million to $30.6 million for fiscal year 2007, compared to $31.0 million in fiscal year 2006.

Over $161 million has been provided by the State through fiscal 2007 for Port infrastructure improvements and debt restructuring. The Port is not required to repay these funds.

The Port is part of the State's financial reporting entity and is considered an enterprise fund for the State's GAAP financial reporting purposes. See "APPENDIX B - Notes to the Financial Statements-#6, Revenue Bonds".

Dover Air Force Base

The federal government maintains a major U.S. Air Force base (the "Base") in Dover, Delaware. The 3,900 acre Base, established in 1941, is the nation's busiest military cargo terminal and a key airlift center. It is home to the 436th Airlift Wing, known as the "Eagle Wing" and the 512th Airlift Wing, referred to as the "Liberty Wing". The 436th Airlift Wing provides command and support functions for assigned airlift operations, permitting worldwide movement of outsized cargo (including the military's largest tanks and heaviest weapons and equipment) and personnel. The unit flies 18 Lockheed C-5 Galaxy transport planes, known as "the free world's largest airlifter" and six C-17 Globemaster. Together with the 512th Airlift Wing, aircrews from

Dover fly an air fleet that comprises 25% of the nation's strategic airlift capacity. In addition, the Base hosts the Charles C. Carson Center for Mortuary Affairs, the defense department's largest mortuary facility in the continental U.S. There are currently more than 3,300 military, 1,040 civilians and almost 2,000 reservists who work at the Base. It is estimated that, as of September 30, 2007, the economic impact of the Base on the local economy is nearly $460 million annually.

STATE FINANCIAL OPERATIONS

The State controls and records its financial transactions on a cash basis of accounting for its day-to-day operations in accordance with the various budgets and statutes passed by the General Assembly and approved by the Governor. See "FINANCIAL STRUCTURE - Budgetary Control and Financial Management Systems". The State's audited June 30, 2007, Basic Financial Statements as set forth in APPENDIX B, were prepared in accordance with accounting principals generally accepted in the United States of America (GAAP) using both the modified accrual basis and full accrual basis of accounting. The following discussion of State finances relates to the budgetary General and budgetary Special Funds of the State, as more fully set out in the financial statements included under APPENDIX A hereto.

Revenue and Expenditure Forecasting

The Delaware Economic and Financial Advisory Council ("DEFAC"), created in 1977, is comprised currently of 29 members appointed by the Governor. Current members of DEFAC include five cabinet-level officials, the State Treasurer, the Controller General, one other governmental official, five legislators, and 16 private citizens from the business, financial and academic communities.

DEFAC is mandated by executive order to submit to the Governor and the General Assembly budgetary General Fund and Transportation Trust Fund revenue forecasts six times each fiscal year in September, December, March, April, May and June for the current fiscal year and the succeeding two fiscal years. A forecast for the current fiscal year and the succeeding four fiscal years is generated once each year, not later than October 1. Budgetary General Fund and Transportation Trust Fund expenditure forecasts are generated for the current fiscal year in December, March, April, May and June. The various DEFAC forecasts contained in this Official Statement were provided as of December 17, 2007.

These revenue and expenditure forecasts are used in the State budget process to ensure compliance with the State's constitutional limits on spending and statutory debt limitations. See "FINANCIAL STRUCTURE - Appropriation Limit" and "BONDED INDEBTEDNESS OF THE STATE - Debt Limits". The subcommittees of DEFAC are the Expenditure and Revenue subcommittees, which meet prior to the DEFAC meetings. The full DEFAC meetings are open to the public and provide a general forum for members of the private and public sectors to exchange views on matters of economic and fiscal concern for the State.

DEFAC relies on projections of national economic trends, Global Insight, Inc. (formerly DRI-WEFA), the Department of Finance's econometric model, projections generated by the Department of Transportation, its members' knowledge of the State's particular economic strengths, and its members' understanding of the structure of the State's revenue system. Comparison of DEFAC's forecasts of budgetary General Fund revenue with actual year-end revenue are reviewed in the following table. These forecasts were generated 18 months and 9 months prior to the end of each fiscal year. DEFAC does not project the revenue impact of legislation until after its enactment.

DEFAC Budgetary General Fund Revenue Projections
(in millions)

	2003	2004	2005	2006	2007
18 Months Before Fiscal Year-End	$2,361.8	$2,309.9	$2,742.6	$2,882.6	$3,140.4
9 Months Before Fiscal Year-End	2,269.6	2,586.3	2,777.2	3,019.7	3,280.3
Actual Fiscal Year-End Revenue.........	2,436.4	2,735.5	2,877.6	3,169.9	3,290.2

Economic Projections

Based upon national forecasts by Global Insight, Inc. in December 2007, the State is expected to show continued economic growth. The following chart compares forecasted population, employment and personal income growth rates for fiscal 2008 through 2010 for Delaware and the United States, considered by DEFAC in making its revenue forecasts as presented herein.

Projected Economic Growth Rates

	Delaware			United States		
	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2008	Fiscal 2009	Fiscal 2010
Population Growth...........................	1.3%	1.3%	1.2%	0.9%	0.9%	0.9%
Employment Growth........................	0.6	0.5	0.7	1.0	1.0	1.3
Personal Income Growth..................	4.7	4.1	4.4	5.5	4.6	5.1

Sources: Delaware Department of Finance and Global Insight, Inc.

Revenue Summary - Fiscal 2008E - Fiscal 2010E

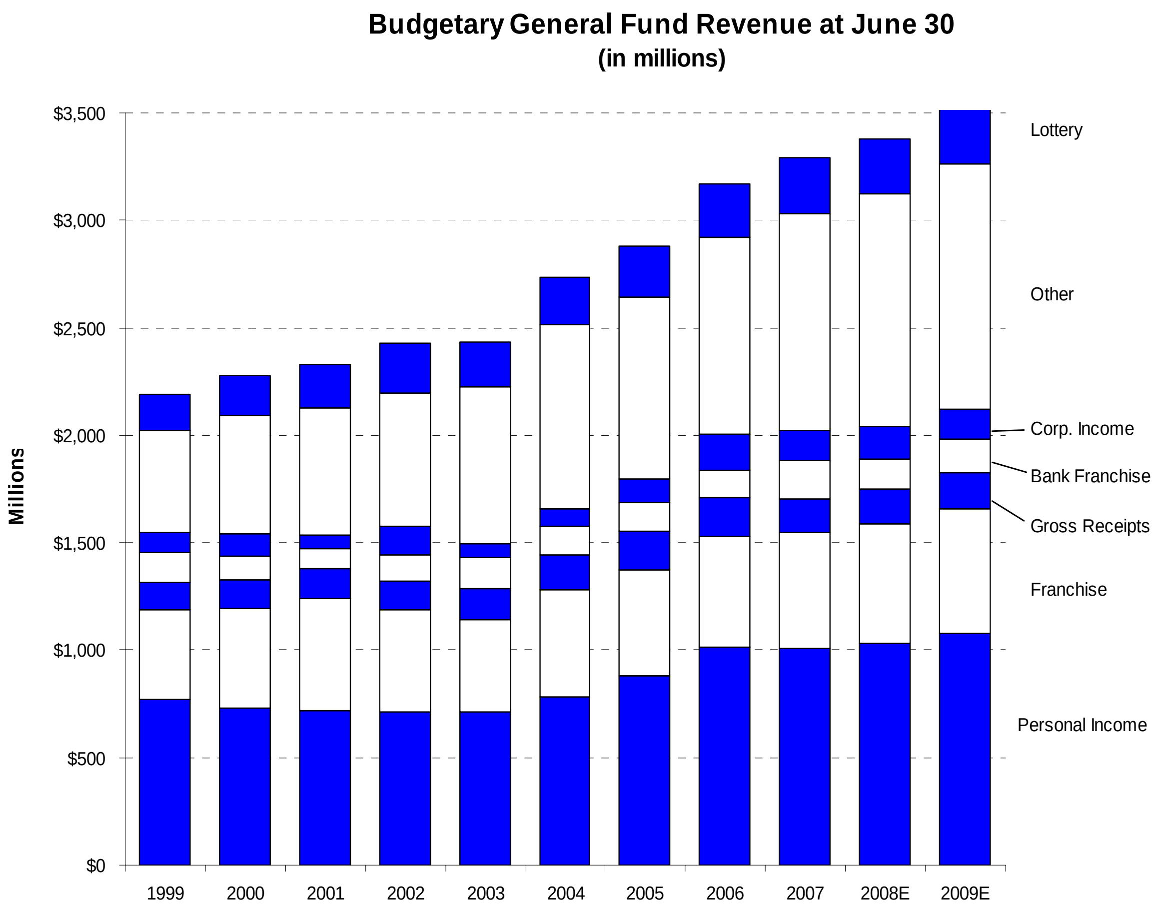
The following table and chart include DEFAC's forecast of budgetary General Fund revenue from all sources as of December 17, 2007 for fiscal 2008, fiscal 2009 and fiscal 2010. DEFAC forecasts General Fund revenue growth of 2.7%, 4.3% and 5.2% for fiscal years 2008, 2009 and 2010, respectively. After adjusting for tax law changes and other nonrecurring items, however, the estimates reflect underlying growth rates of 2.4%, 4.1% and 4.8%, respectively, for fiscal 2008, fiscal 2009 and fiscal 2010. See “Fiscal Year Ending June 30, 2008”.

Budgetary General Fund Revenue
(in millions)

	DEFAC Forecasts as of December 17, 2007					
	Fiscal 2008		Fiscal 2009		Fiscal 2010	
	Forecast	Change	Forecast	Change	Forecast	Change
Personal Income Tax	1,210.2	3.2%	1,266.6	4.7%	1,344.0	6.1%
Less: Refunds	(177.0)	7.6%	(185.9)	5.0%	(195.1)	4.9%
PIT Less Refunds	1,033.2	2.5%	1,080.7	4.6%	1,148.9	6.3%
Franchise Tax	567.4	5.0%	590.2	4.0%	613.8	4.0%
Limited Partnerships & LLC's	107.6	17.0%	120.6	12.1%	135.0	11.9%
Subtotal Franchise Tax and Limited Partnerships & LLCs	675.0	6.7%	710.8	5.3%	748.8	5.3%
Less: Refunds	(11.0)	-11.5%	(11.0)	0.0%	(11.0)	0.0%
Net Franchise Tax and Limited Partnerships & LLCs	664.0	6.7%	699.8	5.4%	737.8	5.4%
Business Entity Fees	69.9	6.9%	72.7	4.0%	75.6	4.0%
Uniform Commercial Code	14.3	9.9%	13.3	-7.0%	13.7	3.0%
Corporation Income Tax	185.8	-2.6%	176.5	-5.0%	185.3	5.0%
Less: Refunds	(40.0)	-20.8%	(40.0)	0.0%	(35.0)	-12.5%
CIT Less Refunds	145.8	3.9%	136.5	-6.4%	150.3	10.1%
Bank Franchise Tax	143.9	-17.8%	159.7	11.0%	170.4	6.7%
Gross Receipts Tax	158.0	0.4%	164.8	4.3%	174.0	5.6%
Lottery	257.0	0.1%	264.5	2.9%	269.9	2.0%
Abandoned Property	369.0	1.1%	380.0	3.0%	390.0	2.6%
Hospital Board and Treatment	71.5	12.5%	80.1	12.0%	84.0	4.9%
Dividends and Interest	25.3	0.1%	25.9	2.4%	26.4	1.9%
Realty Transfer Tax	84.1	-7.5%	82.0	-2.5%	86.1	5.0%
Estate Tax	0.1	-72.7%	0.0	-100%	0.0	NA
Insurance Taxes	90.1	2.1%	95.1	5.5%	101.3	6.5%
Public Utility Tax	47.5	2.9%	49.9	5.1%	52.4	5.0%
Cigarette Taxes	133.0	50.6%	151.8	14.1%	153.3	1.0%
Other Revenues	90.6	-12.5%	93.7	3.4%	98.1	4.7%
Less: Other Refunds	(19.6)	-0.8%	(26.4)	34.7%	(23.4)	-11.4%
Total[1]	$3,377.7	2.7 %	$3,524.1	4.3%	$3,708.8	5.2%

(1) May not equal the sum of its components due to the rounding of actual amount.

The following chart shows both the growth in and source of budgetary General Fund revenues since 1999 and provides estimates for fiscal 2008 and 2009.



Source: For fiscal 2008 and 2009, DEFAC Report, December 17, 2007.

Expenditure Summary - Fiscal 2004 - Fiscal 2007

The following table compares total budgetary General Fund expenditures by major departments for the past four fiscal years ending with fiscal 2007. These figures include supplemental appropriations for capital projects. See also "BUDGETARY GENERAL FUND SUMMARIES - Budgetary General Fund Disbursements by Category of Expense."

Budgetary General Fund Expenditures
(in millions)

	Fiscal 2004	Change	Fiscal 2005	Change	Fiscal 2006	Change	Fiscal 2007	Change
Correction	$189.6	2.2%	$201.7	6.4%	$227.5	12.8%	$252.1	10.8%
Health and Social Services	652.6	2.1	707.4	8.4	783.8	10.8	852.5	8.8
Higher Education	207.5	1.1	228.3	10.2	239.3	4.8	253.8	6.1
Public Education	857.0	2.0	915.3	6.8	1,016.0	11.0	1,088.7	7.2
Safety & Homeland Security	95.4	(3.8)	99.7	4.5	115.0	15.2	120.9	5.1
Services to Children, Youth & Their Families	93.9	1.0	104.2	11.0	116.7	12.0	131.7	12.9
Other Expenditures	457.2	16.8	565.7	23.7	682.2	20.6	689.8	1.1
Total	$2,553.7	4.1%	$2,822.3	10.5%	$3,180.5	12.7%	$3,389.5	6.6%

The table below depicts trends in State expenditures by the three major components; i.e., budgetary General Fund base budget for operations, supplemental appropriations for one-time capital projects and debt reduction, and the effect of the carryover of these unspent capital funds on the overall spending levels. The nature of capital projects tends to delay the actual expenditure of capital funds to fiscal years subsequent to the fiscal year in which they were appropriated.

Adjusted Budgetary General Fund Expenditures
(in millions)

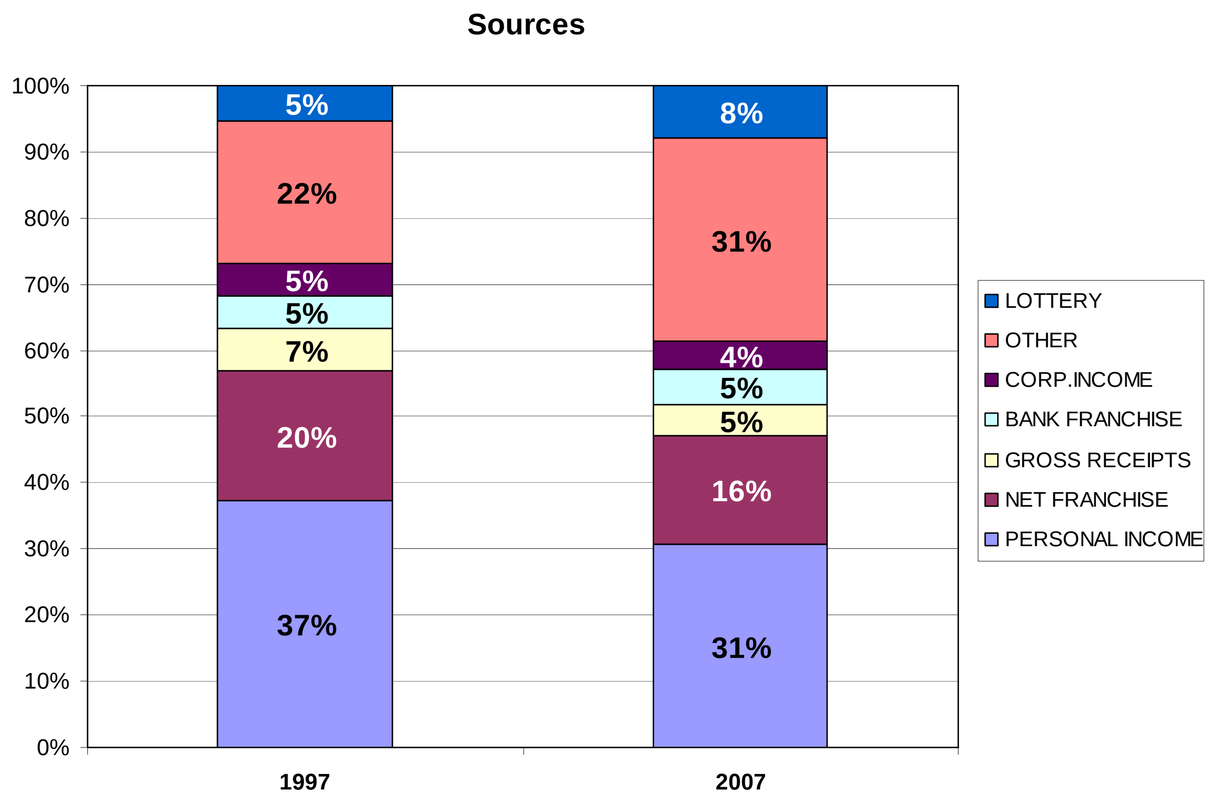
	2004	Change	2005	Change	2006	Change	2007	Change
Base Budget	$2,331.5	3.0%	$2,509.1	7.6%	$2,735.6	9.0%	$2,966.9	8.5%
Supplemental Appropriations	101.3	99.0%	166.6	64.5%	236.1	41.7%	208.7	-11.6%
Prior Year Carryover	120.9	-13.1%	146.7	21.3%	208.8	42.3%	214.2	2.6%
Total	$2,553.7	4.06%	$2,822.3	10.52%	$3,180.5	12.69%	$3,389.8	6.58%

Note: Totals may not add due to rounding.

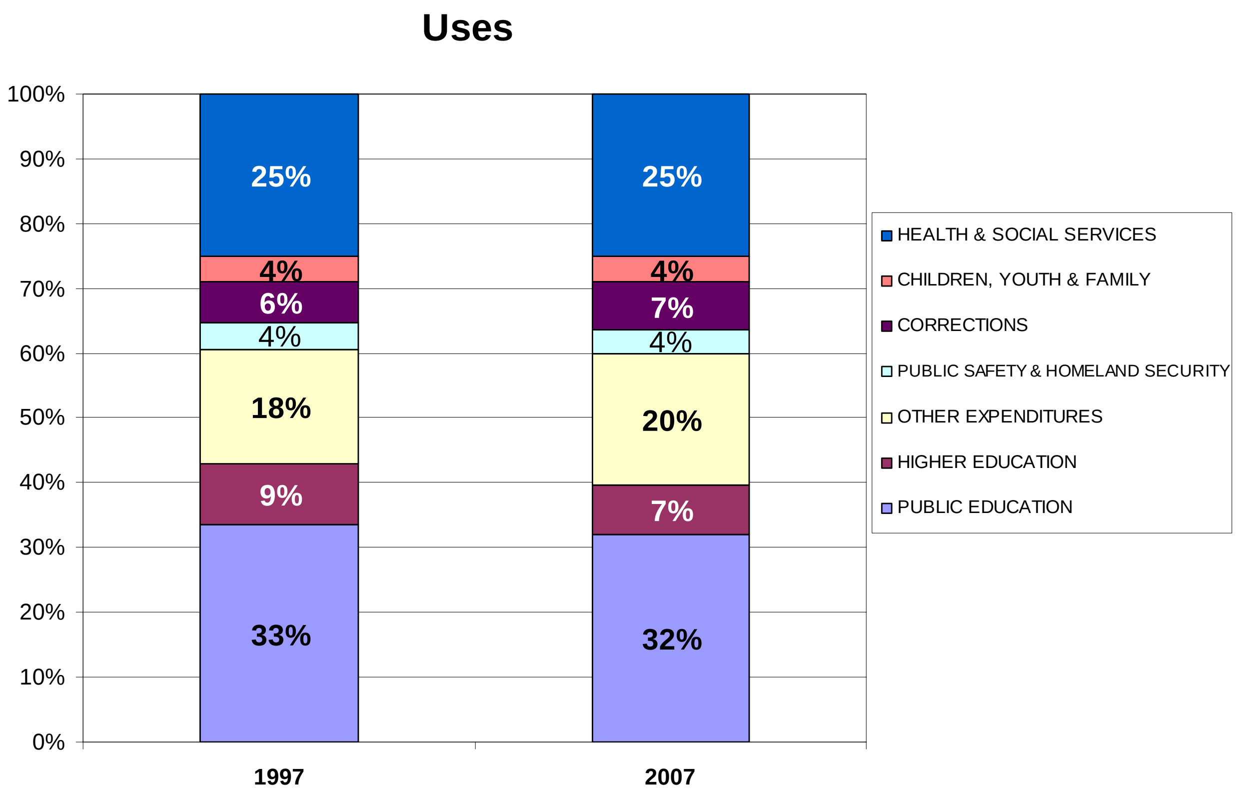
Sources and Uses of State Funds

The distribution of budgetary General Fund revenues and appropriations is shown in the following bar charts, which compare fiscal 2007 with ten years earlier.

SOURCES AND USES OF STATE FUNDS



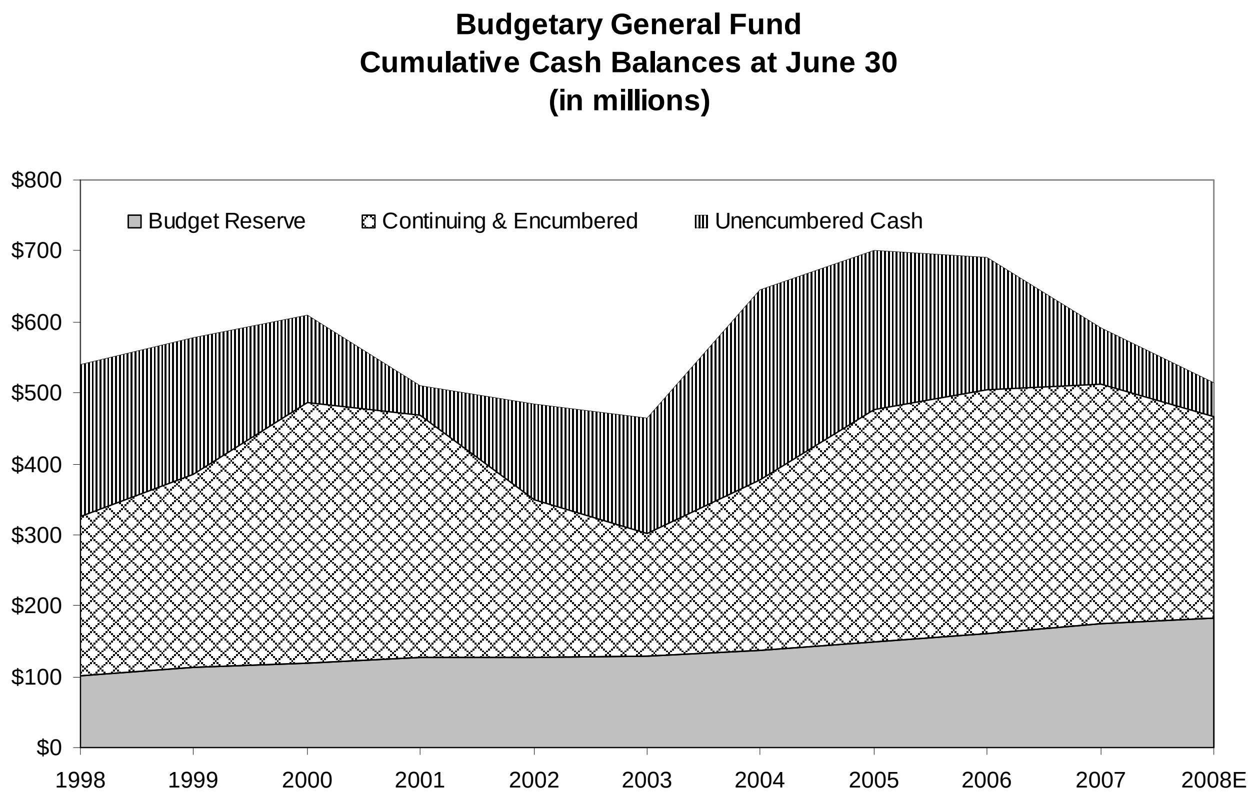
(1) Other sources include interest, public utility, cigarette, abandoned property, alcoholic beverage, and insurance taxes.



(1) Other uses include administrative services, fire prevention, National Guard, natural resources and environmental control, other elective offices, legislative and executive branches, and agriculture.

CUMULATIVE CASH BALANCES

The following graph reflects growth in the Budget Reserve Account and the changes in continuing and encumbered appropriations and the cumulative cash balances from fiscal 1998 to fiscal 2008.



FISCAL YEAR ENDED JUNE 30, 2006

The State ended fiscal 2006 with a cumulative cash balance of $690.6 million. This balance represented 21.7% of the State's expenditures for the year. The Budget Reserve Account remained fully funded at the 5% level for the fiscal year, totaling $161.1 million. An additional $342.5 million was set aside for continuing and encumbered appropriations resulting in an unencumbered cash balance on June 30, 2006, of $187.0 million.

Revenue

Net budgetary General Fund revenue for fiscal 2006 totaled $3,169.9 million, a 10.2% increase over fiscal 2005.

Personal income taxes, after refunds, totaled $1,015.4 million, an increase of 15.1% over fiscal 2005.

Franchise taxes, after refunds, totaled $512.2 million, a 4.3% increase over fiscal 2005.

Business entity fees were $61.8 million, a 6.9% increase from fiscal 2005.

Corporate income taxes, after refunds, totaled $162.6 million, a 42.7% increase from fiscal 2005.

Bank franchise taxes totaled $132.7 million, a 1.6% decrease from fiscal 2005.

Business and occupational gross receipts taxes totaled $179.3 million, an increase of 1.5% over fiscal 2005. In June 2005, the General Assembly enacted House Bill 303, which reduced the Business and Occupational Gross Receipts Tax effective January 1, 2006.

Lottery revenue totaled $248.8 million, a 6.3% increase over fiscal 2005.

Abandoned property revenue totaled $325.1 million, reflecting a 22.7% increase from fiscal 2005.

Expenditures

Budgetary General Fund expenditures for fiscal 2006 totaled $3,180.5 million, a 2.4% decrease over fiscal 2005. The fiscal 2006 budgetary General Fund operating budget totaled $2,836.0 million, a 9.1% increase over fiscal 2005. Grants-in-aid appropriations of $42.4 million and the budgetary General Fund contribution to the capital budget of $288.1 million together with additional supplemental appropriations of $41.5 million brought total appropriations to $3,208.0 million. This appropriation package was within the constitutionally-prescribed limit of 98% of estimated revenues.

Balances

The following table outlines revenue, expenditures and remaining cash balances for fiscal 2006.

Budgetary General Fund Balances - Fiscal 2006
(in millions)

Revenue				$3,169.9
Expenditures				
Budget	$2,836.0			
Grants	42.4			
Supplemental	329.6			
Total appropriations		$3,208.0		
Continued and encumbered (prior years)		327.8		
Total spending authorizations			$3,535.8	
Less: Continued and encumbered (present year)			(342.5)	
Less: Reversions			(12.8)	
Total expenditures				$3,180.5
Operating balance				(10.7)
Prior year cash balance				701.3
Cumulative cash balance				690.6
Less: Continued and encumbered (present year)				(342.5)
Less: Budget Reserve Account				(161.1)
Unencumbered cash balance				$ 187.0

FISCAL YEAR ENDED JUNE 30, 2007

The State ended fiscal 2007 with a cumulative cash balance of $590.9 million. This balance represented 17.4% of the State's expenditures for the year. The Budget Reserve Account remained fully funded at the 5% level for the fiscal year, totaling $175.4 million. An additional $335.8 million was set aside for continuing and encumbered appropriations resulting in an unencumbered cash balance on June 30, 2007, of $79.7 million.

Revenue

Net budgetary General Fund revenue for fiscal 2007 totaled $3,290.2 million, a 3.8% increase over fiscal 2006.

Personal income taxes, after refunds, totaled $1,008.3 million, a decrease of 0.7% from fiscal 2006.

Franchise taxes, after refunds, totaled $540.5 million, a 2.7% increase over fiscal 2006.

Business entity fees were $65.4 million, an increase of 5.8% over fiscal 2006.

Corporate income taxes, totaled $140.3 million, a 13.7% decrease from fiscal 2006.

Bank franchise taxes were $175.2 million, a 32.0% increase from fiscal 2006.

Business and occupational gross receipts taxes totaled $157.3 million, a decrease of 12.3% as a result of House Bill 303 enacted in June 2005, which reduced the Business and Occupational Gross Receipts Tax effective January 1, 2006.

Lottery revenue totaled $256.7 million, a 3.2% increase over fiscal 2006.

Abandoned property revenue was $364.9 million, a 12.2% increase over fiscal 2006.

Expenditures

Budgetary General Fund expenditures for fiscal 2007 totaled $3,389.9 million, a 6.6% increase over fiscal 2006. The fiscal 2007 budgetary General Fund operating budget totaled $3,101.9 million, a 9.4% increase over fiscal 2006. Grants-in-aid appropriations of $50.0 million and the budgetary General Fund contribution to the capital budget of $243.3 million brought total appropriations to $3,395.2 million. This appropriation package was within the constitutionally-prescribed limit of 98% of estimated revenues.

Balances

The following table outlines estimated revenue, expenditures and remaining cash balances for fiscal 2007.

Budgetary General Fund Balances - Fiscal 2007
(in millions)

Revenue				$3,290.2
Expenditures				
Budget	$3,101.9			
Grants	50.0			
Supplemental	243.3			
Total appropriations		$3,395.2		
Continued and encumbered (prior years)		342.5		
Total spending authorizations			$3,737.7	
Less: Continued and encumbered (present year)			(335.8)	
Less: Reversions			(12.0)	
Total expenditures				$3,389.9
Operating balance				(99.7)
Prior year cash balance				690.6
Cumulative cash balance				$590.9
Less: Continued and encumbered (present year)				(335.8)
Less: Budget Reserve Account				(175.4)
Unencumbered cash balance				$79.7

FISCAL YEAR ENDING JUNE 30, 2008

Based upon the December 17, 2007, DEFAC revenue forecasts, net budgetary General Fund revenue for fiscal 2008 is projected to total $3,377.7 million, a 2.7% increase over fiscal 2007.

Revenue

Personal income taxes, after refunds, are projected to total $1,033.2 million, an increase of 2.5% over fiscal 2007.

Franchise taxes, after refunds, are projected to total $556.4 million, a 4.9% increase over fiscal 2007.

Business entity fees are projected to reach $69.9 million, a 6.9% increase from fiscal 2007.

Corporate income taxes, after refunds, are estimated at $145.8 million, a 3.9% increase over fiscal 2007.

Bank franchise taxes are projected to total $143.9 million, 17.8% decrease from fiscal 2007.

Business and occupational gross receipts taxes are projected to total $158.0 million, a 0.4% increase over fiscal 2007. Fiscal 2007 was the first full fiscal year of the gross receipts tax cut which became effective on January 1, 2006.

Lottery revenue is projected to total $257.0 million, a 0.1% increase over fiscal 2007.

Abandoned property revenue is projected to total $369.0 million, a 1.1% increase over fiscal 2007.

Appropriations

The fiscal 2008 budgetary General Fund operating budget totaled $3,285.6 million, a 5.9% increase over fiscal 2007. Grants-in-aid appropriations of $47.7 million and the budgetary General Fund contribution to the capital budget of $77.9 million bring total appropriations to $3,411.2 million. This appropriation package is within the constitutionally-prescribed limit of 98% of estimated revenues.

The fiscal 2008 capital budget totals $539.5 million. Of that amount, $170.7 million is allocated for general obligation capital projects, $200.1 million is allocated for the capital program of the Department of Transportation funded through the Transportation Trust Fund and $77.9 million of General Fund cash has been allocated for “pay as you go” capital projects.

Balances

The following table outlines estimated revenue, expenditures and remaining cash balances for fiscal 2008.

Projected Budgetary General Fund Balances - Fiscal 2008
(in millions)

Revenue				$3,377.7 [1]
Expenditures				
Budget	$3,285.6			
Grants	47.7			
Supplemental	77.9			
Total appropriations		$3,411.2		
Continued and encumbered (prior years)		335.8		
Total spending authorizations			$3,747.0	
Less: Continued and encumbered (present year)			(283.0)	
Less: Reversions			(10.0)	
Total expenditures				$3,454.0 [1]
Operating balance				(76.3)
Prior year cash balance				590.9
Cumulative cash balance				$514.6
Less: Continued and encumbered (present year)				(283.0)
Less: Budget Reserve Account				(182.8)
Unencumbered cash balance				$48.8

Per December 17, 2007, DEFAC revenue and expenditure projections.

TOBACCO SETTLEMENT

A coalition of State Attorneys General negotiated an agreement to settle various states' lawsuits against tobacco manufacturers, in order to recover state funds expended on health care for smokers, consumer fraud and other claims. The master settlement agreement (the "Agreement") entered into by the State and participating tobacco manufacturers in late 1998 is expected to result in significant payments to the State. The size of payments to Delaware is subject to a number of possible offsets and adjustments outlined in the Agreement. Such offsets include, but are not limited to, the reduction in sales of products from participating manufacturers.

The State created a special fund called the "Delaware Health Fund" into which proceeds received as a result of the Agreement are deposited. The General Assembly and the Governor may authorize expenditure of these monies to expand access to health care and health insurance, make long-term investments in State-owned health care infrastructure, promote healthy lifestyles including tobacco, alcohol, and drug prevention, and promote preventive health care for Delawareans. The fund requires an annual appropriation by the General Assembly and is administered by the Secretary of Finance. As of June 30, 2007, approximately $212.3 million has been received by the State from participating manufacturers. At June 30, 2007, the balance in the Delaware Health Fund was $83.0 million, of which $34.7 million was appropriated through the fiscal 2008 budget process to various health related programs. The remainder has been established as an endowment fund to continue to support such health related programs in the event of future reductions in tobacco payments.

FINANCIAL STRUCTURE

General

The State budgets and controls its financial activities on the cash basis of accounting for its fiscal year (July 1 to June 30). In compliance with State law, the State records its financial transactions in either of two major categories, the budgetary General Fund or budgetary Special Funds. References to these two funds in this document include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. The budgetary General Fund provides for the cost of the State's general operations and is credited with all tax and other revenue of the State not dedicated to budgetary Special Funds. All disbursements from the budgetary General Fund must be authorized by appropriations of the General Assembly.

Budgetary Special Funds are designated for specific purposes. The appropriate budgetary Special Fund is credited with the tax or other revenue allocated to such fund and is charged with the related disbursements. Specific uses of the budgetary Special Funds include State parks operations and fees charged by the Public Service Commission and The Division of Professional Regulation. Federal payments and unemployment compensation are examples of non-appropriated budgetary Special Funds. Some budgetary Special Funds, such as the Delaware State Housing Authority and the State Pension Office, contain both appropriated funds for operations and non-appropriated funds for specific programs, such as public housing and pension benefits.

The Basic Financial Statements in APPENDIX B hereof have been prepared to conform to the standards of financial reporting set forth by the Governmental Accounting Standards Board (GASB) in its various statements and interpretations. GAAP (as defined below) reporting standards allow the accurate assessment of financial condition and enable the State to present its total fiscal operation in conformity with accounting principles generally accepted in the United States of America (GAAP).

In GAAP reporting, operations of the primary government and component units are recorded under three main fund types - Governmental, Proprietary and Fiduciary, as defined by GASB. The fund types and account groups are described in Note 1 of the accompanying GAAP Basic Financial statements in APPENDIX B. A reconciliation of budgetary General and Special Funds to GAAP is found in the Required Supplementary Information Section of the financial statements in APPENDIX B.

Capital assets are defined by the State as assets which have a cost of $15,000 or more at the date of acquisition and have an expected useful life of one or more years. All land and buildings are capitalized regardless of cost. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation.

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided by GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

Budget Process

As noted earlier, all disbursements from the budgetary General Fund and certain budgetary Special Funds must be authorized by appropriation of the General Assembly. In the fall of the fiscal year, each State agency submits to the Budget Office a request for operating and capital funds for the ensuing fiscal year. Public hearings on the requests are subsequently conducted. The Governor's proposed operating and capital budgets for the budgetary General Fund and budgetary Special Funds, including the Transportation Trust Fund, are then drafted and presented by the Governor to the General Assembly in January. The General Assembly's Joint Finance and Bond Bill Committees hold hearings and mark up the Governor's proposed operating and capital budgets, respectively. As amended, the budgets are expected to be passed prior to July 1 and signed by the Governor shortly thereafter.

State agencies currently participate in a uniform budgeting process whereby each agency submits with its budget request a department mission, key objectives, background and accomplishments, and activities and performance measures. This fully integrated budget submission provides much information to the public as well as to State decision-makers.

Federal funds are not appropriated but are subject to the review and approval of the Office of Management and Budget and the Delaware State Clearinghouse Committee for Federal Aid Coordination. The Committee is comprised of 10 members, including the Secretary of Finance, Director of the Office of Management and Budget, Director of the Delaware Economic Development Office, the Controller General, and six legislators.

Appropriation Limit

The State Constitution limits annual appropriations by majority vote of both houses of the General Assembly to 98% of estimated budgetary General Fund revenue, plus the unencumbered budgetary General Fund balance from the previous year. An appropriation exceeding this limit may be made in the event of a declared emergency, with the approval of a three-fifths vote of the members of each house of the General Assembly, but no appropriation may be made exceeding 100% of estimated budgetary General Fund revenue plus the unencumbered budgetary General Fund balance from the previous fiscal year. In June 2007, the General Assembly authorized appropriations of $3,411.3 million for fiscal 2008, within the projected 98% appropriation limit.

Budget Reserve Account

The Budget Reserve Account (commonly referred to as the "Rainy Day Fund") is designed to provide a cushion against unanticipated revenue shortfalls. The State Constitution provides that the excess of any unencumbered budgetary General Funds at the end of a fiscal year must be placed in a reserve account (the "Budget Reserve Account") within 45 days following the end of the fiscal year, provided that the amount of funds in the Budget Reserve Account does not exceed 5% of the estimated budgetary General Fund revenue used to determine the appropriation limit for that fiscal year. Transfers are made in August based on June revenue projections, with consideration given to year-end operating results of the previous fiscal year. Transfers of $182.8 million have been made which fully funded the Budget Reserve Account for fiscal 2008. Money from the Budget Reserve Account may be appropriated only with the approval of a three-fifths vote of the members of each house of the General Assembly and only to fund an unanticipated budgetary General Fund deficit or to provide funds required as a result of the enactment of legislation reducing revenue. No funds have been withdrawn from the Budget Reserve Account since its inception in 1980.

Tax Limitations

The State Constitution was amended in May 1980 to limit tax and license fee increases or the imposition of any new taxes or fees. Any tax or license fee increase or the imposition of any new tax or license fee must be passed by a three-fifths vote of each house of the General Assembly, rather than by a simple majority vote, except for tax increases to meet debt service on outstanding obligations of the State for which insufficient revenue is available when such debt service is due. The amendment requires the State to appropriate, prior to each fiscal year of the State, sums sufficient to meet debt service in the following fiscal year, a practice the State has always followed.

Internal Control Structure

The State has established and maintains an internal control structure designed to ensure that the assets of the State are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that evaluation of costs and benefits requires estimates and judgments by State officials. Determination as to the adequacy of the internal control structure is made within the above framework. State officials believe the State's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Disbursements from State funds are controlled by an encumbrance accounting system that is designed to provide information on the actual extent of the State's obligations (as determined by purchase orders issued) and to guard against over-committing available funds. Disbursements are controlled through the encumbrance system in such a way that purchase orders issued for goods and services cause a reduction in available appropriations. As a result, the amount of budgetary General Fund cash disbursements plus unliquidated encumbrances cannot exceed the amount appropriated by the General Assembly for any budget line.

"Available" funds may be set aside through the use of properly issued and approved purchase orders. "Available" funds for the budgetary General Fund means that the funds must be appropriated, and, in general, for budgetary Special Funds means that the cash must be on hand, except for federal grants, the Transportation Trust Fund and bond authorizations. For administrative reasons, certain types of transactions such as salary and fringe benefit expenses, debt service, certain budgetary Special Fund expenses, and purchases under $2,500 do not require a formal encumbrance of funds as a prerequisite to processing expenditure documents.

At fiscal year end, cash is reserved to pay outstanding encumbrances (orders for goods and services not yet received or for which payment has not been made). Budgetary General Fund encumbrances are carried over as encumbered appropriations and paid out and recorded as disbursements in the succeeding fiscal year. All obligations created by purchase orders (encumbered amounts) are liquidated upon satisfactory receipt of goods and services. Budgetary General Fund appropriations, which have not been disbursed, continued or encumbered at fiscal year end, lapse. Such lapsed appropriations are referred to as reversions in the State's financial reports.

The State restricts commitments for budgetary General Fund expenditures by State agencies. Commitments to incur expenditures in excess of an appropriation (to be funded from unused funds appropriated to other agencies) must be approved by the Director of the Office of Management and Budget and the Controller General.

Although the majority of the State's financial transactions are processed through the accounting system, certain budgetary Special Funds have financial activity, such as investments, outside the system. For example, the Transportation Trust Fund, the Delaware State Housing Authority, the deferred compensation programs and Delaware State University all maintain certain financial activity outside the system. This activity is governed in adherence to legislative regulations as well as guidelines established by their respective boards. In addition, these entities are audited annually and produce published financial reports.

The Auditor of Accounts is required to make audits of all agencies collecting State revenue or expending State funds in excess of $500,000 each year, and, to the extent possible, to make annual audits of the financial transactions of all other State agencies. The Auditor of Accounts also reviews certain records of the Secretary of Finance and State Treasurer on a quarterly basis to reconcile the State's bank accounts to such records.

Tax Collection Procedures

Most of the State's taxes are collected under a self-assessing system. Taxpayers prepare the tax forms and pay the amounts they determine are due. When the State determines that a payment is less than the amount due, assessments may be made which can include applicable penalties and interest as allowed by law.

The State has continually instituted procedures to identify non-filers and increase compliance with its tax statutes. The procedures include comparing federal income tax records with State income tax records, comparing State records for various years, and cross-referencing the license tax files to licensee lists from the State's various regulatory boards.

Through the Attorney General's Office, the State employs legal procedures to effect payment of past due balances. These procedures include filing actions in the Justice of the Peace, Common Pleas and Superior Courts on bad checks received. Procedures have been instituted for the garnishment of wages and bank accounts and the sale of personal property through the County Sheriffs.

By statute, the State's accounts receivable may be removed from current active accounts only if the account is more than six years old and is determined to be uncollectible or if the potential recovery or administrative costs of collection would not warrant further collection efforts. Recently enacted legislation allows the Division of Revenue to write off the accounts of those who are deceased or bankrupt.

Recently enacted legislation requires the Secretary of Finance to prepare, maintain and publish on the Division of Revenue’s Internet Website two separate lists of the top 100 business and personal taxpayers owing outstanding tax liabilities in excess of $1,000 in which a judgment has been filed and who are not currently in bankruptcy or have not entered into and complied with the terms of an installment plan.

Risk Management

The State is exposed to various risks and losses related to employee health and accident, worker's compensation, environmental and a portion of property and casualty claims. It is the policy of the State to self insure its exposures when cost effective and commercially insure on the exposures that are specialized.

Cash Management

Investment of State funds is the responsibility of the Cash Management Policy Board (the "Board"). Created by State law, the Board establishes policies for the investment of all money belonging to the State or put on deposit with the State by its political subdivisions, except money in any State pension fund and money held for individuals under the State deferred compensation program. The Board is comprised of nine members, including the Secretary of Finance, the Secretary of State, the State Treasurer, the Controller General (all serving ex officio), and five members from the private sector appointed by the Governor and confirmed by the State Senate. The current members of the Board are:

John V. Flynn, Jr. (Chairman)	Managing Director, Healthcare Resource Solutions
Richard S. Cordrey	Secretary of Finance
Harriet Smith Windsor	Secretary of State
Warren C. Engle	Senior Vice President, PNC Bank
Margaret A. Iorii	Asst. Vice President, Merrill Lynch
Russell T. Larson	Controller General
David F. Marvin	Partner, Marvin & Palmer Associates, Inc.
Jack A. Markell	State Treasurer
Harold Slatcher	President & CEO, County Bank

The investment guidelines, adopted by the Board in January 1982 and most recently revised in 2005, provide, among other things, that no more than 10% of the portfolio may be invested in obligations of any one issuer other than the U.S. Government or agencies thereof.

The State has instituted a number of measures to augment its dividend and interest earnings. Among these are the implementation of a commercial bank lockbox for collection of corporate franchise taxes, bank franchise taxes and insurance premium taxes. In addition, the State is also receiving tax payments electronically for the following taxes on a voluntary basis: employer withholding taxes, corporate franchise taxes and bank franchise taxes. The State's motor fuel/special fuels tax is collected electronically on a mandatory basis.

BUDGETARY GENERAL FUND SUMMARIES

Principal Receipts by Category

All revenue derived by the State, unless otherwise provided by law, is credited to the budgetary General Fund. The principal receipts not credited to the budgetary General Fund are unemployment insurance taxes, transportation-related taxes for the Transportation Trust Fund, certain taxes on insurance companies and property taxes levied by local school districts. Such taxes are deposited in budgetary Special Funds of the State. The State does not levy *ad valorem* taxes on real or personal property and does not impose a general sales or use tax.

The taxes summarized below produce most of the budgetary General Fund revenue.

Personal Income Tax: Delaware's rates on taxable income range from zero on the first $2,000 of net taxable income, to 5.95% on taxable income in excess of $60,000. Taxable income consists of federal adjusted gross income, with certain modifications, less itemized deductions (or a standard deduction in lieu thereof). After the application of the rates to taxable income, a $110 non-refundable personal tax credit is subtracted for each taxpayer and dependent claimed, providing a direct dollar-for-dollar reduction in final tax liability.

Since 1992, non-resident taxes have been computed as if the taxpayer were a State resident, multiplied by the ratio of Delaware income to total income. Tax returns and payments are due April 30.

Employers maintaining an office or transacting business within the State and making payment of any wages or other remuneration subject to withholding under the United States Internal Revenue Code are required to withhold State income tax on such wages or remuneration at prescribed rates. Filing frequency is determined based on the amount of an employer's withholdings between July 1 and June 30, immediately preceding the calendar year: under $3,600 file quarterly; from $3,600 to $20,000 file monthly; and over $20,000 file up to eight times per month.

Corporation Franchise Tax: An annual franchise tax is levied on business corporations organized under State laws, excepting banks and building and loan associations. The tax levy is based on either the corporation's total number of authorized shares of capital stock or on its gross assets. The basis yielding the lesser tax revenue is applied. Effective January 1, 2003, applying the authorized share basis, the tax is levied at a rate of $35 for the first 3,000 authorized shares to $112.50 for 10,000 authorized shares, plus $62.50 for each additional 10,000 shares or fractional part thereof. Applying the gross assets basis, the tax is levied at a rate of $250 for each $1.0 million or fractional part thereof of the corporation's gross assets per authorized share. The maximum annual franchise tax is $165,000 and the minimum tax is $35. Tax payments for any corporation whose annual franchise taxes exceed $5,000 are required to be made quarterly. Other companies pay once each year, on March 1.

Corporation Income Tax: This tax is levied at the rate of 8.7% on net taxable income of both foreign and domestic corporations derived from sources within the State. Investment and holding companies, insurance companies and domestic international sales corporations, among others, are exempt. Fifty percent of the estimated tax for the taxpayer's current tax year and the balance due from the prior year is payable on the first day of the fourth month of the taxpayer's tax year, 20% of such estimated tax is payable on the 15th day of the sixth month, 20% on the 15th day of the ninth month and 10% on the 15th day of the twelfth month. Corporations with taxable income of $200,000 or more in any of the last three years must pay 80% of their current year's estimated tax on a current basis.

Business and Occupational Gross Receipts Tax: The State imposes license requirements and related taxes on most occupations and businesses. License fees and taxes consist of a basic annual fee of $75 (in some cases an additional $25 per establishment is levied) plus a tax on gross receipts. Tax rates include 0.499% for contractors (with a monthly deduction from gross receipts of $80,000); 0.307% for wholesalers (with a monthly deduction of $80,000); 0.144% for manufacturers (with a monthly deduction of $1,000,000); 0.154% for food processors (with a monthly deduction of $80,000); 0.077% for commercial feed dealers and farm machinery retailers (with a monthly deduction of $80,000); 0.576% for general retailers (with a monthly deduction of $80,000); 0.499% for restaurants (with a monthly deduction of $80,000); and 0.307% of aggregate gross receipts on most occupational licenses (with a monthly deduction of $80,000). A use tax on leases of tangible personal property is levied on the lessee at the rate of 1.536% of lease rentals and on the lessor at the rate of 0.230% of rental payments received. Lessors are allowed a quarterly deduction of $240,000. Automobile manufacturers pay a 0.135% tax (with a monthly deduction of $1,000,000).

Public Utility Tax: Gross receipts from the sale of telephone, telegraph, gas, electricity, and cable television services are subject to tax. Receipts from services sold to residential users are excluded, except for receipts from residential cable television services. Generally, public utilities are subject to a tax rate of 4.25%. Several exemptions/reductions apply. Receipts from sales of electricity to manufacturers, and agribusiness/food processors are taxed at 2.0%. Certain electrochemical processors and receipts from sales of electricity and gas to automobile manufacturers are exempt from the tax. Cable television service is taxed at 2.125%.

Cigarette Tax: The State levies an excise tax per package of 20 cigarettes. Effective August 1, 2007, the cigarette tax was increased from 55 cents to $1.15 per 20 cigarette pack. Other tobacco products are taxed at 15% of the wholesale price. Also effective August 1, 2007, moist snuff is taxed at a rate of 54 cents per ounce.

Inheritance and Estate Tax: Effective January 1, 1999, the inheritance tax was eliminated. Since the inheritance tax was eliminated, the State has continued to levy its estate tax. Delaware's estate tax, sometimes referred to as a "pick up" tax, applies only to those estates required to pay the federal estate tax. Changes in federal law, however, effectively phased-out Delaware's estate tax in 2005.

Realty Transfer Tax: Generally, the State levies a realty transfer tax at a rate of 1.5% of the consideration paid for any real property transferred. (Local governments are permitted to levy an additional 1.5%.) A 1% tax is levied on the value of construction in excess of $10,000 where the underlying property was acquired by the owner less than 12 months prior to the commencement of construction.

Alcoholic Beverage Tax: The State imposes an excise tax on the distribution of alcoholic beverages. Beer is taxed at the rate of $4.85 per barrel; wine at 97 cents per gallon; liquor containing 25% or less alcohol by volume at $2.50 per gallon; and liquor containing more than 25% at $3.75 per gallon.

Insurance Tax: The State levies a tax of 1.75%, plus an additional 0.25% for the benefit of fire and police, on gross premiums, less dividends and returned premiums on cancelled policies, for most types of insurance. An annual privilege tax is levied on domestic insurers based upon annual gross receipts and subject to credits for payroll compensation for employee services performed in the State.

Bank Franchise Tax: The State levies a tax on banks at 8.7% on the first $20 million of taxable income, 6.7% on such income between $20 and $25 million, 4.7% on such income between $25 million and $30 million, 2.7% on such income between $30 million and $650 million, and 1.7% on taxable income in excess of $650 million.

Effective for tax years beginning after December 31, 2006, banks have the option of using an "Alternative Franchise Tax". The Alternative Franchise Tax has two parts:

1. A traditional income tax employing three-factor apportionment with a double-weighted receipts factor. The tax's regressive rates range from 7.0% on taxable income not in excess of $50 million to 0.5% on taxable income in excess of $1.3 billion.

2. A "Location Benefits Tax" based on assets. The minimum tax is $2.0 million with additional liability ranging from 0.015% on the value of assets not in excess of $5.0 billion to 0.005% on assets in excess of $20 billion but not in excess of $100 billion. The maximum Location Benefits Tax is $8.25 million.

Additional Sources of Revenue

Lottery: The Lottery consists of traditional lottery products in the form of daily drawings, lotto, instant tickets, and the multi-state Powerball and accounted for $256.7 million, or 7.8% of the State's revenue in fiscal 2007. The video lottery is state-operated using video lottery machines or a network of linked video lottery machines restricted in operation to three locations authorized by state. Growth in lottery revenue has experienced a decline since video lottery operations opened in Pennsylvania, close in proximity to Delaware. However, by fiscal 2009, Delaware will have felt the full effect of such competition. With a November 2008 referendum scheduled, another neighboring state, Maryland, is considering entering the video lottery market. If passed, it is estimated that Delaware could be facing competition from Maryland sometime around January 2010. At least 30.0% of the revenue generated from the traditional lottery and video lottery games is contributed to the budgetary General Fund.

Abandoned Property

Abandoned Property Revenue accounted for 12% of the State's total General Fund revenue in fiscal 2007, or $364.9 million. Abandoned property represents any debt or obligation, including securities, which have gone unclaimed or undelivered for five or more years. Such unclaimed property is reported to the state of the lost owner's last known address. If the owner's address is unknown or is in a foreign country, the unclaimed property is reported to the state of incorporation of the holder of the unclaimed property. In addition, for those lost owners with a last known address that is in a state which does not have an applicable statute for the type of property being reported, the unclaimed property is reported to the state of incorporation of the holder.

Budgetary General Fund Disbursements by Category of Expense

The following table summarizes the budgetary General Fund disbursements of the State for fiscal years ended June 30, 2003 through 2007. See "STATE FINANCIAL OPERATIONS – "Expenditure Summary – Fiscal 2004–Fiscal 2007" for a detailed explanation of the expenditure figures.

Budgetary General Fund Disbursements
(in millions)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Salaries	$ 966.3	$ 971.6	$1023.1	$1,108.3	$1,167.2
Debt Service	116.2	134.3	153.5	132.5	131.2
Contractual Services	216.1	223.9	228.8	252.2	289.5
Fringe Benefits, except Pensions	221.2	233.3	263.2	298.4	323.5
Pensions	106.3	127.8	147.1	180.7	201.5
Welfare and Assistance Grants	375.3	390.1	422.7	473.1	535.7
Other Grants	196.2	224.2	294.1	403.1	365.1
Other	256.5	248.5	289.9	332.2	376.2
Total Disbursements	$2,454.1	$2,553.7	$2,822.3	$3,180.5	$3,389.9

Budgetary General Fund Disbursements by Purpose

The State assumes substantial financial responsibility for a number of programs often funded by local units of government in other states, including public and higher education, social service programs and the correctional system. In addition, the State builds and maintains all roads and highways within the State except certain local streets within a municipality's corporate boundaries and certain private streets. See "INDEBTEDNESS OF AUTHORITIES, UNIVERSITY OF DELAWARE AND POLITICAL SUBDIVISIONS - Authorities - Delaware Transportation Authority" for additional information. The major State programs are described in more detail below.

Public Education

Delaware is one of only four states in the country which has not undergone a constitutional challenge to its public education funding. The State finances its public school operations from a combination of State, federal and local funds. In fiscal 2006, the State provided 64.4%, the federal government 9.1% and localities 26.5% of the cost for current operations and debt service. For fiscal 2005, the U.S. Department of Education, National Center for Educational Statistics, Institute for Education Sciences reported that Delaware was exceeded only by five other states in terms of the percentage of public school revenues financed by the State. Public education base salary scales are set by State law, but the base salary may be supplemented by local funds. The local supplements vary in each school district in the State, depending on each district's contractual obligations with its employees and the district's ability and willingness to tax its constituents. For the 2006-2007 school year, the average State-local funded classroom teacher's salary is $55,787, of which $37,528 is paid from State funds and the balance paid from federal or local funds. The State share of public education costs is allocated to the school districts, subject to a number of formulae based primarily on enrollment. The State funds between 60% and 80% of school construction costs, based on an index of an individual district's ability to generate local share funding. The State also funds fringe benefits for school personnel in approximate proportion to the budgetary General Fund contribution to salaries, with the exception of health insurance which is 100% State funded for the basic plan. School districts reimburse the State for fringe benefit costs for personnel hired and paid under federally-funded programs and for the proportion of salary paid from local funds.

Budgetary General Fund expenditures for public education in fiscal 2007 totaled $1,088.7 million. Appropriations of $1,113.0 million have been made for fiscal 2008.

The following table sets forth public school enrollment (elementary and secondary), in September of the years indicated.

Public School Enrollment[(1)]

	Enrollment	Change
1999	112,262	0.4%
2000	113,699	0.9
2001	114,693	0.9
2002	115,566	0.8
2003	117,055	1.3
2004	118,413	1.2
2005	120,482	1.7
2006	121,856	1.7
2007	123,615	1.4

(1) Excludes children of military personnel living on Dover Air Force Base who attend Base schools and whose education is federally-funded.

Higher Education

The State's higher education system consists of eight institutions, which enrolled 51,385 students in the 2007-2008 academic school year based upon Fall 2008 student headcount (40,831 on a full time equivalent ("FTE") basis). The three State-supported institutions are Delaware Technical and Community College which enrolled 14,985 students (11,869 FTE); Delaware State University, a land grant college located in Dover which enrolled approximately 3,756 students (3,468 FTE); and the University of Delaware, a land grant college located in Newark, which enrolled 20,342 students (18,567 FTE). The five privately supported institutions of higher education in the State enrolled an additional 12,302 students in 2007-2008 (6,927 FTE).

Budgetary General Fund expenditures for higher education in fiscal 2008 are expected to be $235.6 million. The State provides approximately 17% of the operating budget of the University of Delaware, 55% of the budget of Delaware Technical and Community College, and 50% of the budget of Delaware State

University. Appropriations of $241.7 million have been made for fiscal 2008, including $131.0 million for the University of Delaware, $71.1 million for Delaware Technical and Community College and $39.4 million for Delaware State University.

Social Services

The principal social service programs administered by the State are: (1) Temporary Assistance for Needy Families (“TANF”); (2) General Assistance to low-income single individuals and children living with non-relatives who do not qualify for Supplemental Security Income (“SSI”) or TANF payments (“General Assistance Program”); (3) service programs for qualified individuals including child care, employment and training services and work transportation; and (4) direct medical assistance to qualifying individuals (“Medicaid”).

Since January 1974, the SSI Program has been administered and funded by the federal government. Beginning with fiscal 1975, the State elected to supplement federal SSI payments for individuals who received the State equivalent of SSI payments prior to January 1974.

Delaware's Medicaid program traditionally has been funded at the Federal financial participation (“FFP”) rate of 50%. However, during the period from April 1, 2003 through June 30, 2004, the FFP was increased to 52.95% pursuant to Title IV of the Jobs and Growth Tax Relief Reconciliation Act of 2003. During the period from October 1, 2005 through September 30, 2006, the FFP was 50.09%. Beginning with the period of October 1, 2006 through the current period, the FFP was 50.0%. Delaware's TANF program is funded by a federal capped block grant and State budgetary General Funds. The State is required under federal law to maintain a prescribed level of historic State expenditures for benefits and services to individuals eligible for TANF. The State submits a quarterly budget of total quarterly anticipated expenditures for the Medicaid program to the U.S. Department of Health and Human Services. Upon approval of the budget, the U.S. Department of Health and Human Services issues a letter of credit against which the State may draw to meet its quarterly obligations. Adjustments based on actual expenditures are made in the ensuing quarter. General Assistance Program grants are entirely funded by the State.

The portion of the expenditures for the foregoing programs paid by the federal government is accounted for by the State through the non-appropriated budgetary Special Funds. The portion paid by the State is accounted for through the budgetary General Fund.

Since 1994, welfare caseloads in Delaware have dropped by approximately 48%. The average wage of those who have moved from welfare to full time work is $9.10 per hour. The State provides health care, childcare assistance and assistance with transportation to work for participants in the State's welfare reform program and provides transitional health care and subsidized childcare to income eligible individuals who have left the welfare rolls. The percentage of Delaware's population receiving cash assistance is 1.8%.

Since fiscal 1995, welfare caseloads and income maintenance expenditures have decreased, but the State's provision of health and childcare to the eligible welfare-to-work population as well as other changes in Medicaid eligibility, enrollment plus related costs have resulted in a corresponding increase. The following table indicates the trends of selected State social services expenditures for fiscal 2001 through fiscal 2007 and provides estimates for Fiscal Year 2008.

Social Services Expenditures
(dollars in millions)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008E
TANF							
Number of Recipients/month	13,564	14,111	14,237	14,062	13,876	11,382	10,145
Total Expenditures/year	$18.4	$18.8	$19.1	$19.0	$18.7	$16.2	$14.4
State Share................................	$ 2.8	$ 2.8	$ 2.9	$ 3.4	$ 3.5	$2.7	$3.5
GENERAL ASSISTANCE							
Number of Recipients/month	2,040	2,106	2,335	2,481	2,620	2,818	3,159
Total Expenditures/year	$2.8	$3.0	$3.3	$3.5	$3.8	$3.9	$4.5
State Share................................	$2.8	$3.0	$3.3	$3.5	$3.8	$3.9	$4.5
SSI							
Number of State Subsidized Recipients/month.....................	676	732	745	805	838	804	820
State Share................................	$1.0	$1.1	$1.1	$1.2	$1.1	$1.1	$1.2
FOSTER CARE (DSCYF)							
Number of Children/month	738	646	627	651	748	887	920
Total Expenditures/year	$8.0	$9.6	$9.8	$11.8	$15.2	$19.3	$20.6
State Share................................	$6.2	$8.4	$8.4	$10.2	$13.6	$17.2	$18.4
DAY CARE							
Number of Children/month	13,010	13,400	13,813	13,839	14,266	15,039	15,490
Total Expenditures/year	$37.9	$38.4	$40.0	$37.5	$46.6	$53.6	$56.2
State Share................................	$21.3	$23.7	$23.7	$24.9	$28.7	$38.0	$40.7
MEDICAID							
Number of Eligibles/month	108,040	118,575	130,411	138,884	142,548	143,386	148,706
Total Expenditures/year	$644.7	$702.8	$730.3	$826.4	$861.6	$990.0	$993.2
State Share................................	$322.4	$346.1	$345.9	$397.2	$428.0	$495.0	$496.6
COMMUNITY HEALTH							
State Expenditures/year.............	$25.5	$25.0	$23.8	$25.1	$26.5	$35.6	$39.8

Children's Services

The Department of Services for Children, Youth and Their Families provides integrated service delivery for children and their families in its efforts to promote family stability through a child-centered, family-focused continuum of care. The Division of Family Services serves abused, neglected and dependent children, assisting approximately 5,219 children annually. The State spent $31.5 million in fiscal 2005, $35.3 million in fiscal 2006, $42.0 million in fiscal 2007, and has budgeted $40.2 million in fiscal 2008 for family services. The Division of Youth Rehabilitative Services handles delinquent youth in both pre- and post-adjudication through an array of alternative placements and State-owned secure facilities. The Division serves approximately 2,265 youth annually. Fiscal 2005 expenditures totaled $35.6 million, fiscal 2006 expenditures totaled $40.2 million, fiscal 2007 expenditures totaled $40.7 million, and $40.5 million has been budgeted for fiscal 2008. The Division of Child Mental Health Services provides programs for about 771 mentally ill or emotionally disturbed children and adolescents each year for which the State spent $21.1 million in fiscal 2005, $22.6 million in fiscal 2006, $26 million in fiscal 2007, and has budgeted $28.1 million for fiscal 2008.

Corrections

The Department of Corrections ("DOC") is the only government operated correction agency in the State. Delaware runs what is called a unified corrections system. Delaware has no regional, county or municipal correction or jail system and no separate probation system. Offenders immediately become the responsibility of the State, including: pre-trial and sentencing, misdemeanor and felony, jail and prison and all community based sanctions. Sentencing in the State has evolved with the passage of Sentencing Accountability ("SENTAC") legislation whereby all offenders are sentenced to one of five levels ranging from Level I (administrative supervision) to Level V (incarceration). This structure allows the State flexibility to match offenders with the most appropriate sentence. Total budgetary General Fund expenditures for DOC in fiscal 2007 were $229.1 million. The budget for fiscal 2008 is $253.2 million. Currently, the incarcerated population in the custody of the Department is approximately 7,000, of which about 4,000 are prisoners. The jail population of approximately 3,000 is divided between offenders sentenced to less than 1 year of incarceration (1,700) and offenders held pending trial (1,300). Over 17,500 individuals are under community supervision.

DOC population growth in recent years prompted the need to evaluate sentencing practices and code limitations. In 2003, legislation was enacted to control the rate of growth in the DOC population. House Bill 210 modified sentencing practices by reducing sentences for certain drug and motor vehicle offenses so as to provide additional prison space for the most violent offenders. Senate Bill 50 placed limitations on probation sentences, except to ensure public safety or to promote effective substance abuse treatment services, thereby reducing the number of defendants incarcerated for violations of probation. Although Delaware has not yet determined the impact of either pieces of legislation, both should have a significant positive effect on Delaware's rate of incarceration and will enable the DOC to focus on the most violent offenders in order to protect public safety and to provide treatment and supervision for those offenders most in need of their services.

BUDGETARY SPECIAL FUNDS SUMMARIES

Each budgetary Special Fund is created by statute or administrative action for a specific purpose. The appropriate Fund is credited with the specific revenue or receipts allocated to such Fund. Disbursements from budgetary Special Funds require specific appropriation by the General Assembly.

In general, money in budgetary Special Funds is not available for disbursement or encumbrance until funds are deposited therein with the result that disbursements plus outstanding encumbrances cannot exceed the available funds (except for federal funds and the Transportation Trust Fund). In the case of bond funds, total disbursements plus encumbrances cannot exceed authorizations. At fiscal year end, the available fund balance plus outstanding encumbrances are carried over into the succeeding fiscal year.

Local School Property Taxes and Assessed Valuation

These taxes are levied by local school districts upon the assessed value of real estate in the district, as determined for county taxation purposes, for the local share of school operating costs and debt service on capital improvements. All tax receipts of a district are credited to the appropriate budgetary Special Fund and operating expenses are disbursed from such Fund upon the presentation of warrants or drafts to the State Treasurer by the school board of the district. The State's share of operating and debt service costs are appropriated and disbursed from the budgetary General Fund.

The following table outlines the assessed and estimated full valuation of all taxable real property in the State as of July 1, 2007.

Real Property Valuations
(in millions)

County	Assessed Valuation(1)	Estimated Full Valuation
New Castle	$17,796.7 (2)	$59,188.2
Kent	3,133.9 (3)	13,745.7
Sussex	2,621.1 (4)	37,088.4
Total	$23,551.7	$110,022.3

(1) Net of all legal exemptions.
(2) Based on 100% of 1983 appraised value, as of the date of the most recent assessment which occurred in 1985.
(3) Based on 60% of appraised value, as of the date of the most recent assessment which occurred in 1987.
(4) Based on 50% of appraised value, as of the date of the most recent assessment which occurred in 1974.

Source: Delaware Department of Education.

Unemployment Compensation

Money deposited in the Unemployment Compensation Fund consists of employers' contributions and has at certain times in the past included advances from the federal government necessary to meet the excess of unemployment compensation benefits paid over the employers' contributions. The Unemployment Compensation Fund had a balance of $179.1 million as of November 30, 2007 and includes no federal advances. The State has not borrowed any federal funds since 1979 and anticipates that no borrowing will be necessary in fiscal 2008.

Federal Grants, Benefits and Reimbursements

All grants and reimbursements of money received from the federal government by the State are credited to budgetary Special Funds. The money is disbursed to the appropriate agency to be used for the purpose stated in the grant application without any further authority from the General Assembly. The Delaware State Clearinghouse Committee is the committee representing the legislative and executive branches of government. It is charged with reviewing all State agency applications for federal funds and no agency may expend federal funds without approval of this committee.

The following chart indicates the distribution of federal funds expended by the State by Department in the fiscal years indicated below.

Ratio of Federal Funds Expended by Department

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008E
Health & Social Services	55.8%	57.8%	58.5%	57.5%	58.6%	58.6%	62.1%
Transportation	12.8%	12.1%	9.0%	10.4%	10.2%	10.2%	9.1%
Public Education	11.1%	11.3%	12.1%	12.4%	12.4%	12.4%	12.1%
Housing Authority	4.7%	4.4%	4.0%	3.7%	3.6%	3.6%	4.2%
Labor	3.8%	3.7%	3.5%	3.5%	3.2%	3.2%	3.1%
Higher Education	2.4%	2.8%	2.6%	2.7%	2.5%	2.5%	2.6%
Natural Resources	2.9%	2.0%	3.5%	2.8%	2.6%	2.6%	2.1%
Other	6.4%	6.1%	6.8%	7.0%	6.9%	6.9%	4.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Pension Fund Receipts

State pension contributions are appropriated by the General Assembly in the annual budget to cover the liability on budgetary General Fund salaries and are disbursed each month from the budgetary General Fund. Each monthly disbursement is recorded as a receipt of the appropriate budgetary Special Fund and is disbursed from such budgetary Special Fund to meet pension benefits and operating costs. The balance is disbursed from the budgetary Special Fund and invested as part of the State pension plan. See “STATE PENSION PLAN” for additional information. Employee pension contributions are also recorded as budgetary Special Fund receipts and are disbursed together with the State's share of pension costs. Pension costs paid by the federal government for employees paid under federal programs are also recorded as budgetary Special Fund receipts and disbursements.

Social Security Fund Receipts

All Social Security contributions by State departments and agencies and political subdivisions are recorded as a receipt to the Social Security Fund and are remitted on a semi-monthly basis. Contributions are submitted to the U.S. Department of the Treasury semi-monthly, at which time a disbursement is recorded.

Bond and Note Sales

All proceeds received from the sale of bonds or bond anticipation notes are recorded as a receipt in a special account designated as the State Treasurer's Bond Account. The withdrawal of proceeds is recorded as a budgetary Special Fund disbursement. The principal and interest on the State's general obligation bonds are paid as a budgetary General Fund disbursement.

DEFERRED COMPENSATION PROGRAM

State employees may elect to participate in a deferred compensation plan. The plan is an eligible plan under Section 457(b) of the Internal Revenue Code (the "Code").

In accordance with federal law, the annual limit on a participant's pre-tax contributions remains $15,500 in 2008. An additional, phased-in catch up contribution has been added for use by those ages 50 and older. Those who meet the age requirement may contribute an additional $5,000 in 2008.

The State also provides a $10 per-pay employer match to contributions by Deferred Compensation Program participants, which began on January 1, 2001. The plan is approved under Section 401(a) of the Code.

Assets purchased through the State's plan include a managed income portfolio, money market funds and a variety of mutual funds. The total market value of plan assets as of October 31, 2007 was $365.5 million.

STATE PENSION PLAN

The State of Delaware Employees Pension Plan (the "Plan"), established by the General Assembly, covers approximately 35,062 active employees and approximately 19,583 retired employees. All State employees (except State police and State judges) and all local school district employees who qualify as full-time and regular part-time employees participate in the Plan. The other plans funded by the State include a now closed State Police Pension Plan (for officers hired prior to July 1, 1980) which covers 15 active officers and 562 retirees, the new State Police Pension Plan which covers the 644 officers hired after July 1, 1980 and 60 retirees, and the State Judiciary Pension Plan which covers 55 active employees and 39 retirees. The Plan and the other plans collectively are known as the Delaware Public Employees Retirement System (the "Fund").

The Fund is managed by a Board of Pension Trustees (the "Board") composed of five members from the private sector appointed by the Governor, and the Secretary of Finance and the Director of the Office of Management & Budget serving as ex-officio members. The current members of the Board are:

Philip S. Reese (Chairman).................................	Former Vice President and Treasurer, Conectiv
Robert W. Allen..	President, Allen Petroleum
Richard S. Cordrey..	Secretary of Finance
Helen R. Foster, J.D..	President, CTW Consulting Associates
Jan M. King...	Retired Treasurer, Hercules, Inc.
Nancy Shevock	Former Director, Delaware Transit Corp.
Jennifer Davis	Director, Office of Management & Budget

The custodian of the Fund's assets is Northern Trust Company, Chicago, Illinois. The Fund's assets are managed by professional investment management firms. The total return on the Fund in fiscal 2007 was 15.9% compared to 20.6% for the Standard & Poor's 500.

The Plan provides retirement, disability and survivor benefits. In general, recipients are entitled to receive a service pension at various times during their years of credited service, i.e.: (1) age 65 with 5 years of credited service; or for employees who terminate on or after June 30, 1988, at age 62 with 5 years of credited service; (2) age 60 with 15 years of credited service; (3) a reduced service pension at age 55 with 15 years of credited service; (4) a reduced service pension at any age with 25 years of credited service; or (5) at any age with 30 years of credited service. The qualification requirement for disability or survivor benefits is 5 years of credited service.

Benefit payments are computed using the average monthly compensation for the 36 months of highest monthly compensation. This average is then multiplied by 1.85% for each year of credited service after January 1, 1997 to determine the actual monthly benefit. Retirees with credited service before December 31, 1996 get a multiplier of 2.00 for service prior to January 1, 1997.

The Plan is funded on an actuarially sound basis, as determined by the Board, on the basis of actuarial analyses undertaken by Cheiron, Inc. on an annual basis. The most recent valuation (as of June 30, 2007) was completed in September 2007. As of January 1, 1998, all employees contribute 3% of annual compensation above $6,000. The State makes annual contributions to the Plan in amounts sufficient to meet both the normal cost of the Plan and to amortize the accrued unfunded liability of the Plan. The normal cost of the Plan is the amount of contributions required each year, with respect to each employee, to accumulate the reserves needed to meet the cost of earned benefits over the employee's working lifetime. The unfunded accrued liability of the Plan is the amount of contributions required to meet unpaid past normal costs.

Prior to July 1970, the State appropriated annually the amounts required to meet pension benefits payable in the year of appropriation. During the five year period from July 1, 1970 to July 1, 1975, the State increased its annual contributions to the Plan and replaced that financing practice with a statutory policy of fully funding the Plan on an actuarial reserve basis. Since July 1, 1975, the State's annual contribution to the Plan has been equal to the sum of the normal cost of each year and the annual payment required to amortize the unfunded accrued liability over 40 years from July 1, 1975. Each year the Board certifies the required State contribution rate as a percentage of covered payroll, based on the results of the actuarial valuations of the Plan.

The unfunded accrued liability on an actuarial basis for the last five fiscal years is outlined in the table below. The Plan was overfunded in the amount of $229.9 million as of June 30, 2007.

Unfunded Accrued Liability
(in millions)

June 30, 2003	($330.5)
June 30, 2004	($157.6)
June 30, 2005	($87.3)
June 30, 2006	($97.7)
June 30, 2007	($229.9)

The new State Police Pension Plan (for all persons hired after June 30, 1980) and the State Judiciary Pension Plan also are funded on an actuarial reserve basis as determined by the Board, on the basis of annual actuarial analyses undertaken by Cheiron, Inc. The new State Police Pension Plan showed an unfunded accrued liability on June 30, 2007 of $1.2 million. The State Judiciary Pension Plan showed an unfunded accrued liability on June 30, 2007 of $10.6 million. Benefits paid through the original State Police Pension Plan (for officers hired before July 1, 1980) are funded from current appropriations. As of June 30, 2007, this plan had an unfunded accrued liability of $296.6 million.

Payment of each annual contribution is subject to appropriation by the General Assembly. In each year since fiscal 1971, the General Assembly has appropriated the contribution amounts recommended by the Board. The State contribution to the State Employees Plan in fiscal 2007 was $97.0 million.

The following table sets forth certain information concerning the Plan for the fiscal years set forth below.

State Employees Pension Plan
(in millions)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Income					
Employee Contributions	$ 35.1	$36.0	$37.9	$ 41.1	$ 42.8
State Contributions (budgetary General Fund and budgetary Special Funds)	66.0	85.2	104.5	129.3	142.1
Investment Income	141.8	732.4	500.5	666.7	942.7
Total Income	$242.9	$855.6	$642.9	$837.1	$1,127.6
Disbursements					
Pension Benefits Paid	$217.1	$243.2	$271.3	$300.3	$327.8
Refunds	2.6	2.3	2.4	2.9	3.2
Other Disbursements	9.0	8.9	8.7	9.3	9.1
Total Disbursements	$228.7	$254.4	$282.4	$312.5	$340.1
Excess of Income over Disbursements	$ 14.2	$599.2	$360.5	$524.6	$787.5
Total Plan Assets	$4,649.5	$5,248.0	$5,608.5	$6,133.1	$6,920.6

The growth in investment income in certain years as a percentage of total plan income has permitted changes in the actuarial assumptions and the reduction of employee contributions and has provided the ability to fund increases to pensioners. State pensioners have received 15 pension increases averaging a total of 45.53% since July 1984, based on date of retirement.

Other Post Employment Benefits

The State provides post-employment health care to its employees and currently recognizes these costs on a "pay-as-you-go" basis. The cost of those benefits in fiscal year 2007 was $103.3 million, in comparison to $93.3 million in fiscal 2006. Pursuant to current accounting standards, the liability for such benefits is not presently included in the State's financial statements. However, as a result of Government Accounting Standards Board (GASB), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"), the State will account for retiree health care benefits on an actuarial basis beginning in fiscal 2008. The State's actuarially accrued liability, based on an actuarial study conducted by Cheiron of McLean Virginia, using July 2006 data, has been determined to be between $3.2 billion and $4.4 billion at discount rates of 5.5% and 8.0%, respectively. The State began pre-funding the obligation with lump sum payments and began contributing a percentage of payroll in fiscal 2007 in the amount of approximately $5 million. Those contributions are being continued in fiscal 2008 in the amount of approximately $10 million. The State has established an irrevocable trust and expects to have approximately $70 million accumulated by the end of fiscal 2008. The State expects to meet the requirements of the annual required contribution ("ARC") with continued contributions and savings initiatives.

EMPLOYEE RELATIONS

The State currently has 31,603 full-time equivalent (FTE) positions budgeted for fiscal year 2008, an increase of 482 FTEs from fiscal 2007. This includes 17,316 positions in the executive branch, 13,216 in the public schools, and 1,071 in institutions of higher learning (excluding employees of the University of Delaware, which is not considered part of the State's financial reporting entity).

Since July 1966, virtually all State employees have had the right to organize for the purpose of collective bargaining. Classification of bargaining units is determined by the Public Employee Relations Board ("PERB"). Collective bargaining is conducted by the Office of Management and Budget on behalf of departments and agencies. With respect to non-merit system employees, such bargaining may include all terms and conditions of employment, including wages, hours and benefits. With respect to the merit system employees, individual bargaining units may not bargain wages, most benefits, classification plans or hiring practices. Effective with the Governor's signature on August 2, 2007, Senate Bill 36 permits merit system employees to negotiate compensation, defined as payment of salaries and cash allowances, through the collective bargaining process. Position classification, health care and other benefit programs, workers compensation, disability programs and pension programs are not negotiable. These agreements are subject to approval by the Governor and binding to the extent sufficient appropriations are made by the General Assembly. At present, approximately 8,000 of the State's merit system employees are organized and covered by collective bargaining agreements.

Employees of institutions of higher education, certified professional employees of the State public school system (teachers) and certain public school support personnel have the right to organize for the purpose of collective bargaining. Bargaining units representing such employees negotiate with their respective school districts regarding all matters relating to salaries, employee benefits and certain working conditions. Virtually all of these school employees are covered by collective bargaining agreements.

State employees in Delaware do not have the legal right to strike. Few work stoppages have occurred. Currently only two-thirds of employees eligible for union representation are covered by collective bargaining agreements. All payment contracts reached under such agreements are subject to appropriation by the General Assembly, except for the locally funded portion of school district employees' salaries and benefits.

In 1982, a State law was enacted establishing the PERB to oversee the conduct of labor negotiations between public school teachers and their boards of education. There are provisions for mediation and binding arbitration of collective bargaining disputes. Strikes, slow-downs and walkouts are prohibited; but, if they occur, school boards are required to seek injunctive relief. In 1986, legislation was enacted which extended the PERB's jurisdiction to police officers and firefighters. The PERB's jurisdiction was further expanded in 1994 to include all public employees in the State. In the same year, a State law was enacted establishing the Merit Employee Relations Board to address grievances and related issues of merit system employees.

GOVERNANCE

The chief executive officer of the State is the Governor, who is elected for a term of four years. The State Constitution limits any Governor to two terms, whether or not consecutive. The Governor appoints all members of the State judiciary, the cabinet, and the boards and councils. The Governor reports to the General

Assembly at the start of each annual session in January on the "State of the State," recommends changes in legislation, and follows this report with an annual budget message and financial accounting of the State.

In addition to the Executive Office of the Governor (which includes the offices of Budget, Economic Development, Technology and Information and State Personnel), there are fourteen cabinet departments, as reflected in the table which follows. They include the following: the Department of State, which administers the Division of Corporations and the Division of Cultural and Historical Affairs; the Department of Finance, which performs financing, accounting, bond finance, revenue collection, fiscal policy functions and administers the State lottery; the Department of Administrative Services, which manages State facilities; the Department of Health and Social Services; the Department of Services for Children, Youth and Their Families; the Department of Natural Resources and Environmental Control; the Department of Labor; the Department of Transportation, which oversees the Division of Motor Vehicles; the Department of Safety and Homeland Security, which oversees the state police; the Department of Correction; the Department of Agriculture; the Department of Education; Delaware State Housing Authority; and the Delaware National Guard. Delaware is unusual in that the State government (as opposed to county or municipal governments) funds and administers substantially all correctional, public health, welfare, and transportation services for its residents.

Other elected officers include the Lieutenant Governor who presides over the Senate and the Board of Pardons; the State Treasurer, who is one of four Issuing Officers, signs all state checks and oversees the management of the State's bank accounts; the Auditor of Accounts who audits all State agencies' financial transactions; the Insurance Commissioner; and the Attorney General who is the chief legal officer of the State. All of the elected officers serve terms of four years.

The State's General Assembly is bicameral and consists of a 21-member Senate and a 41-member House of Representatives. The entire House stands for re-election every two years, while Senators are elected to four year staggered terms. Regular sessions of the General Assembly convene in January and adjourn by June 30th. Between regular sessions, the Governor or the presiding officers of either house may call special sessions. Proposed legislation is usually assigned to a standing committee for review. It may then receive consideration on the floor of both houses.

The judicial branch of the government includes a Supreme Court, which acts primarily as an appeals court, and the Court of Chancery, an equity court which has jurisdiction over corporate matters, trusts, estates, and other matters involving equitable jurisdiction. The Superior Court has jurisdiction over criminal and civil cases, except equity cases. The Family Court administers justice in cases involving domestic relations or dependent juveniles. The Court of Common Pleas is a court of limited jurisdiction over civil and criminal matters which the Superior Court would otherwise handle. The Justice of the Peace Courts handle criminal matters and civil cases where the amount in controversy is less than $5,000.

The following is a list of certain elected officials, cabinet positions and other appointed officials.

Statewide Elected Officials

Governor...	Ruth Ann Minner
Lieutenant Governor..	John C. Carney, Jr.
Attorney General...	Joseph R. Biden III
State Treasurer..	Jack A. Markell
State Auditor...	R. Thomas Wagner, Jr.
Insurance Commissioner	Matthew Denn

Cabinet Positions and Other Appointed Officials

Agriculture	Michael T. Scuse
Correction	Carl C. Danberg
Delaware Economic Development Office	Judy McKinney-Cherry
Education	Valerie A. Woodruff
Finance	Richard S. Cordrey
Health and Social Services	Vincent P. Meconi
Housing	Saundra R. Johnson
Labor	Thomas B. Sharp
Management and Budget	Jennifer W. Davis
Natural Resources and Environmental Control	John Hughes
National Guard	Francis D. Vavala
Safety and Homeland Security	David B. Mitchell
Services for Children, Youth and Their Families	Cari DeSantis
State	Harriet Smith Windsor
Technology and Information	Thomas M. Jarrett
Transportation	Carolann Wicks

LITIGATION

The State is a defendant in various suits involving contract/construction claims, tax refunds claims, allegations of wrongful discharge and/or other employment-related claims, use of excessive force, civil rights violations, and automobile accident claims. Although the State believes it has valid defenses to these actions, the State has identified a potential aggregate exposure which could exceed $17.9 million as of February 1, 2008.

THE BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing

Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions and defaults. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial

Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Saul Ewing LLP, Wilmington, Delaware, Bond Counsel, whose approving legal opinion, substantially in the form set forth in APPENDIX D, will be available at the time of the delivery of the Bonds. Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in the Official Statement nor will it express an opinion as to the accuracy, completeness, or fairness of the statements contained in the Official Statement.

TAX MATTERS

Tax Exemption-Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the State subsequent to the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The State has made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest on the Bonds (including accrued original issue discount) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the State comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so includable in gross income retroactive to the date of issuance of the Bonds. The State has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon. See discussion of "Recent State Tax Developments", "Alternative Minimum Tax", "Branch Profits Tax", "S Corporations with Passive Investment Income", "Social Security and Railroad Retirement Benefits", "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations", "Property or Casualty Insurance Company" and "Accounting Treatment of Original Issue Discount and Amortizable Bond Premium" below.

In the opinion of Bond Counsel under existing statutes, interest on the Bonds is excluded from personal and corporate income tax imposed by the State.

Recent State Tax Developments

Currently, litigation in various jurisdictions (including *Davis v. Kentucky Dept Of Revenue of The Finance and Admin. Cabinet*, 197 S.W.3d 557 (2006), in which the U.S. Supreme Court has heard arguments pursuant to a writ of certiorari granted on May 21, 2007) has called into question the permissibility under the U.S. Constitution of disparate state tax treatment of interest on bonds issued by a state and its political subdivisions and on obligations issued by other states and their political subdivisions. Delaware statutes currently result in such disparate treatment. The outcome of such review, and its impact, if any, on the exemption of the Bonds and interest thereon from state and local taxes in Delaware, or on the market value or marketability of the Bonds, cannot be predicted, and prospective purchasers of the Bonds should consult their own tax advisers regarding the foregoing matters.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the Bonds) is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the alternative minimum tax.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income". For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income". Thus, interest on the Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions not applicable to the Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the Bonds and any other tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The 2008A Bonds maturing on March 1, 2012 to March 1, 2025, inclusive, and on March 1, 2027 to March 1, 2028, inclusive are herein referred to as the "Discount Bonds". In the opinion of Bond Counsel, under existing law, the difference between the initial public offering price of the Discount Bonds as set forth on the cover page and the stated redemption price at maturity of each such Bond constitutes "original issue discount", all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a "constant interest method", which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Delaware tax treatment of original issue discount.

The 2008A Bonds maturing on March 1, 2009 to March 1, 2011, inclusive, and all of the 2008B Bonds are hereinafter referred to as the "Premium Bonds". An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

OPINIONS AND CERTIFICATES AVAILABLE ON DELIVERY OF THE BONDS

Upon delivery of the Bonds, the State will make available the following opinions and certificates dated the date of delivery of the Bonds: (1) the opinion of Saul Ewing LLP, Bond Counsel, Wilmington, Delaware, substantially in the form set forth in APPENDIX D, to the effect that the Bonds are legal and valid general obligations of the State to which the State has pledged its full faith and credit; (2) the opinion of the Attorney General or a Deputy Attorney General to the effect that no litigation is pending or known to be threatened to restrain or enjoin the issuance of the Bonds, or in any manner questioning the validity of any proceedings authorizing the issuance of the Bonds, or the levy or collection of any material portion of taxes or other revenues of the State, or contesting the completeness, accuracy or fairness of the Official Statement; and that neither the corporate existence of the State nor the titles of the officials of the State signatories hereto to their respective offices is being contested; (3) a certificate of the Issuing Officers certifying as genuine the signatures of the Issuing Officers signing the Bonds; (4) a certificate of the State Treasurer acknowledging receipt of payment for the Bonds; (5) a certificate executed by the State Treasurer relating to federal tax matters under the Internal Revenue Code of 1986, and regulations promulgated thereunder; and (6) a certificate of the Issuing Officers stating: (a) that the Official Statement, as of the date of the Official Statement, did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (b) as of the date of delivery of and payment for the Bonds there has been no material adverse change in the condition, financial or otherwise of the State, from the date of the sale of the Bonds to the date of delivery of the Bonds and from that set forth in the Official Statement.

FINANCIAL ADVISOR

Public Financial Management, Inc. has been appointed financial advisor to the State and is acting in that capacity in connection with the sale of the Bonds.

RATINGS

Fitch Ratings, Moody's Investors Service and Standard & Poor's rate the general obligation bonds of the State. The current rating of all outstanding general obligation bonds of the State assigned by Fitch Ratings is AAA, the rating assigned by Moody's Investors Service is Aaa and the rating assigned by Standard & Poor's is AAA. Fitch Ratings, Moody's Investors Service and Standard & Poor's have assigned the Bonds the ratings which appear on the cover hereof.

Such ratings reflect only the respective views of such organizations. An explanation of the significance of such ratings may be obtained from the respective organizations. There is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. No rating assures the market value of the Bonds.

UNDERWRITING

The 2008A Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith, Incorporated, as representative of a group of underwriters (the “2008A Underwriters”). The 2008A Underwriters have agreed to purchase said 2008A Bonds at a purchase price of $44,653,092.90 (which is equal to the aggregate principal amount of $45,000,000 less net original issue discount of $108,944.85 less underwriters’ discount of $237,962.25). The 2008A Underwriters' obligation to make such purchase is subject to certain terms and conditions set forth in the related purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions.

CONTINUING DISCLOSURE UNDERTAKING

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, (the "Rule") prohibits an underwriter from purchasing or selling municipal securities, such as the Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be "obligated persons" have committed to provide (i) on an annual basis, certain financial information, including financial information and operating data ("Annual Reports"), to each Nationally Recognized Municipal Securities Information Repository (a "NRMSIR") and the relevant state information repository (if any) and (ii) notice of various events described in the Rule, if material ("Event Notices"), to the Municipal Securities Rulemaking Board (the "MSRB") and to any such state information repository.

The State will agree with the purchasers of the Bonds, by executing a supplement to the Continuing Disclosure Agreement executed in connection with the issuance of its General Obligation Bonds - Series 1996A prior to the issuance of the Bonds, to provide Annual Reports with respect to itself to each NRMSIR and to any Delaware information repository that is formed. The State has determined that there currently is not any other obligated person for the purposes of the Rule. The State will provide Event Notices to the MSRB and to any Delaware information repository. The Continuing Disclosure Agreement appears as APPENDIX C to this Official Statement. Under the provisions of the State's Continuing Disclosure Agreement, the State is required to provide its Annual Report by May 1 of each year. The State is currently in compliance with all of its obligations under the Continuing Disclosure Agreement.

The execution and distribution of the Official Statement in connection with the sale of the Bonds has been duly authorized by the State.

THE STATE OF DELAWARE

RUTH ANN MINNER,
Governor

RICHARD S. CORDREY,
Secretary of Finance

HARRIET SMITH WINDSOR,
Secretary of State

JACK A. MARKELL,
State Treasurer

APPENDIX A

SUMMARY OF CASH BASIS FINANCIAL STATEMENTS
For Fiscal Years 2003 Through 2007

THE STATE OF DELAWARE
BUDGETARY GENERAL FUND
RECEIPTS, DISBURSEMENTS AND CASH BALANCES
(in thousands)

	Fiscal Years Ended June 30				
	2003(1)	2004(1)	2005(1)	2006(1)	2007(1)
Receipts					
Tax Revenue					
Personal Income	$839,879	$906,437	$1,015,637	$1,163,277	$1,186,579
Franchise	448,160	515,827	508,064	526,364	540,447
Corporation Income	108,522	106,335	157,022	182,729	177,061
Gross Receipts	147,556	161,511	176,622	179,264	157,312
Public Utility	32,762	34,083	36,504	39,354	46,156
Cigarette	36,714	75,670	80,655	88,526	88,289
Pari-Mutual	203	188	169	166	147
Inheritance and Estate	39,339	13,395	6,411	4,900	366
Realty Transfer	65,980	88,554	113,557	116,875	90,934
Alcoholic Beverage	12,239	13,385	13,777	14,238	14,801
Insurance Taxes	53,559	51,885	54,361	59,196	88,254
Bank Franchise	141,462	136,627	134,778	132,726	175,161
All Other	264,633	364,693	339,713	418,269	466,420
Total Taxes	2,191,008	2,468,590	2,637,271	2,925,884	3,031,927
Revenue Refunds	223,604	190,993	217,801	203,192	244,676
Net Taxes	1,967,405	2,277,597	2,419,470	2,722,692	2,787,251
Other Revenue					
Fees	78,020	90,187	98,985	105,300	109,386
Interest Earnings	20,777	9,044	9,105	13,497	25,266
Sales(2)	308,556	306,053	288,789	308,783	320,476
Grants, Donations & Special Income	6,055	2,429	2,400	44	0
Licenses	8,115	9,396	13,144	10,994	15,902
Other Revenue	2,693	3,297	3,431	3,110	9,030
Non-revenue and Transfers	44,736	37,670	42,260	5,495	22,901
Total Other Revenue	468,952	458,076	458,114	447,223	502,961
Total Receipts	**$2,436,358**	**$2,735,674**	**$2,877,584**	**$3,169,915**	**$3,290,212**
Disbursements					
Legislative	$ 10,951	$ 10,893	$ 11,640	$ 12,916	$ 13,174
Judicial	66,414	69,815	75,247	84,956	89,391
Executive	84,334	82,371	123,842	272,865	275,008
Technology and Information	6,410	33,314	31,843	36,813	37,647
Other Elective Offices	45,177	63,356	84,839	55,280	56,542
Legal	29,765	29,219	32,177	37,010	41,614
Dept. of State	16,765	14,976	17,058	19,292	25,592
Dept. of Finance	15,508	30,074	41,730	66,065	45,628
Dept. of Administrative Services	50,269	55,041	74,916	-	-
Dept. of Health & Social Services	639,425	652,563	707,351	783,771	852,546
Dept. of Children, Youth & Their Families	92,901	93,923	104,169	116,700	131,660
Dept. of Correction	185,493	189,619	201,694	227,496	252,143
Dept. of Natural Resources & Env. Control	40,967	43,137	45,774	57,631	70,495
Dept. of Safety & Homeland Security	99,730	95,940	99,818	114,963	120,875
Dept. of Transportation	-	-	-	12,027	1,981
Dept. of Labor	5,967	5,987	6,574	7,068	7,330
Other	18,833	19,040	19,787	20,437	25,793
Total Departments	1,408,911	1,489,267	1,678,461	1,925,290	2,047,419
Higher Education	205,233	207,508	228,342	239,291	253,820
Public Education	839,948	856,956	915,545	1,015,959	1,088,657
Total Education	1,045,181	1,064,464	1,143,887	1,255,250	1,342,477
Total Disbursements	**$2,454,092**	**$2,553,731**	**$2,822,348**	**$3,180,540**	**$3,389,896**
Receipts Over (Under) Disbursements	(17,734)	181,943	55,236	(10,625)	(99,684)
Cash Balance-Beginning of Period	481,753	464,019	645,961	701,197	690,572
General Fund Advances to Other Funds	-	-	-	-	-
Cash Balance	$ 464,019	$ 645,961	$ 701,197	$ 690,572	$ 590,888

(1) Unaudited. The State has audited GAAP financial statements for the fiscal years ending June 30, 2003 through June 30, 2007.
(2) Consists primarily of payments for board and treatment at State institutions and lottery receipts.
NOTE: Numbers are rounded and thus the sum of the detail may not equal the total.
Source: Department of Finance.

THE STATE OF DELAWARE
BUDGETARY SPECIAL FUND
RECEIPTS, DISBURSEMENTS AND CASH BALANCES
(in thousands)

	Fiscal Years Ended June 30				
	2003(1)	**2004**(1)	**2005**(1)	**2006**(1)	**2007**(1)
Receipts					
Taxes					
Insurance	$ 18,730	$ 20,093	$ 21,385	$ 24,107	$ 27,241
Local School Property	258,229	289,703	316,417	349,193	386,832
All Other	285,845	247,682	289,979	289,476	363,852
Total Taxes	562,805	557,479	627,782	662,776	777,925
Other Revenue					
Federal Grants and Reimbursements	958,421	1,036,703	1,127,048	1,204,152	1,186,399
Pension Fund Receipts	100,875	119,379	132,513	162,595	170,100
Interest Earnings	28,330	25,166	20,612	33,931	52,737
All Other	582,092	641,401	720,641	801,823	881,799
Total Other Revenue	1,669,717	1,822,648	2,000,815	2,202,501	2,291,035
Non-Revenue and Transfer					
Sale of Bonds	240,608	270,293	129,445	136,850	392,030
Receipts from Pension Fund	404,237	509,704	482,351	562,820	564,015
All Other	566,043	675,926	790,976	845,323	797,030
Total Non-Revenue and Transfer	1,210,888	1,455,923	1,402,771	1,544,993	1,753,075
Total Receipts	3,443,410	3,836,050	4,031,368	4,410,270	4,822,035
Total Disbursements	3,371,434	3,642,961	4,075,696	4,384,805	4,557,734
Receipts Over (Under) Disbursements	71,976	193,089	(44,328)	25,464	264,301
Operating Cash Balance-Beginning of Period	804,262	861,813	1,055,600	1,012,112	1,036,762
Operating Cash Balance-End of Period	**$ 876,238**	**$1,054,902**	**$1,011,272**	**$1,037,576**	**$1,301,063**
Other Cash					
Payables(2)	(14,424)	698	840	(814)	(2,411)
Cash Balance	**$ 861,813**	**$1,055,600**	**$1,012,112**	**$1,036,762**	**$1,298,653**

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(1) Unaudited. The State has audited GAAP financial statements for the fiscal years ending June 30, 2003 through June 30, 2007.
(2) Payroll withholdings are no longer considered a State budgetary Special Fund. They are a General Ledger liability entry starting in fiscal 1987.
NOTE: Numbers are rounded and thus the sum of the detail may not equal the total.

Source: Department of Finance.

THE STATE OF DELAWARE
COMBINED BUDGETARY GENERAL AND SPECIAL FUNDS
RECEIPTS, DISBURSEMENTS AND CASH BALANCES
(in thousands)

	Fiscal Years Ended June 30				
	2003(1)	**2004**(1)	**2005**(1)	**2006**(1)	**2007**(1)
Receipts					
Net Taxes	$ 2,530,209	$ 2,835,076	$ 3,047,252	$ 3,385,512	$ 3,565,176
Interest Earnings	49,107	34,210	29,718	47,428	78,003
Grants, Donations and Special Income	902,424	997,480	1,071,632	1,156,096	1,143,028
Licenses	11,905	12,639	16,989	14,523	20,517
Fees	174,080	201,376	217,144	247,263	246,886
Sales	343,556	366,224	357,300	373,403	401,066
Other Revenue	705,991	751,819	852,188	964,005	1,030,570
Total Revenue	4,717,273	5,198,823	5,592,223	6,188,229	6,485,246
Non-Revenue and Transfers	1,162,494	1,372,901	1,316,728	1,391,954	1,627,002
Total Receipts	5,879,767	6,571,724	6,908,951	7,580,184	8,112,248
Total Disbursements	5,825,526	6,196,692	6,898,043	7,565,345	7,947,629
Receipts Over (Under) Disbursements	54,242	375,031	10,908	14,838	164,619
Cash Balance-Beginning of Period	1,286,014	1,325,832	1,701,561	1,713,309	1,727,333
General Fund Advances to Other Funds	-	-	-	-	-
Operating Cash Balance-End of Period	**$1,340,256**	**$1,700,863**	**$1,712,469**	**$1,728,147**	**$1,891,952**
Other Cash					
Payables(2)	(14,424)	698	840	(814)	(2,411)
Cash Balance	**$1,325,832**	**$1,701,561**	**$1,713,309**	**$1,727,333**	**$1,889,541**

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(1) Unaudited. The State has audited GAAP financial statements for the fiscal years ending June 30, 2003 through June 30, 2007.
(2) Payroll withholdings are no longer considered a State budgetary Special Fund. They are a General Ledger liability entry starting in fiscal 1987.
NOTE: Numbers are rounded and thus the sum of the detail may not equal the total.

Source: Department of Finance.

APPENDIX B

BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2007

APPENDIX C

CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of April 15, 1996 (the "Disclosure Agreement") is executed and delivered by THE STATE OF DELAWARE (as more fully defined below, the "State") in connection with the issuance of its General Obligation Bonds - Series 1996A. The State, intending to be legally bound, hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the State for the benefit of the Holders from time to time of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the 1996A Bond Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Additional Bonds" shall mean any indebtedness of the State issued subsequent to the 1996A Bonds which the State has declared in writing to be covered by this Disclosure Agreement.

"Annual Report" shall mean any Annual Report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Bond Resolution" shall mean the 1996A Bond Resolution and, to the extent relevant, any other bond resolution or authorizing document with respect to Additional Bonds.

"Bonds" shall mean the 1996A Bonds and any Additional Bonds, if any.

"Dissemination Agent" shall mean any agent of the State designated in writing by the State which has filed with the State a written acceptance of such designation.

"Holder" shall mean any registered holder of Bonds, provided however, that with respect to any Bond registered in a "street name" or the name of a nominee such as The Depository Trust Company, the term "holder" shall mean the beneficial owner of that Bond as defined in S.E.C. Rule 13d-3.

"Issuing Officers" shall mean the Governor, Secretary of Finance, Secretary of State and State Treasurer of the State.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor organization. The current address of the MSRB is:

MUNICIPAL SECURITIES RULEMAKING BOARD
Continuing Disclosure Information System
1640 King Street, Suite 300
Alexandria, VA 22314-2719
(202) 223-9503 (phone)
(703) 683-1930 (fax)

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORY
Attn: Municipal Dept.
Bloomberg Business Park
100 Business Park Drive
Skillman, New Jersey 08558
(609) 279-3200 (phone)
(609) 279-3224 (phone)
(609) 279-5962 (fax)
[U.S. Mail: P.O. Box 840
Princeton, NJ 08542-0840]

THE BOND BUYER
Attn: Secondary Market Disclosure
395 Hudson Street, 3rd Fl.
New York, New York 10004
(212) 807-3814 (phone)
(212) 807-3868 (phone)
(212) 989-9282 (fax)
Internet: disclosure@muller.com

DISCLOSURE, INC.
Attn: Document Acquisitions/Municipal Securities
5161 River Road
Bethesda, Maryland 20816
(301) 951-1450 (phone)
(301) 718-2329 (fax)

R.R. DONNELLEY & SONS
Municipal Securities Disclosure Archive
559 Main Street
Hudson, Mass. 01749
(800) 580-3670 (phone)
(508) 562-1969 (fax)
Internet: http://www.municipal.com

KENNY INFORMATION SYSTEMS, INC.
Attn: Kenny Repository Service
65 Broadway, 16th Fl.
New York, New York 10006
(212) 770-4595 (phone)
(212) 797-7994 (fax)

MOODY'S NRMSIR
Attn: Public Finance Information Center
99 Church Street, 6th Floor
New York, New York 10007-2701
(800) 339-6306 (phone)
(212) 553-1460 (fax)

"1996A Bond Resolution" shall mean the bond resolution duly adopted by the Issuing Officers of the State with respect to the 1996A Bonds on April 23, 1996.

"1996A Bonds" shall mean the State's $100,000,000 aggregate principal amount General Obligation Bonds - Series 1996A dated April 15, 1996.

"1996A Underwriter" shall mean Lehman Brothers.

"Obligated Person" shall have the meaning set forth in the Rule, provided that the sole objective criteria used to select the Obligated Person shall be the entity obligated to repay all debt service with respect to the relevant Bonds.

"Participating Underwriter" shall mean the 1996A Underwriter and any of the original underwriters of any Additional Bonds required to comply with the Rule in connection with offering of such Additional Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission including, by way of example, the staff interpretive guidance dated June 23, 1995 from Robert L.D. Colby, Deputy Director or the letter dated September 19, 1995 from Catherine McGuire, Chief Counsel, Division of Market Regulation addressed to John S. Overdorff, Esquire.

"State" shall mean The State of Delaware, or any successor Obligated Person that assumes either by operation by law or by contract both (i) the obligation to pay debt service on the Bonds and (ii) the obligations of the State under this Disclosure Agreement.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The State shall, or shall cause the Dissemination Agent to, not later than the first day of the eleventh calendar month immediately following the end of the State's fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the State shall provide the Annual Report to the Dissemination Agent, if any. Given the State's current fiscal year, this obligation to provide an Annual Report occurs by not later than May 1 of each year, commencing May 1, 1997. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided however that the audited financial statements of the State may be submitted separately from the balance of the Annual Report.

(b) If the State is unable to provide the Annual Report to Repositories by the date required in subsection (a), the State shall send a notice to each Repository (or to the MSRB and the State Repository) in substantially the form attached as Exhibit A.

(c) The Dissemination Agent, if any, shall: (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Audited financial statements of the State not submitted as part of the Annual Report shall be provided to each Repository, if and when available to the State, and in any event not more than thirty (30) days after receipt thereof from the State's auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the State shall provide in lieu thereof unaudited financial statements meeting the description set forth in Section 4(a)(i) hereof.

(e) The State shall promptly provide written notice of any change in its fiscal year to the MSRB and to each Repository.

SECTION 4. Content of Annual Reports.

(a) The State's Annual Report shall contain or incorporate by reference the information listed in Exhibit B with respect to the relevant fiscal year.

(b) Notwithstanding the provisions of Section 4(a) above, in the event the State provides for the repayment of the Bonds through an economic defeasance, such that repayment of the principal of and interest on the Bonds are expected to be derived from escrowed securities, and not the general revenues of the State (the “Defeased Bonds”), the State's Annual Report with respect to such Defeased Bonds shall only contain or incorporate by reference a report by a certified public accountant (the “Verification Report”) as to the mathematical accuracy of computations showing the sufficiency of the receipts from the escrowed securities to pay, when due, the principal, interest and redemption premium (if any) requirements of the Defeased Bonds; provided that the State receive an opinion of counsel with expertise in federal securities law to the effect that such Annual Report is permitted by the Rule. Any cross reference to the Verification Report may be contained in a footnote to the State's audited financial statements.

(c) Any or all of the items required may be incorporated by reference from other documents, including official statements of debt issues of the State or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The State shall clearly identify each such other document so incorporated by reference.

(d) If any information described in Section 4(a) above can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the State under this Section 4, provided however that the State shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non payment-related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. Modifications to rights of Bondholders;

8. Bond calls (other than mandatory sinking fund redemptions);

9. Defeasances of Bonds;

10. Release, substitution, or sale of property securing repayment of any Bonds; or

11. Rating changes.

(b) If a Listed Event occurs, the State shall as soon as possible determine if such event would constitute material information for holders of Bonds, in accordance with the applicable "materiality" standard under then-current securities laws.

(c) If the occurrence of a Listed Event would be material to holders of Bonds in accordance with the applicable "materiality" standard under then-current securities laws, the State shall in a timely manner file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB and the State Repository (if any). Notwithstanding the foregoing, notice of Listed Events need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Bond Resolution, provided that such notice is given in a timely manner.

SECTION 6. Accounting Standards. The financial statements described in Section 4(a)(i) above shall be audited by either a certified public accountant or an independent public accountant and shall be prepared in accordance with both (a) generally accepted accounting principles applicable in the preparation of financial statements of municipalities and other public entities as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body ("GAAP"), and (b) applicable federal and state auditing statutes, regulations, standards and/or guidelines; provided however that the State may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal and state statutes, regulations, standards and/or guidelines. The State currently utilizes a combination of modified accrual and GAAP bases for its budgeting and reporting obligations. To the extent the State shifts solely to a GAAP basis, the State reserves the right to provide its Annual Report based solely on that basis. Any such modification of accounting standards to conform to changes in either GAAP or applicable federal or state auditing statutes, regulations, standards or guidelines shall not constitute an amendment to this Disclosure Agreement within the meaning of Section 9 hereof, provided that such modifications are disclosed in the first Annual Report to be provided subsequent to such modifications.

SECTION 7. Termination of Reporting Obligation. The State's obligations under this Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) the assumption by a successor Obligated Person of all of the obligations of the prior Obligated Person both hereunder and under the Bonds. The prior State shall provide timely written notice to each Repository of any termination of its obligations hereunder.

SECTION 8. Dissemination Agent. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendments. (a) Notwithstanding any other provision of this Disclosure Agreement, the State may modify or amend this Disclosure Agreement if the following preconditions are satisfied:

(i) the modification or amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the State, or change in the type of business conducted by the State;

(ii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Bonds, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and

(iii) the modification or amendment does not materially adversely affect the interests of Holders, as determined either by a party unaffiliated with the State (such as a paying agent or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

Compliance with the provisions of this Section 9(a) shall be conclusively evidenced by a written opinion of nationally recognized bond counsel to the effect that the modification or amendment satisfies the requirements of this Section 9(a).

(b) The State shall report any modification or amendment of this Disclosure Agreement as required by the Rule. To the extent required by the Rule, the State shall include as a component of the first Annual Report to be provided subsequent to the relevant amendment, a copy of the amendment, together with a notice explaining in narrative form both (i) the reasons for the amendment and (ii) the impact of the change in the type of operating data or financial information being provided. To the extent required by the Rule, if the amendment relates to changes in accounting principles to be followed in preparing financial statements, the first Annual Report to be provided subsequent to the relevant amendment shall also include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles and a qualitative (and to the extent reasonably feasible, quantitative) discussion of the differences in the accounting principles and the impact of the change in the accounting principles upon the presentation of the financial information. Written notice of any such change in accounting principles shall be provided in a timely fashion to each Repository.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the State chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the State shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the State to comply with any provision of this Disclosure Agreement, a paying agent, any Participating Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the State to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the State to comply with this Disclosure Agreement shall be an action to compel performance; provided however that nothing herein shall limit any Holder's rights under applicable federal securities law.

SECTION 12. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision or the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time by construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 13. Entire Agreement. This Disclosure Agreement contains the entire agreement of the State with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto, provided however that this Disclosure Agreement shall be interpreted and construed with reference to and in *pari materia* with the Rule.

SECTION 14. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 15. Beneficiaries. This Disclosure Agreement is being entered into solely for the benefit of the Participating Underwriters and Holders from time to time of the Bonds, and nothing in this Disclosure Agreement expressed or implied is intended to or shall be construed to give to any other person or entity any legal or equitable right, remedy or claim under or in respect of this Disclosure Agreement or any covenants, conditions or provisions contained herein.

SECTION 16. Governing Law. This Disclosure Agreement shall be deemed to be a contract made under the laws of the State of Delaware, and all provisions hereof shall be governed and construed in accordance with the laws of the State of Delaware, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, The State of Delaware has caused this Disclosure Agreement to be duly executed by the Secretary of Finance as of the day and year first above written.

____

Sarah Jackson
Secretary of Finance
The State of Delaware

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of State: The State of Delaware

Name of Bond Issue: $100,000,000 General Obligation Bonds - Series 1996A

Date of Issuance: April 30, 1996

CUSIP: ____________________________

NOTICE IS HEREBY GIVEN that the State has not provided an Annual Report with respect to the above-named Bonds as required by Section 16 of the Bond Resolution adopted April 23, 1996 in a timely manner. [The State anticipates that the Annual Report will be filed by __________________.]

Dated: _________________

THE STATE OF DELAWARE

By:____________________________________
Authorized Officer

EXHIBIT B

CONTENTS OF ANNUAL REPORT

The Annual Report shall contain the following:

1. Audited financial statements for the prior fiscal year in form and content substantially the same as those appended to the State's Official Statement with respect to the 1996A Bonds.

2. A Summary of the Cash Basis Financial Statements for the prior fiscal year in form and content substantially the same as those appended to the State's Official Statement with respect to the 1996A Bonds.

3. An update of the type of information included in the below-listed tables and sections in the Official Statement to the extent not included in Item Nos. 1 or 2 above:

(a) General Obligation Debt Service (p. 3) - updated for the issuance of general obligation debt through the prior fiscal year.

(b) The 5% Rule (p. 4) - updated for the current fiscal year.

(c) The 15% Test and the Cash Balances Test (p. 5-6) - updated for the current fiscal year.

(d) DEFAC Budgetary General Fund Revenue Projections (p. 29) - updated for the prior fiscal year.

(e) Budgetary General Fund Revenue (p. 30) - updated for the prior fiscal year.

(f) Budgetary General Fund Expenditures (p. 31) - updated for the prior fiscal year.

(g) Sources and Uses of State Funds (p. 32) - updated to compare the prior fiscal year to the fiscal year ten years prior.

(h) Budgetary General Fund Disbursements (p. 45) - updated for the prior fiscal year.

(i) Public School Enrollment (p. 46) - updated for the prior year.

(j) Welfare Expenditures (p. 47) - updated for the prior fiscal year.

(k) Total Federal Funds (p. 50) - updated for the prior fiscal year.

4. An update of the type of information included in the text and tables under the heading “Bonded Indebtedness of the State” beginning with the subsection “General Obligation Debt” through “State Revenue Debt” (p. 7-10) for the prior fiscal year. The information under the heading “Lease Obligations” shall be updated to cover the five fiscal year period beginning with the prior fiscal year.

5. An update of the type of information included in the text under the heading “Indebtedness of Authorities, Certain Higher Education Institutions and Political Subdivisions - Authorities - Delaware

Transportation Authority" (p. 11) for the prior fiscal year; and "- Delaware State Housing Authority" (p. 12) updated for the prior fiscal year.

6. An update of the type of information included in the text and tables under the heading "Fiscal Year Ended June 30, 1995" (p. 33-35) for the prior fiscal year.

7. An update of the type of information included in the text and tables under the heading "State Pension Plan" (p. 51-53) for the prior fiscal year.

8. An update of the text appearing in the first paragraph under the heading "Employee Relations" (p. 53) for the prior fiscal year.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[FORM OF OPINION OF BOND COUNSEL]

March 13, 2008

OPINION OF BOND COUNSEL

RE: The State of Delaware
$45,000,000 General Obligation Bonds - Series 2008A
$172,375,000 General Obligation Bonds – Series 2008B

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance of $45,000,000 General Obligation Bonds – Series 2008A and $172,375,000 General Obligation Bonds – Series 2008B (collectively, the "Bonds") by The State of Delaware (the "State") on the date hereof. The Bonds are issued as fully registered Bonds as provided in the Bonds and in a resolution of the Issuing Officers of the State adopted March 4, 2008 (the "Resolution").

The Bonds are issued pursuant to the Constitution and laws of the State including Chapter 74, Title 29, Delaware Code, as amended and the Resolution.

As Bond Counsel, we have examined a certified copy of the Resolution and the form of Bonds. We have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

We have relied on a certificate of the State as to the due execution and delivery of, and payment for, the Bonds. As to any facts material to our opinion we have, when such facts were not independently established, relied upon the aforesaid instruments, certificates and documents including the State's Federal Tax Certificate as to Arbitrage and Instructions as to Compliance with Provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended, dated the date of issuance of the Bonds, and the statement of reasonable expectations of future events set forth in such certificate.

We have not verified the accuracy, completeness or fairness of the information set forth in any offering statement or other similar documents of the State delivered to the purchasers or prospective purchasers of the Bonds, and we take no responsibility therefor.

Based on the foregoing, we are of the opinion as of the date hereof and under existing law that:

1. The Bonds have been duly authorized, executed and delivered and constitute legal and valid general obligations of the State.

2. The State has pledged its faith and credit for the payment of the principal of and interest on the Bonds. The Constitution of the State does not contain any limitation upon the rate or amount of taxes which may be levied by the State for the payment of principal of and interest on the Bonds with the exception that any law which shall have the effect of increasing the rates of taxation on personal income for any year or part thereof prior to the date of the enactment thereof, or for any year or years prior to the year in which the law is enacted, would be void.

3. Interest on the Bonds (including accrued original issue discount) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the State complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The State has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

4. Interest on the Bonds is excluded from taxable income for the purposes of personal and corporate income taxes imposed by the State.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.